

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**TOWN OF CLAYTON
NORTH CAROLINA**

FISCAL YEAR ENDED JUNE 30, 2010



TOWN OF CLAYTON
North Carolina

Comprehensive Annual Financial Report

June 30, 2010

Prepared by:
Finance Department

Finance Director:
Robert W. McKie, Jr.



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INTRODUCTORY SECTION



Jody L. McLeod
MAYOR

Parker Poe Adams & Bernstein
TOWN ATTORNEY

Steve Biggs
TOWN MANAGER

Premier Community



for Active Families

COUNCIL MEMBERS
Bob Satterfield
R.S. "Butch" Lawter, Jr.
Alex Harding
Art Holder

Michael Grannis
MAYOR PRO TEM

November 19, 2010

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

State law requires 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 is published to fulfill that requirement for the fiscal year ended June 30, 2010.

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 of any material misstatements.

Anderson Smith & Wike PLLC has issued an unqualified ("clean") opinion on the Town of Clayton's financial statements for the year ended June 30, 2010. 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. MD&A complement 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 12.78 square miles area and has a population of approximately 16,362 per the U.S. Census Bureau estimate for 2009. Clayton is the fastest growing municipality in Johnston County with an annual growth rate of approximately 4%. The Town has the statutory authority to extend its corporate limits through voluntary annexation under the direction of Town Council. The Town annexed approximately 294 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 employed by the Town to manage and oversee its daily operations.

The Council is required to adopt a fiscal year operating budget by no later than June 30th 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 maintain an overall strong financial profile despite the economic downturn that is causing financial difficulties at the national, State, and local level. The primary underlying factors are an expanding local economy, which is anchored by a growing participation in the Raleigh-Durham-Research Triangle Park (RTP) employment bases; strong tax base growth over the most recent five-year period, which has provided financial flexibility for capital spending; an overall strong financial position highlighted by the maintenance of a very favorable unreserved fund balance; and a moderate debt burden with rapid amortization and a manageable capital plan.

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 AA bond rating from Standard & Poor's and received a recalibrated bond rating from A2 to Aa3 by Moody's Investor Service, which is not considered an upgrade. In 2009 BusinessWeek magazine, which is one of the world's leading business publications, rated the local public schools among the top in the U.S. with an average rating of 9.3 out of 10, one of the highest rankings in the country, and ranked the Town tenth in the country for most affordable places to live and enjoy a top quality public education system:

http://images.businessweek.com/ss/09/09/0924_zip_codes_with_great_schools/1.htm

As evidence of the substantial growth in Clayton, the Town is rapidly becoming a hub for the medical services industry and related employment. The Town is currently home to facilities operated by WakeMed, Johnston Health Services, and Duke University Medical Center. In 2008, Johnston Health began construction of

the Johnston Medical Center-Clayton, a new \$39 million full service medical facility located on a 75 acre tract inside the Town limits.

Johnston Medical Center-Clayton opened in August of 2009 and employs approximately 150 people. The facility will develop in phases with initial services covering emergency medicine, two operating rooms, and comprehensive outpatient diagnostic imaging and lab services. In addition, the site includes a free-standing medical office building and expansion plans include construction of 53,500 square feet of space to house a full-service hospital with as many as 100 inpatient beds.

The Town expects to attract significant new retail, office, and high-density residential development on the south side, primarily due to the recently completed Highway 70 Bypass and related interchange on Highway 42 west. The opportunities created by this major interchange are furthered by its proximity to the Johnson Medical Center-Clayton. As evidence of the potential in this area, the Town approved plans for a new development proposed by the Lundy Group in April 2009. The approved project is intended to provide support services for the new medical center. The complex will include retail stores, restaurants, a bank, and offices on an approximately 50 acre parcel adjacent to Johnston Medical Center-Clayton.

Access Medical Development recently proposed a new medical park across from Johnston Medical Center-Clayton on Highway 42, which was approved by the Town's Planning and Zoning Board and is currently under review by the Town Council. An 8-acre, 60,000 square feet office complex comprised of four buildings is planned for the first phase. The entire 21-acre tract may include more medical offices, restaurants, and a hotel when fully developed.

Plans for two mixed-use developments were approved in the prior fiscal year: Riverwood Ranch, a 267-acre tract with 730 residential lots proposed, will also include a 238-home senior community and 49,717 square feet shopping center called The Market at Riverwood, which recently opened and is anchored by a national brand grocery store; The Woods at Glen Laurel is a new development with approximately 52 residential lots, an office building, and an operational day care center. Also, Creekside Commons, a new 104-home subdivision on a 28-acre tract, was approved in September of 2010.

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.

The Clayton economy is diversified with a balance of manufacturing and non-manufacturing industries. The Town is home to three large international pharmaceutical companies as well as a special purpose Research and Training Zone (RTZ), which is an economic development and training district created through

special legislation that supports the special needs of the local pharmaceutical industries. The RTZ includes a 30,000 square foot pharmaceutical jobs training center (Workforce Development Center), which operates a partnership between Johnston Community College and North Carolina State University. The Town's employment base includes approximately 10 percent of all biopharmaceutical jobs in the State.

The largest manufacturing employer is Talecris Biotherapeutics, Inc. ("Talecris"), a high-tech manufacturer of blood plasma related products for a variety of applications. The manufacturing facility has been in operation since 1981 and is now the primary manufacturing facility with approximately 1,200 employees. A private equity firm purchased the facility from Bayer Corporation in 2005 and in October of 2009 an initial public offering (IPO) was completed.

In November of 2009, Talecris announced a \$268.7 million manufacturing expansion that will create 259 new jobs with an average annual compensation of more than \$51,000 plus benefits, an amount which is approximately 62% higher than the current county average of \$31,408. The company cited three primary factors for selecting its Clayton facility for the expansion project: a quality workforce; close proximity to major universities; and monetary incentives. The most prominent investment is for a state-of-the-art fractionation facility with a projected commercial start-up in 2015, which will result in a 43% increase in plasma processing capacity annually. In June of 2010, Talecris entered into a definitive merger agreement with Grifolis, a Spanish-owned biotech company that produces treatments based on blood plasma. Under the terms of the agreement, Grifolis will acquire all the common stock of Talecris. The merger is not expected to adversely impact the expansion of the manufacturing facility and will facilitate product distribution in the European market.

Novo Nordisk Pharmaceutical Industries ("Novo Nordisk"), the world's largest supplier of insulin products, has maintained a presence in the RTZ since 1991, and currently employs approximately 500. In June of 2007, Novo Nordisk completed construction of a \$113 million plant expansion, which added approximately 185 jobs. The products manufactured at the Clayton plant are marketed in North America, Europe, New Zealand and Australia. In September of 2010, the Clayton manufacturing facility won the Carolina Parenting Inc. Magazine 2009 Top 50 Family-Friendly Companies award and in October of 2010, Novo Nordisk announced a \$73 million expansion for a new insulin delivery device that will create 85 new jobs with an average salary of \$42,976 plus benefits. Hospira, Inc. ("Hospira") is a pharmaceutical bio-processing company also located in the RTZ. After purchasing the facility from Fresenius Kabi, Hospira invested approximately \$15 million in machinery and equipment and added approximately 150 new jobs bringing total employment to 200.

Caterpillar, Inc., a Fortune 100 company, is another large manufacturing employer in Clayton. The Building and Construction Products Division of Caterpillar ("CAT") operates an assembly facility located in the Town, which assembles and distributes all CAT rubber tire front-end loaders for North America and the export market. CAT of Clayton employs approximately 1,000 at full productive capacity.

In response to the downturn in the world economy, CAT conducted a series of layoffs in the third quarter of 2008. In November of 2009, CAT announced plans to shift the production of backhoe loaders at the Clayton plant overseas to its U.K. plant and move wheel loader production from the U.K. plant to the Clayton plant. As part of the transition process, CAT announced plans in March of 2010 to lay off another 121 workers at the Clayton assembly facility and also announced the company was making a significant investment in a new assembly line that will require adding workers in the not-too-distant future. The total impact on Town employment related to the layoffs and corporate restructuring is uncertain at this time; however, CAT has reestablished profitability and is increasing production based on increases in orders.

During the same timeframe that CAT began to implement production (supply and demand) related employment reductions at the Clayton facility; it purchased approximately 252 acres of land adjacent to the assembly facility. CAT recently completed construction of its Core Products Development Center on the site where prototype machines will be designed and assembled to meet new market demands. According to the company, 160 designers, engineers and managers were relocated from its offices located in Cary, NC to the new complex in Clayton. Prototype units will be designed, tested and subjected to customer's hands-on operation and critique.

Ashley Furniture HomeStore, is a furniture retailer and the most recent new large facility employer in the Town, opened a \$7 million, 135,000 square feet sales and regional distribution center in April of 2008. The center includes a 20,000 square feet retail space and a 100,000 square feet distribution center behind the retail area that serves the Town's retail store and other regional Ashley retail centers. The facility also serves as the corporate location for FreDe Enterprise LLC, an Ashley franchisee, and includes its administrative service center, composed of the customer service, accounting, technology, and human resources functions. The facility presently employs approximately 100 people. FreDe Enterprises LLC recently filed a Chapter 11 bankruptcy and intends to permanently close the retail and distribution location in Clayton.

Turkington USA, a designer and manufacturer of industrial ovens, mixers, coolers, and packaging systems, relocated its international headquarters from Goldsboro, North Carolina to the Town in September 2009 on a site adjacent to the Talecris facility. The company employs 120 people and an additional 35 jobs are expected to be added.

In February of 2010, 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, announced plans to open a new \$25.4 million bakery operation that will create 84 new jobs with an average salary of \$41,815 plus benefits. The 80,000 square feet facility is expected to be operational within one year. The Town was recently awarded a \$700,000 Community Development Block Grant, which will provide primary funding of the infrastructure costs for an access road and water and sewer lines. The Town made a \$233,333 commitment of local funds and expects additional assistance from the NC Department of Transportation.

The Town of Clayton's downtown area experienced a gain of 8 new businesses and 19 new jobs and only 4 businesses closed, which is the fewest number since tracking started in 2005. Private investment increased approximately \$1.0 million and over \$1.1 million of public improvements were completed.

Also, the Town of Clayton has been selected to host the 2012 North Carolina Main Street Conference in January of 2012. The conference will unite officials from 61 Main Street municipalities and 28 Small Town Main Street communities across North Carolina during a series of workshops and meetings. The Main Street program was created by the National Trust for Historic Preservation. The primary focus of the program is to share effective downtown revitalization strategies with other towns throughout the State.

Financial Planning

The Town places a high value on fiscal responsibility and is taking reasonable precautions to safeguard its financial position. The decline in General Fund revenues in FY 2010, which was primarily attributable to lower distributions from the State and lower revenue from growth activities resulted in large cuts to the budget for FY 2011, including staff reductions and a pay freeze. This foresight is expected to result in a smaller number of subsequent adjustments, particularly if the economic recovery is delayed or stalls. Revenues from local option sales tax were \$196,808 lower (7.86%) than budgeted. Revenues from building permits were \$102,869 higher than budgeted, which resulted primarily from the Talecris expansion.

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:

- Financially responsible municipality providing quality service
- Growing the local economy
- Managing growth-producing quality developments
- Expanding leisure opportunities and the arts community
- Beautifying the Town of Clayton
- Creating an alive downtown

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

The Mayor and Town Council established a list of top of priorities for FY 2011 during a weekend planning session in February of 2010. The list is as follows:

- Electric rates and policies – load management and incentive
- Water and Sewer rates
- Comprehensive fees: analysis, policy, and structure
- Review development standards and policy
- Small area and infrastructure plan for US 70-Business/US 70 Bypass
- Code enforcement enhancement
- Department cost reduction plan
- Public information upgrade
- Raleigh wastewater transmission line easement
- “Think Clayton” marketing plan and campaign
- Community Center programming
- Debt collection policy and action
- “Think Clayton” Downtown marketing plan

Major Initiatives

The Town recently held a public forum for the US 70 Corridor Plan, which was subsequently presented to Town Council for consideration. The plan will serve as a blueprint for future land use and land development decision making along the corridor. The primary objective is to preserve the rural viewsheds along the corridor and to promote development standards that will preserve and enhance visual quality while minimizing the impact of future development on the qualities that define this rural corridor.

The Town entered into an agreement to purchase an 81-acre tract of land along the Neuse River for future park development. The \$2.025 million purchase will be funded primarily with the proceeds of the July 2009 bond issue for open space projects. The Mountains-to-Sea Trail will run through the tract as well. The purchase is part of the Town’s vision to upgrade existing parks and build new ones as growth occurs.

The Think Clayton Public Square Project was recently completed and opened to the public in time for the holiday shopping season. The project was part of the Town’s vision for revitalizing the downtown area and includes 30 premium parking spaces surrounded by a plaza, sidewalks, benches, and enhanced landscaping. In October, the Town celebrated the dedication for the upgraded All-Star Park and Pavilion, which was originally built in 1983, and includes new playground equipment and upgrades to the basketball court and parking lot. The new pavilion is a bungalow design with bathrooms and a picnic shelter. The \$300,000 project was funded by the proceeds from the July 2009 bond sale.

Also, construction has started on the new \$6.0 million, 19,000 square foot two-story Law Enforcement Center and a new \$3.2 million, 1.0 million gallon elevated water storage tank is expected to commence construction before the end of FY 2011. The tank will enhance fire protection in the area served by the Town’s Fire Station No. 2 and serve as a backup water supply.

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 years ended June 30, 2009. This was the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


R. Steven Biggs
Town Manager

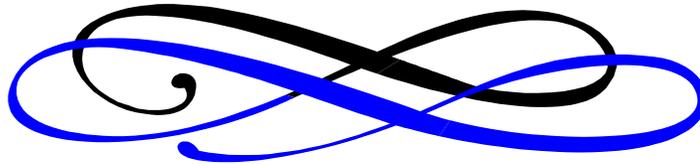

Nancy T. Medlin
Deputy Town Manager


Robert W. McKie, Jr.
Finance Director

Town of Clayton

MISSION STATEMENT:

Premier Community for Active Families



2010 – 2015 Goals:

*Financially Responsible Town Government Providing
Quality Service*

Grow the Local Economy

Manage Growth Producing Quality Developments

Expand Leisure Opportunities and Arts Community

Beautify the Town of Clayton

Create an Alive Downtown

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

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, a 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.

Located near two interstate highways: I-40 and I-95, on the western edge of Johnston County, Clayton is the fastest growing town in Johnston County. Today it is a thriving community with an estimated population of 16,362. 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 Talecris, Hospira, and Novo Nordisk employs many of the Clayton area residents. Caterpillar is also major employer in the Clayton area. With industrial expansion and rapid residential growth, Clayton continues to be a prosperous town in which to live and work.



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



Pictured above:

Front Row: Councilman Art Holder, Mayor Pro Tem Michael Grannis, Mayor Jody L. McLeod, and Councilman Bob Satterfield

Second Row: Town Clerk Sherry L. Scoggins, Town Attorney Brenton McConkey, Councilman Alex Harding, Town Manager Steve Biggs, Councilman R.S. “Butch” Lawter Jr., 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

Brenton McConkey
(Parker Poe Adams &
Bernstein)

Town Attorney

Sherry Scoggins

Town Clerk

Ronnie Wood
Electric System
Manager

Tim Simpson

Public Works Director

Lee Barbee

Fire Chief

Glen Allen

Police Chief

Betty Coats

Library Director

Catherine Whitley
Human Resources
Director

Ann Game
Customer Service
Director

Larry Bailey

Recreation Director

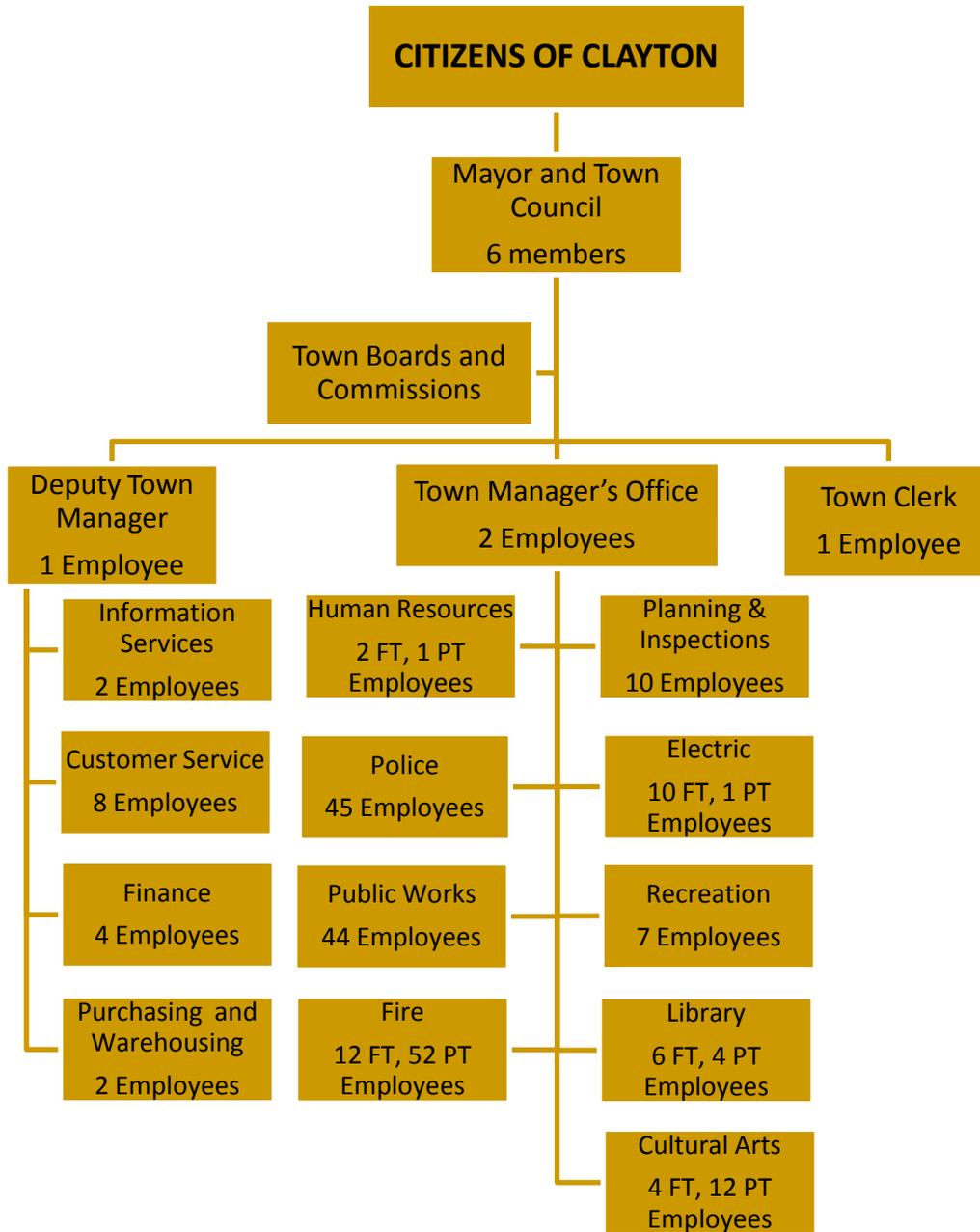
Heidi Stump

Cultural Arts Director

Town of Clayton Boards and Commissions



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

154 South Harbor Watch Drive
Statesville, North Carolina 28377
(704) 562-5039

713 South Main Street
Heritage House
Laurinburg, North Carolina 28352
(910) 277-2795

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clayton's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010 on our consideration of Town of Clayton's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 14, and 53 through 56 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Clayton, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profits Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and accordingly, we express no opinion on them.



October 1, 2010

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, 2010. We encourage readers to consider 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 of the Town of Clayton exceeded its liabilities at the close of the fiscal year by \$60,072,428 (*net assets*). Of this amount \$18,559,835 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$688,122, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$13,557,007, an increase of \$3,153,066 in comparison with the prior year. Approximately 28% of the ending fund balance, or \$3,772,191 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,772,191, or 24.01% of total general fund expenditures for the fiscal year.
- The Town of Clayton received a recalibrated bond rating from Moody's Investor Service (A2 to Aa3), which is not considered an upgrade, and maintained its Standard & Poor's rating (AA).
- Total General Fund debt increased by \$3,710,161 (26.4%) during the current fiscal year. The key factor in this increase was the issuance of general obligation public improvement bonds in the amount of \$5,000,000 (\$3,000,000 for streets projects and \$2,000,000 for open space projects).

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Town of Clayton's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Clayton is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Clayton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Clayton include general government, public safety, streets, sanitation, economic development, and culture and recreation. The business-type activities of the Town of Clayton include a water distribution, wastewater treatment, and an electric distribution operation.

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

Fund Financial Statements - 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 state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Clayton maintains three 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 two capital project funds, which are all considered being major funds.

The Town of Clayton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and for the electric distribution operation, both of which are considered to be major funds of the Town of Clayton.

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 27-52 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 53 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Clayton, assets exceeded liabilities by \$60,072,428 at the close of the most recent fiscal year.

By far the largest portion of the Town of Clayton's net assets (65.47%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Clayton's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 15,290,923	\$ 11,316,508	\$ 10,346,368	\$ 11,132,511	\$ 25,637,291	\$ 22,449,019
Other Non-current assets	-	-	-	-	-	-
Capital assets	31,767,024	30,875,720	38,286,106	38,339,738	70,053,130	69,215,458
Total assets	47,057,947	42,192,228	48,632,474	49,472,249	95,690,421	91,664,477
Current liabilities	3,419,458	2,337,655	4,150,312	3,565,365	7,569,770	5,903,020
Noncurrent liabilities	16,924,480	13,346,457	11,123,743	13,030,694	28,048,223	26,377,151
Total liabilities	20,343,938	15,684,112	15,274,055	16,596,059	35,617,993	32,280,171
Net assets:						
Invested in capital assets, net of related debt	14,028,775	16,847,632	25,302,620	20,498,064	39,331,395	37,345,696
Restricted	2,181,198	3,015,859	-	-	2,181,198	3,015,859
Unrestricted	10,504,036	6,644,625	8,055,799	12,378,126	18,559,835	19,022,751
Total net assets	\$ 26,714,009	\$ 26,508,116	\$ 33,358,419	\$ 32,876,190	\$ 60,072,428	\$ 59,384,306

An additional portion of the Town of Clayton's net assets (3.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$18,559,835) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Clayton is able to report positive balances in all three categories of net assets, 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.

There was a decrease of \$834,661 in restricted net assets reported in connection with the Town of Clayton's governmental activities, primarily due to the completion of the Clayton Community Center.

The government's net assets increased in the amount of \$688,122 in the current fiscal year. The majority of this increase was due to increases in business-type activities.

Governmental activities. Governmental activities increased the Town's net assets by \$205,893, thereby accounting for 29.9% of the total growth in the net assets of the Town of Clayton. Key elements of this increase are as follows:

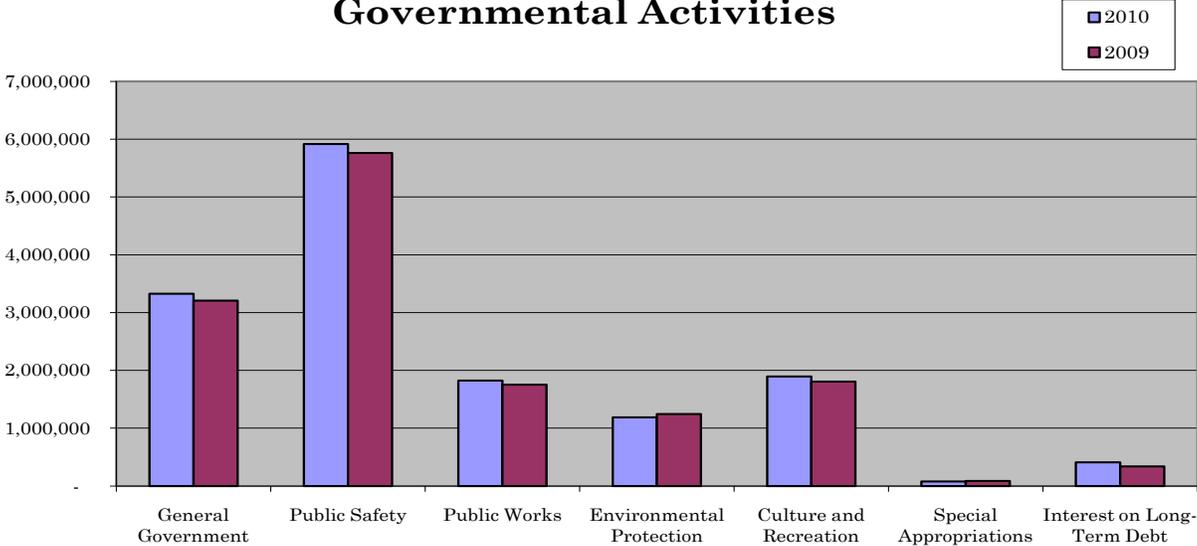
Town of Clayton Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 1,741,196	\$ 1,714,007	\$ 18,868,946	\$ 18,089,150	\$ 20,610,142	\$ 19,803,157
Operating grants and contributions	904,069	971,218	202,311	151,061	1,106,380	1,122,279
Capital grants and contributions	873,513	1,043,361	-	79,160	873,513	1,122,521
General revenues:						
Property taxes	7,307,811	7,303,733	-	-	7,307,811	7,303,733
Other taxes	962,382	1,254,282	-	-	962,382	1,254,282
Grants and contributions not restricted to specific programs	2,339,785	2,543,761	-	-	2,339,785	2,543,761
Unrestricted investment earnings	36,076	138,837	13,540	88,252	49,616	227,089
Miscellaneous	677,145	1,398,090	358,923	717,116	1,036,068	2,115,206
Total revenue	<u>14,841,977</u>	<u>16,367,289</u>	<u>19,443,720</u>	<u>19,124,739</u>	<u>34,285,697</u>	<u>35,492,028</u>
Expenses:						
General government	3,328,189	3,209,290	-	-	3,328,189	3,209,290
Public safety	5,914,190	5,761,209	-	-	5,914,190	5,761,209
Public works	1,825,793	1,751,273	-	-	1,825,793	1,751,273
Environmental protection	1,187,049	1,247,291	-	-	1,187,049	1,247,291
Culture and recreation	1,894,227	1,808,121	-	-	1,894,227	1,808,121
Interest on long-term debt	409,069	339,114	-	-	409,069	339,114
Special appropriations	77,567	87,954	-	-	77,567	87,954
Water and Sewer	-	-	6,618,852	6,826,222	6,618,852	6,826,222
Electric	-	-	12,342,639	12,376,728	12,342,639	12,376,728
Total expenses	<u>14,636,084</u>	<u>14,204,252</u>	<u>18,961,491</u>	<u>19,202,950</u>	<u>33,597,575</u>	<u>33,407,202</u>
Increases in net assets before transfers	205,893	2,163,037	482,229	(78,211)	688,122	2,084,826
Transfers	-	-	-	-	-	-
Changes in net assets	<u>205,893</u>	<u>2,163,037</u>	<u>482,229</u>	<u>(78,211)</u>	<u>688,122</u>	<u>2,084,826</u>
Net assets, beginning	26,508,116	24,345,079	32,876,190	32,954,401	59,384,306	57,299,480
Prior Period Adjustment	-	-	-	-	-	-
Net assets, restated	<u>26,508,116</u>	<u>24,345,079</u>	<u>32,876,190</u>	<u>32,954,401</u>	<u>59,384,306</u>	<u>57,299,480</u>
Net assets, ending	<u>\$ 26,714,009</u>	<u>\$ 26,508,116</u>	<u>\$ 33,358,419</u>	<u>\$ 32,876,190</u>	<u>\$ 60,072,428</u>	<u>\$ 59,384,306</u>

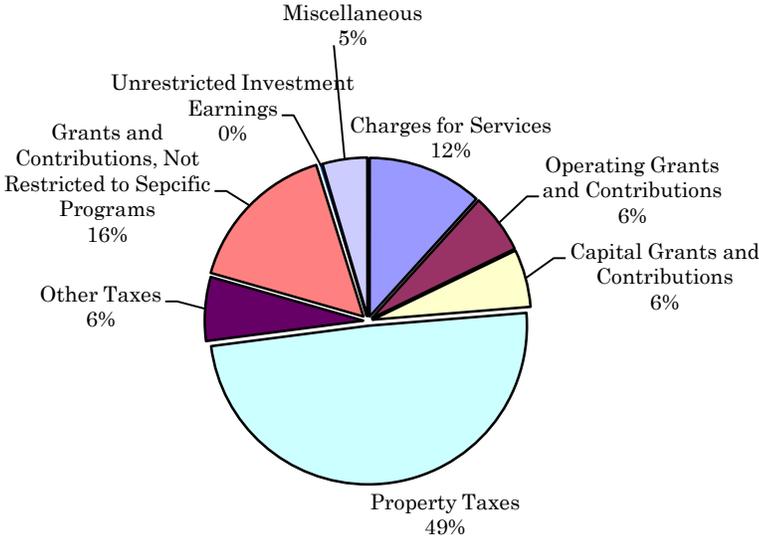
- Charges for services and property tax revenues remained consistent despite the continued economic downturn.
- Building permit revenues increased 3.6%, or \$12,215.
- Grants and contributions revenues decreased by \$440,973, primarily due to the completion of the Clayton Community Center, which was the primary grant funded project in the prior fiscal year, and the planned reduction from the U.S Department of Homeland Security for staffing of fire and emergency response personnel.

- Expenses increased 3%, or \$431,832, primarily for public safety and cultural and recreational functions. However, the overall reduction in revenues triggered enhanced cost monitoring.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

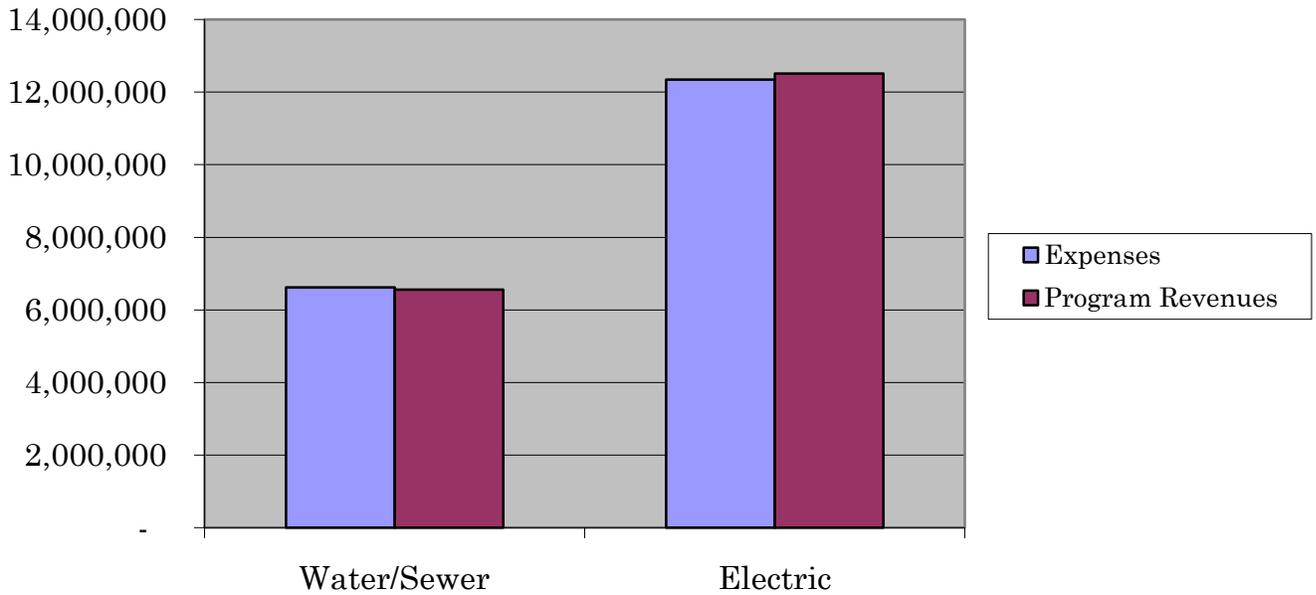


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

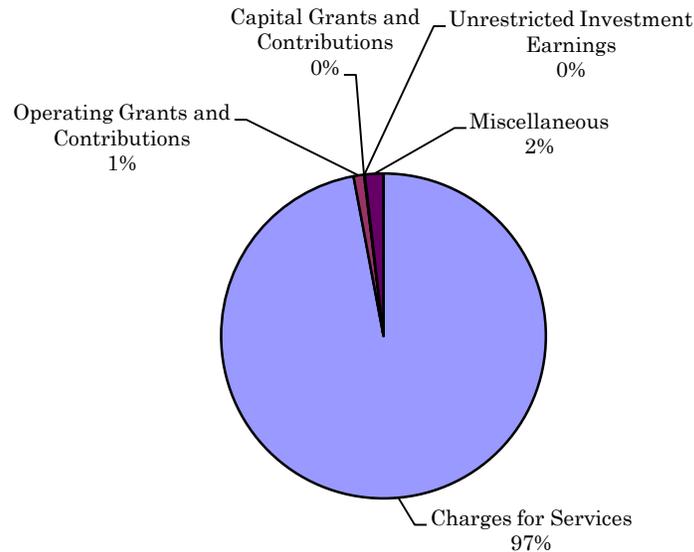
Business-type activities: Business-type activities increased the Town of Clayton's net assets by \$482,229, accounting for a 70.1% increase in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 4.3%, or \$779,796, primarily due to increased consumption.
- Miscellaneous income decreased by 49.9%, or \$358,193, primarily due to lower project reimbursements from third parties. However, this was partially offset by decreased expenditures, primarily in water and sewer operations.
- Impact fees decreased by 13.06%, or \$44,114, primarily due to a slowdown in new development activity. However, this was partially offset by decreased expenditures in water and sewer operations.
- Unrestricted investment earnings decreased by \$74,712, or 84.7%, primarily due to lower interest rates.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's Accounting 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 *spendable* resources. Such information is useful in assessing the Town of Clayton's financing requirements. In particular, *unreserved 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 \$13,557,007 with a net increase in fund balance of \$3,153,066. Included in this change in fund balance are the increases in fund balance for the General Fund and the decrease in the Capital Projects Fund for the Clayton Community Center, which resulted from the completion of the project.

The general fund is the chief operating fund of the Town of Clayton. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3,772,191, while total fund balance reached \$11,780,114. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 24.01% of total general fund expenditures, while total fund balance represents 74.97% of that same amount.

Fund balance of the Town of Clayton's general fund increased by \$3,815,691 during the current fiscal year. Key components of this change are as follows:

- The issuance of general obligation public improvement bonds resulted in a \$4,877,789 reserve for public improvement projects.
- Intergovernmental revenues decreased by \$318,102, primarily due to a \$196,481 reduction in local option sales tax revenue.
- Investment income was 73.8% lower, or \$101,201, primarily due to the sharp reduction in short-term interest rates by the Federal Reserve.
- Street expenditures for Powell Bill disbursements increased by \$346,996, primarily due to the completion of paving and resurfacing projects.
- Cultural and recreational operating expenditures increased by \$235,308, primarily due to the opening of Clayton Community Center.

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 assets of the Water and Sewer Fund at the end of the year amounted to \$3,774,478, and those for the Electric Fund amounted to \$4,281,321. 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.

General Fund Budgetary Highlights

During the year there was a \$222,023 increase in appropriations between the original and final amended budget, which resulted from a \$135,000 supplemental appropriation for capital outlay in general government for information technology enhancements.

The increase was primarily due to an amendment to budget the anticipated expenditure for the information technology enhancements.

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, 2010 amounts to \$70,053,130 (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 1.21% (a 1.29% increase for governmental activities and a 0.08% decrease for business-type activities, which resulted from vehicle dispositions).

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

- Construction in progress of \$371,827 in governmental-type activities for the greenway development project and public improvement projects for streets and open space.
- Construction in progress of \$5,198,096 in business-type activities for the upgrade of the Town's wastewater treatment capacity, Raleigh/Clayton sewer project, and expansion of the electric distribution system.
- No major demolitions were recorded this year.

Town of Clayton's Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 3,468,073	\$ 3,468,073	\$ 138,600	\$ 138,600	\$ 3,606,673	\$ 3,606,673
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	371,827	5,889,417	5,198,096	5,713,958	5,569,923	11,603,375
Total non-depreciable assets	3,839,900	9,357,490	7,969,809	8,485,671	11,809,709	17,843,161
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	20,074,885	16,125,949	3,096,846	3,096,846	23,171,731	19,222,795
Plant, machinery, and equipment	2,654,464	3,991,882	35,100,020	33,519,775	37,754,484	37,511,657
Vehicles	5,228,395	3,837,897	1,329,222	1,380,064	6,557,617	5,217,961
Infrastructure	8,798,284	5,519,335	-	-	8,798,284	5,519,335
Total depreciable assets	36,756,028	29,475,063	43,126,088	41,596,685	79,882,116	71,071,748
Accumulated depreciation	(8,828,904)	(7,956,833)	(12,809,791)	(11,742,618)	(21,638,695)	(19,699,451)
Total depreciable assets, net	27,927,124	21,518,230	30,316,297	29,854,067	58,243,421	51,372,297
Total	\$ 31,767,024	\$ 30,875,720	\$ 38,286,106	\$ 38,339,738	\$ 70,053,130	\$ 69,215,458

Additional information on the Town's capital assets can be found in Note 3 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 \$6,195,000. Of this amount, \$5,475,000 comprises debt backed by the full faith and credit of the Town of Clayton and \$720,000 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		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 5,000,000	\$ -	\$ 475,000	\$ 580,000	\$ 5,475,000	\$ 580,000
Revenue bonds	-	-	720,000	960,000	720,000	\$ 960,000
Other debt	12,738,249	14,028,088	11,788,487	13,376,674	24,526,736	27,404,762
Total	\$ 17,738,249	\$ 14,028,088	\$ 12,983,487	\$ 14,916,674	\$ 30,721,736	\$ 28,944,762

The Town's total debt increased \$1,776,974, or 6.14%, during the current fiscal year. The primary factor in this increase was a \$5,000,000 issuance of general obligation public improvement bonds (\$3,000,000 for streets projects and \$2,000,000 for open space projects) in conjunction with the issuance of a \$610,000 refunding bond to retire the general obligation bond debt in the Water and Sewer Fund, primarily to take advantage of favorable interest rates.

The Town of Clayton received a recalibrated bond rating from Moody's Investor Service (A2 to Aa3) and maintained its AA rating from Standard and Poor's Corporation. The recalibrated bond rating from Moody's Investor Service is not considered an upgrade.

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 \$91,904,024, which is significantly in excess of the Town of Clayton's outstanding general obligation debt. The Town has \$2,000,000 in bonds authorized but un-issued at June 30, 2010.

Additional information regarding the Town of Clayton's long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The unemployment rate for Johnston County is approximately 9.3%, which is a slight reduction from a rate of 10.6% a year ago and the 10.1% annual average for calendar 2009. The State annual average was 10.6% for calendar 2009.
- Higher median household income. The Town of Clayton median household income is \$48,883 as compared with the State median household income of \$46,574.
- The third year of the economic slowdown will significantly impact the Town in the form of staff, programs, and capital budgetary reductions and will result in the elimination of 11 full-time positions, 2 part-time positions, and reduced hours for 3 full-time positions. Fiscal year 2011 is expected to be very challenging.

All of these factors were considered in preparing the Town of Clayton's budget for the 2011 fiscal year. In addition to these factors, management also considered the overall slowdown in the both the national and local economies and adjusted the Town's budget accordingly by recommending a \$1,228,816 reduction in expenditures over the prior year's final budget. Budgeted expenditures in the General Fund are expected to drop 5.46% to \$15,506,208 compared to the final budget for 2010.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund decreased to \$3,772,191, or 34.25%. The Town of Clayton appropriated \$21,908 of this amount for spending in the 2011 fiscal year budget.

The 2011 budget does not propose changes to the tax rate. The water and sewer rates will be restructured resulting in an average increase between 5-6%. An increase to electric rates will be delayed due to flat wholesale energy costs in conjunction with an ongoing successful load management program. Most capital projects have been deferred, with noteworthy exceptions for the public improvement general obligation bond projects for streets and recreation and a new law enforcement center. The Town of Clayton is evaluating alternative financing options in lieu of the long-term funding through the USDA for the new Law Enforcement Center Project. The debt service related to this project will occur in subsequent fiscals beyond 2011. The Think

Clayton Public Square Project (formerly Downtown Lot Project) will be transitioned from a financed improvement to “pay as you go” basis due to a onetime revenue from the sale of a telecommunications site.

The citizens of the Town of Clayton voted overwhelmingly in favor of two bond initiatives in May of 2008: \$3,000,000 for street improvements and \$4,000,000 for investment in recreational facilities (land banking). The 2011 budget includes funding for the implementation of both programs including the debt service for the bond issuance.

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 Director of Finance, Town of Clayton, 111 East Second Street, Clayton, North Carolina 27520.

BASIC FINANCIAL STATEMENTS

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 12,359,227	\$ 5,874,075	\$ 18,233,302
Taxes receivables (net)	145,518	-	145,518
Accounts receivable (net)	1,302,408	3,739,890	5,042,298
Internal balances	30,989	-	30,989
Due from other governments	1,423,421	-	1,423,421
Inventories	-	732,403	732,403
Restricted cash and cash equivalents	29,360	-	29,360
Total current assets	15,290,923	10,346,368	25,637,291
Non-current assets			
Capital assets (Note 3)			
Land, non-depreciable improvements and construction in progress	3,839,900	7,969,809	11,809,709
Other capital assets, net of depreciation	27,927,124	30,316,297	58,243,421
Total capital assets	31,767,024	38,286,106	70,053,130
Total assets	\$ 47,057,947	\$ 48,632,474	\$ 95,690,421

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,418,946	\$ 1,754,105	\$ 3,173,051
Unearned revenue	169,452	157,318	326,770
Customer deposits	-	268,773	268,773
Current portion of long-term liabilities	<u>1,831,060</u>	<u>1,970,116</u>	<u>3,801,176</u>
Total current liabilities	<u>3,419,458</u>	<u>4,150,312</u>	<u>7,569,770</u>
Long-term liabilities			
Due in more than one year	<u>16,924,480</u>	<u>11,123,743</u>	<u>28,048,223</u>
Total liabilities	<u>20,343,938</u>	<u>15,274,055</u>	<u>35,617,993</u>
NET ASSETS			
Investment in capital assets, net of related debt	14,028,775	25,302,620	39,331,395
Restricted for:			
Transportation	688,491	-	688,491
Capital projects	911,966	-	911,966
Capital reserve construction	577,543	-	577,543
Cemetery perpetual care	3,198	-	3,198
Unrestricted	<u>10,504,036</u>	<u>8,055,799</u>	<u>18,559,835</u>
Total net assets	<u>26,714,009</u>	<u>33,358,419</u>	<u>60,072,428</u>
Total liabilities and net assets	<u>\$ 47,057,947</u>	<u>\$ 48,632,474</u>	<u>\$ 95,690,421</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 3,405,756	\$ 413,241	\$ 53,745	\$ -	\$ (2,938,770)	\$ -	\$ (2,938,770)
Public safety	5,914,190	24,982	850,324	94,400	(4,944,484)	-	(4,944,484)
Public works	1,825,793	67,800	-	371,002	(1,386,991)	-	(1,386,991)
Environmental protection	1,187,049	1,071,404	-	-	(115,645)	-	(115,645)
Cultural and recreational	1,894,227	163,769	-	408,111	(1,322,347)	-	(1,322,347)
Interest on long-term debt	409,069	-	-	-	(409,069)	-	(409,069)
Total governmental activities	<u>14,636,084</u>	<u>1,741,196</u>	<u>904,069</u>	<u>873,513</u>	<u>(11,117,306)</u>	<u>-</u>	<u>(11,117,306)</u>
Business-type activities							
Water and sewer	6,618,852	6,389,227	167,802	-	-	(61,823)	(61,823)
Electric	12,342,639	12,479,719	34,509	-	-	171,589	171,589
Total business-type activities	<u>18,961,491</u>	<u>18,868,946</u>	<u>202,311</u>	<u>-</u>	<u>-</u>	<u>109,766</u>	<u>109,766</u>
Total primary government	<u>\$ 33,597,575</u>	<u>\$ 20,610,142</u>	<u>\$ 1,106,380</u>	<u>\$ 873,513</u>	<u>\$ (11,117,306)</u>	<u>\$ 109,766</u>	<u>\$ (11,007,540)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					7,307,811	-	7,307,811
Other taxes					962,382	-	962,382
Grants and contributions, not restricted to specific programs					2,339,785	-	2,339,785
Unrestricted investment earnings					36,076	13,540	49,616
Miscellaneous					677,145	358,923	1,036,068
Total general revenues and transfers					<u>11,323,199</u>	<u>372,463</u>	<u>11,695,662</u>
Change in net assets					205,893	482,229	688,122
Net assets, beginning					26,508,116	32,876,190	59,384,306
Net assets, ending					<u>\$ 26,714,009</u>	<u>\$ 33,358,419</u>	<u>\$ 60,072,428</u>

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

TOWN OF CLAYTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	Greenway Development Project	Clayton Community Center Project		
ASSETS					
Cash and cash equivalents	\$ 10,895,880	\$ -	\$ 911,966	\$ 580,741	\$ 12,388,587
Receivables, net					
Taxes	145,518	-	-	-	145,518
Accounts	1,018,222	-	-	284,186	1,302,408
Due from other governments	1,423,421	-	-	-	1,423,421
Due from other funds	30,989	3,727	-	-	34,716
Total assets	\$ 13,514,030	\$ 3,727	\$ 911,966	\$ 864,927	\$ 15,294,650
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 1,415,219	\$ 3,727	\$ -	\$ -	\$ 1,418,946
Deferred revenue	145,518	-	-	-	145,518
Unearned revenue	169,452	-	-	-	169,452
Due to other funds	3,727	-	-	-	3,727
Total liabilities	1,733,916	3,727	-	-	\$ 1,737,643
Fund balances					
Reserved for					
Perpetual maintenance	-	-	-	3,198	3,198
State statute	2,441,643	-	-	284,186	2,725,829
Public Improvement Projects	4,877,789	-	-	-	4,877,789
Streets - Powell Bill	688,491	-	-	-	688,491
Unreserved, General Fund					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	3,772,191	-	-	-	3,772,191
Unreserved, reported in					
Special Revenue Funds	-	-	-	577,543	577,543
Capital Projects Funds	-	-	911,966	-	911,966
Total fund balances	11,780,114	-	911,966	864,927	13,557,007
Total liabilities and fund balances	\$ 13,514,030	\$ 3,727	\$ 911,966	\$ 864,927	\$ 15,294,650
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:					
Fund balance as reported in the balance sheet - governmental funds					\$ 13,557,007
Amounts reported for governmental activities in the statement of net assets are different because					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					31,767,024
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					145,518
Compensated absences not expected to be materially liquidated with expendable available resources					(532,474)
Net pension obligation					(288,905)
Other postemployment benefits					(195,912)
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					(17,738,249)
Net assets of governmental activities					\$ 26,714,009

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Exhibit 4

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Greenway Development Project	Clayton Community Center Project		
REVENUES					
Ad valorem taxes	\$ 7,306,114	\$ -	\$ -	\$ -	\$ 7,306,114
Other taxes and licenses	99,807	-	-	-	99,807
Unrestricted intergovernmental	3,975,619	-	-	-	3,975,619
Restricted intergovernmental	923,033	-	50,000	-	973,033
Permits and fees	429,941	-	-	-	429,941
Sales and services	1,342,543	-	-	-	1,342,543
Investment earnings	35,976	-	82	18	36,076
Miscellaneous	412,168	57,364	185,000	22,613	677,145
Total revenues	14,525,201	57,364	235,082	22,631	14,840,278
EXPENDITURES					
Current					
General government	3,090,194	-	-	-	3,090,194
Public safety	5,374,706	-	-	-	5,374,706
Public works	2,271,997	-	-	-	2,271,997
Environmental protection	1,180,937	-	-	-	1,180,937
Cultural and recreational	2,017,752	-	-	-	2,017,752
Special appropriations	77,567	-	-	-	77,567
Debt service					
Principal retirement	1,289,839	-	-	-	1,289,839
Interest and other charges	409,069	-	-	-	409,069
Capital outlay	-	105,181	920,338	-	1,025,519
Total expenditures	15,712,061	105,181	920,338	-	16,737,580
Excess (deficiency) of revenues over expenditures	(1,186,860)	(47,817)	(685,256)	22,631	(1,897,302)
OTHER FINANCING SOURCES (USES)					
Bonds issued	5,000,000	-	-	-	5,000,000
Premium on bonds issued	50,368	-	-	-	50,368
Transfers from (to) other funds	(47,817)	47,817	-	-	-
Total other financing sources (uses)	5,002,551	47,817	-	-	5,050,368
Net change in fund balances	3,815,691	-	(685,256)	22,631	3,153,066
Fund balances, beginning	7,964,423	-	1,597,222	842,296	10,403,941
Fund balances, ending	\$ 11,780,114	\$ -	\$ 911,966	\$ 864,927	\$ 13,557,007

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, 2010

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ 3,153,066

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,072,292
Depreciation	(1,158,688)
Gain on sale of fixed assets	(22,300)

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	1,697
--	-------

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	25,668
Current pension cost	(57,664)
Other postemployment benefits	(98,017)

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 assets. 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.

(3,710,161)

Total changes in net assets of governmental activities

\$ 205,893

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, 2010

Exhibit 6

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,802,540	\$ 7,802,540	\$ 7,306,114	\$ (496,426)
Other taxes and licenses	129,275	129,275	99,807	(29,468)
Unrestricted intergovernmental	4,634,604	4,634,604	3,975,619	(658,985)
Restricted intergovernmental	624,808	624,808	923,033	298,225
Permits and fees	328,200	328,200	429,941	101,741
Sales and services	1,337,551	1,337,551	1,342,543	4,992
Investment earnings	180,000	180,000	35,976	(144,024)
Miscellaneous	290,283	290,283	412,168	121,885
Total revenues	<u>15,327,261</u>	<u>15,327,261</u>	<u>14,525,201</u>	<u>(802,060)</u>
EXPENDITURES				
Current				
General government	3,108,412	3,090,935	3,090,194	741
Public safety	5,709,255	5,713,878	5,374,706	339,172
Public works	2,119,518	2,119,518	2,271,997	(152,479)
Environmental protection	1,103,986	1,103,986	1,180,937	(76,951)
Cultural and recreational	2,286,639	2,286,639	2,017,752	268,887
Special appropriations	80,000	80,000	77,567	2,433
Debt service				
Principal retirement	1,289,839	1,289,839	1,289,839	-
Interest and other charges	462,430	462,430	409,069	53,361
Total expenditures	<u>16,160,079</u>	<u>16,147,225</u>	<u>15,712,061</u>	<u>435,164</u>
Revenues over (under) expenditures	<u>(832,818)</u>	<u>(819,964)</u>	<u>(1,186,860)</u>	<u>(366,896)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	(50,000)	(47,817)	2,183
Bonds issued	350,000	482,400	5,000,000	4,517,600
Premium on bonds issued	-	-	50,368	50,368
Total other financing sources (uses)	<u>350,000</u>	<u>432,400</u>	<u>5,002,551</u>	<u>4,570,151</u>
Fund balance appropriated	<u>475,500</u>	<u>622,441</u>	<u>-</u>	<u>(622,441)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,815,691	<u>\$ 3,815,691</u>
Fund balances, beginning			<u>7,964,423</u>	
Fund balances, ending			<u>\$ 11,780,114</u>	

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Exhibit 7

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,660,375	\$ 3,213,700	\$ 5,874,075
Accounts receivable (net) - billed	1,606,480	855,631	2,462,111
Accounts receivable (net) - unbilled	432,903	844,876	1,277,779
Inventories	75,410	656,993	732,403
Total current assets	<u>4,775,168</u>	<u>5,571,200</u>	<u>10,346,368</u>
Non-current assets			
Capital assets			
Land, improvements and construction in progress	7,041,553	928,257	7,969,810
Other capital assets, net of depreciation	<u>25,102,041</u>	<u>5,214,255</u>	<u>30,316,296</u>
Capital assets, net	<u>32,143,594</u>	<u>6,142,512</u>	<u>38,286,106</u>
Total non-current assets	<u>32,143,594</u>	<u>6,142,512</u>	<u>38,286,106</u>
Total assets	<u>\$ 36,918,762</u>	<u>\$ 11,713,712</u>	<u>\$ 48,632,474</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 704,263	\$ 1,049,841	\$ 1,754,104
Customer deposits	78,673	190,101	268,774
Unearned revenue	157,318	-	157,318
Due to other funds	-	-	-
Compensated absences - current	24,226	21,428	45,654
General obligation bonds payable - current	130,000	-	130,000
Revenue bond payable - current	-	240,000	240,000
Installment purchases payable - current	<u>1,433,462</u>	<u>121,000</u>	<u>1,554,462</u>
Total current liabilities	<u>2,527,942</u>	<u>1,622,370</u>	<u>4,150,312</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	11,984	7,081	19,065
Compensated absences	24,226	21,427	45,653
General obligation bonds payable - noncurrent	345,000	-	345,000
Revenue bond payable - noncurrent	-	480,000	480,000
Installment purchases payable - noncurrent	<u>10,092,858</u>	<u>141,167</u>	<u>10,234,025</u>
Total noncurrent liabilities	<u>10,474,068</u>	<u>649,675</u>	<u>11,123,743</u>
Total liabilities	<u>13,002,010</u>	<u>2,272,045</u>	<u>15,274,055</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,142,274	5,160,346	25,302,620
Unrestricted	<u>3,774,478</u>	<u>4,281,321</u>	<u>8,055,799</u>
Total net assets	<u>23,916,752</u>	<u>9,441,667</u>	<u>33,358,419</u>
Total liabilities and net assets	<u>\$ 36,918,762</u>	<u>\$ 11,713,712</u>	<u>\$ 48,632,474</u>

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TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

Exhibit 8

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
OPERATING REVENUES			
Charges for services	\$ 6,375,077	\$ 12,479,719	\$ 18,854,796
Water and sewer taps	14,150	-	14,150
Other operating revenues	167,802	34,509	202,311
Total operating revenues	<u>6,557,029</u>	<u>12,514,228</u>	<u>19,071,257</u>
OPERATING EXPENSES			
Electric operations	-	1,448,342	1,448,342
Electric power purchases	-	9,581,422	9,581,422
Water treatment and distribution	999,082	-	999,082
Water preventive maintenance	548,401	-	548,401
Waste collection and treatment	1,202,277	-	1,202,277
Water purchases	1,510,148	-	1,510,148
Support services - General Fund	1,152,977	1,009,051	2,162,028
Depreciation and amortization	850,481	267,534	1,118,015
Total operating expenses	<u>6,263,366</u>	<u>12,306,349</u>	<u>18,569,715</u>
Operating income (loss)	<u>293,663</u>	<u>207,879</u>	<u>501,542</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,959	8,581	13,540
Interest and other charges	(355,487)	(36,289)	(391,776)
Impact fees	293,715	-	293,715
Nutrient offset fees	26,778	-	26,778
Miscellaneous	8,114	30,316	38,430
Total nonoperating revenue (expenses)	<u>(21,921)</u>	<u>2,608</u>	<u>(19,313)</u>
Change in net assets	<u>271,742</u>	<u>210,487</u>	<u>482,229</u>
Total net assets, beginning	<u>23,645,010</u>	<u>9,231,180</u>	<u>32,876,190</u>
Total net assets, ending	<u>\$ 23,916,752</u>	<u>\$ 9,441,667</u>	<u>\$ 33,358,419</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit 9
Page 1 of 2

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,285,191	\$ 12,323,049	\$ 18,608,240
Cash paid for goods and services	(3,911,390)	(11,082,705)	(14,994,095)
Cash paid to or on behalf of employees for services	(807,425)	(715,235)	(1,522,660)
Customer deposits received	24,963	84,263	109,226
Customer deposits returned	(34,456)	(101,604)	(136,060)
Other operating revenues	167,802	34,509	202,311
Net cash provided by operating activities	<u>1,724,685</u>	<u>542,277</u>	<u>2,266,962</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous	8,114	30,316	38,430
Impact fees	293,715	-	293,715
Nutrient offset fees	26,778	-	26,778
Total cash flows from noncapital financing activities	<u>328,607</u>	<u>30,316</u>	<u>358,923</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(910,200)	(154,182)	(1,064,382)
Principal paid on bond maturities and equipment contracts	(2,154,349)	(388,838)	(2,543,187)
Proceeds from debt issuance	610,000	-	610,000
Interest paid on bond maturities and equipment contracts	(355,487)	(36,289)	(391,776)
Net cash (used) by capital and related financing activities	<u>(2,810,036)</u>	<u>(579,309)</u>	<u>(3,389,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	4,959	8,581	13,540
Net decrease in cash and cash equivalents	(751,785)	1,865	(749,920)
Balances, beginning	<u>3,412,160</u>	<u>3,211,835</u>	<u>6,623,995</u>
Balances, ending	<u>\$ 2,660,375</u>	<u>\$ 3,213,700</u>	<u>\$ 5,874,075</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

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 (loss)	\$ 293,663	\$ 207,879	\$ 501,542
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation & amortization	850,481	267,534	1,118,015
Changes in assets and liabilities:			
(Increase) in accounts receivable	(44,670)	(382,341)	(427,011)
Increase in allowance for doubtful accounts	141,818	225,672	367,490
(Increase) decrease in inventory	13,812	81,933	95,745
Increase (decrease) in accounts payable and accrued liabilities	472,635	159,925	632,560
(Decrease) in customer deposits	(9,494)	(17,341)	(26,835)
Increase in postemployment benefits	6,013	3,553	9,566
Increase (decrease) in accrued vacation pay	427	(4,537)	(4,110)
Total adjustments	<u>1,431,022</u>	<u>334,398</u>	<u>1,765,420</u>
Net cash provided by operating activities	<u>\$ 1,724,685</u>	<u>\$ 542,277</u>	<u>\$ 2,266,962</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2010

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 453,098
Taxes receivable	<u>8,972</u>
	<u>\$ 462,070</u>
Liabilities and net assets	
Liabilities:	
Due to general fund	30,989
Intergovernmental payable	<u>431,081</u>
Total liabilities	<u>462,070</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, 2010

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.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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 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 Mountain to Sea Trail.

**TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Clayton Community Center Project. This fund is used to account for the construction of the new Clayton Community Center.

The Town reports the following non-major governmental funds:

Capital Reserve Fund. This fund is used to account for recreation permit and fee revenue and sidewalk fee in lieu of revenue. It is used for Recreation Capital expenditure and public works capital expenditure purposes.

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

The Town reports the following major enterprise funds:

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

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

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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. Nonexchange 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 60 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Johnston County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Clayton. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Johnston County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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, capital reserve funds, 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 function 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. Statement of Cash Flows

All cash and investments of the enterprise funds are maintained in cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

F. Assets, Liabilities 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.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

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 is restricted to comply with a sinking fund requirement for a USDA loan in conjunction with the Clayton Community Center Project.

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, 2009.

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, 2010 as internal balances generally represent short-term advances between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resource.

Inventories

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

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

Capital Assets

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

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

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

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

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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

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

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.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences (Continued)

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 Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for perpetual maintenance – portion of fund balance that is available to pay for maintenance of the Home Cemetery Fund. This amount is comprised of cash.

Reserved by state statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under state law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Reserved for public improvements – portion of fund balance that is available for future Town streets and recreation capital projects.

Reserved for streets - Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds less the amount designated for subsequent years expenditures.

Unreserved

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the year ended June 30, 2010, expenditures exceeded authorized appropriations as follows:

General Fund:

Public Works expenditures exceeded budget appropriations by	\$	152,479
Environmental Protection expenditures exceeded budget appropriations by	\$	76,951

Wastewater Treatment Plant Upgrade Project Fund:

Plant Improvement expenditures exceeded budget appropriations by	\$	340,855
Water reuse project expenditures exceeded budget appropriations by		265,422

Sams Branch Sewer Outfall Project Fund:

Professional service expenditures exceeded budget appropriations by	\$	46,746
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Electric Fund:

Electric power expenditures exceeded budget appropriations by	\$	451,422
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Management and the Town Council will more closely monitor budget reports to ensure compliance in future years.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town 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 agent in the units' name. 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, these deposits are considered to be held by the Town's agent in their name. 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 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 has 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 complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the Town's deposits had a carrying amount of \$10,217,573 and a bank balance of \$10,334,433. Of the bank balance, \$1,253,199 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2010, the Town's petty cash fund totaled \$2,200.

Investments

At June 30, 2010, the Town of Clayton had \$8,495,987 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ 35,000
Accounts receivable	<u>207,294</u>
	242,294
Enterprise funds	<u>1,088,567</u>
Total	<u>\$ 1,330,861</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Due from Other Governmental Agencies

At June 30, 2010, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 397,149	\$ -	\$ 397,149	\$ -
Franchise Tax	126,147	-	126,147	-
Telecommunication Tax	23,094	-	23,094	-
Video Programming Fees	40,500	-	40,500	-
Solid Waste Disposal Fees	2,082	-	2,082	-
Grant Revenues	741,258	-	741,258	-
Vehicle & Property taxes	89,518	-	89,518	-
Miscellaneous	4,673	-	4,673	-
	<u>\$ 1,423,421</u>	<u>\$ -</u>	<u>\$ 1,423,421</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,468,073	\$ -	\$ -	\$ 3,468,073
Construction in progress	5,889,417	1,232,166	6,749,756	371,827
Total capital assets not being depreciated	<u>9,357,490</u>	<u>1,232,166</u>	<u>6,749,756</u>	<u>3,839,900</u>
Capital assets being depreciated				
Buildings and improvements	13,325,129	6,749,756	-	20,074,885
Equipment	2,465,841	188,623	-	2,654,464
Vehicles and motorized equipment	5,459,539	77,773	308,917	5,228,395
Infrastructure	8,224,554	573,730	-	8,798,284
Total capital assets being depreciated	<u>29,475,063</u>	<u>7,589,882</u>	<u>308,917</u>	<u>36,756,028</u>
Less accumulated depreciation				
Buildings	1,678,987	208,949	-	1,887,936
Equipment	1,398,057	271,056	-	1,669,113
Vehicles and motorized equipment	3,639,752	514,033	286,617	3,867,168
Infrastructure	1,240,037	164,650	-	1,404,687
Total accumulated depreciation	<u>7,956,833</u>	<u>1,158,688</u>	<u>286,617</u>	<u>8,828,904</u>
Total capital assets being depreciated, net	<u>21,518,230</u>	<u>6,431,194</u>	<u>22,300</u>	<u>27,927,124</u>
Governmental activity capital assets, net	<u>\$ 30,875,720</u>	<u>\$ 7,663,360</u>	<u>\$ 6,772,056</u>	<u>\$ 31,767,024</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

At June 30, 2010, construction in progress was comprised of the construction of the Greenway Development, and Clayton Community Center Projects.

General government	\$ 394,629			
Public safety	500,954			
Public works	219,992			
Cultural and recreational	<u>43,113</u>			
Total depreciation expense	<u>\$ 1,158,688</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>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>4,940,984</u>	<u>51,676</u>	<u>702,821</u>	<u>4,289,839</u>
Total capital assets not being depreciated	<u>7,692,697</u>	<u>51,677</u>	<u>702,821</u>	<u>7,041,552</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	25,494,679	1,561,346	-	27,056,025
Furniture and maintenance equipment	587,708	-	-	587,708
Vehicles	<u>566,016</u>	<u>-</u>	<u>50,842</u>	<u>515,174</u>
Total capital assets being depreciated	<u>32,202,018</u>	<u>1,561,346</u>	<u>50,842</u>	<u>33,712,522</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	675,000	180,000	-	855,000
Buildings	290,536	27,811	-	318,347
Plant and distribution system	6,069,887	526,424	-	6,596,311
Furniture and maintenance equipment	328,972	74,838	-	403,810
Vehicles	<u>446,446</u>	<u>41,408</u>	<u>50,842</u>	<u>437,012</u>
Total accumulated depreciation	<u>7,810,841</u>	<u>850,481</u>	<u>50,842</u>	<u>8,610,480</u>
Total Capital assets being depreciated, net	<u>24,391,177</u>	<u>710,865</u>	<u>-</u>	<u>25,102,042</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 32,083,874</u>	<u>\$ 762,542</u>	<u>\$ 702,821</u>	<u>\$ 32,143,594</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - 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>772,974</u>	<u>135,283</u>	-	<u>908,257</u>
Total capital assets not being depreciated	<u>792,974</u>	<u>135,283</u>	-	<u>928,257</u>
Capital assets being depreciated				
Buildings	1,143,231	-	-	1,143,231
Plant and distribution system	7,222,776	18,899	-	7,241,675
Furniture and maintenance	214,612	-	-	214,612
Vehicles	<u>814,048</u>	-	-	<u>814,048</u>
Total capital assets being depreciated	<u>9,394,667</u>	<u>18,899</u>	-	<u>9,413,566</u>
Less accumulated depreciation for				
Buildings	155,199	19,062	-	174,261
Plant and distribution system	2,923,815	199,483	-	3,123,298
Furniture and maintenance equipment	195,353	4,607	-	199,960
Vehicles	<u>657,410</u>	<u>44,382</u>	-	<u>701,792</u>
Total accumulated depreciation	<u>3,931,777</u>	<u>267,534</u>	-	<u>4,199,311</u>
Total capital assets being depreciation, net	<u>5,462,890</u>	<u>(248,635)</u>	-	<u>5,214,255</u>
Electric Fund				
Capital Assets – net	<u>\$ 6,255,864</u>	<u>\$ (113,352)</u>	<u>\$ -</u>	<u>\$ 6,142,512</u>
Business-type activities capital assets, net	<u>\$ 38,339,738</u>			<u>\$ 38,286,106</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Clayton is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$370,902, \$363,111, and \$333,053, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>45</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, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Summary of Significant Accounting Policies

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

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

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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	\$ 68,383
Interest on net pension obligation	16,765
Adjustment to annual required contribution	<u>(14,567)</u>
Annual pension cost	70,581
Contributions made	<u>(12,917)</u>
Increase in net pension obligation	57,664
Net pension obligation beginning of year	<u>231,241</u>
Net pension obligation end of year	<u>\$ 288,905</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

- 1. Pension Plan Obligations (Continued)
- b. Law Enforcement Officers Special Separation Allowance (Continued)

Fiscal Year June 30	Three Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
2008	\$ 48,295	37.10%	\$ 188,278
2009	\$ 59,215	27.45%	\$ 231,241
2010	\$ 70,581	18.30%	\$ 288,905

Funded Status and Funding Progress

As of December 31 2009, 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 \$796,120. The covered payroll (annual payroll of active employees covered by the plan) was \$2,131,334, and the ratio of the UAAL to the covered payroll was 37.35 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officers' 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, 2010 were \$489,912, which consisted of \$322,327 from the Town and \$167,585 from employees.

d. Firemen'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 Firemen'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 fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen'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, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS *Continued*

B. Liabilities *(Continued)*

1. Pension Plan Obligations *(Continued)*

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

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

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$62,787 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2010. 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 firemen or their departments.

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 1998, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the Town, and have not reached age 65 or eligible to receive Medicare benefits. Prior to July 1, 1998, employees did not receive this benefit. The Town pay 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, 2009, the date of the latest actuarial valuation:

	General	Law
	Employees:	Enforcement
		Officers:
Retirees and dependents receiving benefits	1	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	120	42
Total	<u>121</u>	<u>43</u>

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

The current ARC rate is 1.48% of annual covered payroll. For the current year, the Town contributed \$5,640 for retirees. The Town obtains healthcare coverage through private insurers. Retirees made contributions in the amount of \$5,640. No dependent coverage was purchased.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - 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	\$ 112,633
Interest on net OPEB obligation	4,296
Adjustment to annual required contribution	<u>(3,706)</u>
Annual OPEB cost (expense)	113,223
Contributions made	<u>(5,640)</u>
Increase (decrease) in net OPEB obligation	107,583
Net OPEB obligation, beginning of year	<u>107,394</u>
Net OPEB obligation, end of year	<u>\$ 214,977</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 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>
2009	\$ 112,633	4.65%	\$ 107,394
2010	113,223	4.98%	214,977

Funded Status and Funding Progress. As of December 31, 2009, 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 \$837,653. The covered payroll (annual payroll of active employees covered by the plan) was \$7,599,455, and the ratio of the UAAL to the covered payroll was 11.02 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, 2010

NOTE 3 - 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, 2009 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 10.50 to 5.00 percent annually. The investment rate included a 3.75 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, 2009, was 29 years.

2. Other Employment Benefit

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

3. 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains property, general liability and auto liability coverage of \$52.4 million, 2 million and \$2 million per occurrence, respectively, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$250,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS *Continued*

B. Liabilities (Continued)

3. Risk Management (Continued)

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 \$100,000 and \$25,000 each, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2010, 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.

5. Long-Term Debt

Long-term debt obligations of the Town at June 30, 2010 consist of the following:

	<u> Serviced by </u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</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%	\$ 5,000,000	\$ -
\$610,000 Sanitary Sewer Refunding Bonds, Series 2009B, dated July 21, 2009 and maturing in annual installments ranging from \$80,000 to \$135,000 through June, 2014, interest ranging from 1.00% to 2.60%.	\$ -	\$ 475,000
Total general obligation bonds	\$ 5,000,000	\$ 475,000
Revenue Bonds		
2008 Revenue Bonds – Electric Project; Series 2008 dated June 20, 2008 and maturing in annual installments of \$240,000 through June 2013, interest at 2.52%	\$ -	\$ 720,000
Total revenue bonds	\$ -	\$ 720,000
Installment Purchases		
2006 Fire Truck; contract of \$330,000; due in monthly installments of \$6,092; interest at 3.73%	\$ 65,184	\$ -
2009 Clayton Community Center; contract of \$1,500,000; due in monthly installments of \$8,333 for principal; interest at 3.57%	1,366,667	-
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%	2,354,110	-

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	Serviced by	
	Governmental Activities	Business-type Activities
Installment Purchases (Continued)		
2009 Rolling Stock; contract of \$401,218; due in monthly installments of \$11,604; interest at 2.60%	270,983	-
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%	891,240	-
2007 Real Property; contract of \$1,600,000; due in monthly installments of \$26,667 plus interest at 3.64%	257,833	435,500
2007 Park Land Purchase; contract for \$2,073,435; due in monthly installments of \$11,519 plus interest at 3.94%.	1,693,305	-
2008 Fire Truck; contract of \$ 410,000; due in monthly installments of \$3,980; interest at 3.11%	325,394	-
2008 Technology; contract for \$823,200; due in monthly installments of \$14,944; interest at 2.78%	446,519	-
2008 Rolling Stock; contract of \$292,500; due in monthly installments of \$8,460; interest at 2.64%	67,014	-
2007 Municipal Building; contract of \$5,000,000; due in monthly installments of variable principal; interest at 2.975%	5,000,000	-
2008 Water/Sewer Project; contract of \$600,000; due in monthly installments of \$10,000 plus interest at 2.52%	-	350,000
2008 Sanitary Sewer Revolving Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	3,240,000
2007 Sanitary Sewer Revolving Loan; contract for \$3,921,798; due in annual installments of \$261,453 plus interest at 2.205%.	-	3,009,296
1996 Revolving Loan Fund; contract of \$4.3 million; due in annual installments of \$220,511; interest at 2.89%	-	1,323,068

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<i>Installment Purchases (Continued)</i>		
1998 Sanitary Sewer Project; contract for \$1,007,888; due in annual installments of \$50,394; interest at 2.91%	-	468,155
1995 Clean Water Bond; contract of \$354,000; annual installments of \$17,700; interest at 5.3%	-	123,900
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 Sewer Jet Vac; contract of \$225,000; due in monthly installments of \$4,062; interest at 3.73%	-	44,444
2006 Nitrogen Credits; contract for \$1,815,748; due in monthly principal installments of \$15,131; interest at 4.12%	-	1,089,449
2008 Sams Branch Outfall Project; contract of \$1,120,000; due in monthly installments of \$9,333; plus interest at 3.48%	-	914,667
2009 ARM Project; contract of \$579,000; due in monthly installments of \$10,557; including interest at 2.96%	-	467,955
2009 WWTP Generator; contract of \$250,000; due in monthly installments of \$4,558; including interest at 2.96%	-	<u>202,053</u>
Total installment purchases	<u>12,738,249</u>	<u>11,788,487</u>
Total outstanding	17,738,249	12,983,487
Less current portion	<u>1,564,823</u>	<u>1,924,462</u>
	<u>\$ 16,173,426</u>	<u>\$ 11,059,025</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

At June 30, 2010, the Town of Clayton had a legal debt margin of \$91,904,024.

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, 2010:

	<u>Balances</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u> <u>of Balance</u>
Governmental activities:					
General obligation bonds	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 250,000
Installment purchases	14,028,088	-	1,289,839	12,738,249	1,314,823
Compensated absences	558,142	298,661	324,329	532,474	266,237
Other postemployment benefits	97,895	98,017	-	195,912	
Net pension obligation	<u>231,241</u>	<u>57,664</u>	<u>-</u>	<u>288,905</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 14,915,366</u>	<u>\$ 5,454,342</u>	<u>\$ 1,614,168</u>	<u>\$ 18,755,540</u>	<u>\$ 1,831,060</u>
Business-type activities:					
General obligation bonds	\$ 580,000	\$ 610,000	\$ 715,000	\$ 475,000	\$ 130,000
Revenue bonds	960,000	-	240,000	720,000	240,000
Installment purchases	13,376,674	-	1,588,187	11,788,487	1,554,462
Other postemployment benefits	9,499	9,566	-	19,065	
Compensated absences	<u>95,417</u>	<u>58,405</u>	<u>62,515</u>	<u>91,307</u>	<u>45,654</u>
Business-type activity long-term liabilities	<u>\$ 15,021,590</u>	<u>\$ 677,971</u>	<u>\$ 2,605,702</u>	<u>\$ 13,093,859</u>	<u>\$ 1,970,116</u>

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

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences and net pension obligation, at June 30, 2010, including interest, are as follows:

	<u>Bond obligation</u>		<u>Installment purchases</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						
2011	\$ 250,000	\$ 178,125	\$1,314,823	\$ 467,601	\$1,564,823	\$ 645,726
2012	250,000	170,625	1,195,756	424,343	1,445,756	594,968
2013	250,000	163,125	894,137	385,800	1,144,137	548,925
2014	250,000	155,625	775,848	355,581	1,025,848	511,206
2015	250,000	148,125	781,237	326,212	1,031,237	474,337
2016-2020	1,250,000	623,281	3,153,598	1,211,607	4,403,598	1,834,888
Thereafter	<u>2,500,000</u>	<u>518,906</u>	<u>4,622,850</u>	<u>1,963,094</u>	<u>7,122,850</u>	<u>2,482,000</u>
Total	<u>5,000,000</u>	<u>1,957,812</u>	<u>12,738,249</u>	<u>5,134,238</u>	<u>17,738,249</u>	<u>7,092,050</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	<u>Bond obligation</u>		<u>Installment purchases</u>		<u>Total debt due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Business-type activities						
2011	\$ 370,000	\$ 27,094	\$ 1,554,462	\$ 300,393	\$ 1,924,462	\$ 327,487
2012	370,000	19,356	1,514,932	254,889	1,884,932	274,245
2013	375,000	11,098	1,342,493	212,357	1,717,493	223,455
2014	80,000	2,080	1,189,091	176,189	1,269,091	178,269
2015	-	-	1,025,256	151,818	1,025,256	151,818
2016-2020	-	-	3,207,488	385,338	3,207,488	385,338
Thereafter	-	-	1,954,765	147,724	1,954,765	147,724
	<u>1,195,000</u>	<u>59,628</u>	<u>11,788,487</u>	<u>1,625,708</u>	<u>12,983,487</u>	<u>1,688,336</u>
Total	<u>\$6,195,000</u>	<u>\$2,017,440</u>	<u>\$24,526,736</u>	<u>\$6,762,946</u>	<u>\$30,721,736</u>	<u>\$ 8,780,386</u>

Revenue Bonds

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Electric System Revenue Bonds, Series 2008, since its adoption in 2008. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 120%. The debt service coverage ratio calculation for the year ended June 30, 2010, is as follows:

Operating revenues	\$ 12,510,974
Operating expenses *	<u>11,045,614</u>
Operating income	1,465,360
Nonoperating revenues (expenses) **	<u>30,054</u>
Income available for debt service	1,495,414
Debt service, principal and interest paid (Revenue bond only)	\$ 264,192
Debt service coverage ratio	5.66

* Per rate covenants, this does not include the depreciation expense of \$267,534 nor the \$1,009,051 in voluntary transfers made to the General Fund as reserves for operations.

** Per rate covenants, this does not include revenue bond interest paid of \$24,192.

The Town has pledged future electric customer revenues, net of specified operating expenses to repay \$1.2 million in electric system revenue bonds issued in June 2008. Proceeds from the bonds provided financing for the extension of electric lines and related infrastructure to new commercial and residential developments. The bonds are payable solely from electric customer net revenues and are payable through 2013. Annual principal and interest payments on the bond are expected to require less than 3 percent of total revenues. The total principal and interest remaining to be paid on the bonds is \$756,288. Principal and interest paid for the current year and total customers net revenues were \$264,192 and \$1,465,360, respectively.

**TOWN OF CLAYTON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Deferred/Unearned Revenues

The balance in deferred/unearned revenues at June 30, 2010 consists of the following elements:

<u>Governmental Activities</u>	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (Net)	\$ 145,518	\$ -
Community Development Assessments	-	153,301
Prepaid taxes	-	16,151
	<u>\$ 145,518</u>	<u>\$ 169,452</u>
 <u>Business-type Activities</u>		
Special Assessment (water)		<u>\$ 157,318</u>

C. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2010, consist of the following:

Due to the Greenway Development Project from the General Fund:

General Fund \$ 3,727

Due to the General Fund from the Claytex Fire District:

General Fund \$ 30,989

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2010, consist of the following:

From the General Fund to the Greenway Development Project – financing sources \$ 47,817

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$25,906 for the 30 volunteer firemen and the 61 employed firemen who perform firefighting duties for the Town's fire department and on-behalf payments of \$7,950 as a revenue and an expenditure for the 37 eligible volunteers who staff the Town's rescue squad. The volunteers and employees elected to be members of the Firemen 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 \$28,931 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2010. 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 firemen or their departments.

NOTE 4 - 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 Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen'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 Firemen'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 firemen and for dues paid to the Fireman's and Rescue Squad Worker's Pension Plan on-behalf of the volunteer and employee members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2010, the Town reported revenues and expenditures for the payments of \$28,931 made through the Fireman'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, 2010. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen'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, 2010

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, 2010 were \$9,581,422.

NOTE 6 - 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.

Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liability- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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%
12/31/2007	-	463,434	463,434	0.00%	1,756,428	26.39%
12/31/2006	-	364,520	364,520	0.00%	1,667,734	21.86%
12/31/2005	7,025	205,054	198,029	3.43%	1,608,487	12.31%
12/31/2004	26,055	214,432	188,377	12.15%	1,398,394	13.47%

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

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Percentage of Contribution</u>
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%
6/30/2006	32,197	0.00%
6/30/2005	25,666	0.00%

NOTES TO THE REQUIRED SCHEDULES:

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

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5% - 12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2009	\$ -	\$ 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>
2010	112,633	5.01%
2009	112,633	4.65%

Notes to the Required Schedules:

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

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market vlaue
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	10.50% - 5.00%
*Includes inflation at	3.75%
Cost of living adjustments	None

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**



MAJOR GOVERNMENTAL FUNDS

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

Greenway Development Project Fund – This fund is used to account for the construction of the Highway 70 Road Improvements. The project will be financed primarily with operating transfers from the General Fund and a State Grant.

Clayton Community Center – This fund is used to account for the construction of the Clayton Community Center. This project will be financed primarily with operating transfers and loan proceeds.

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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Taxes	\$ -	\$ 7,277,592	\$ -
Penalties and interest	-	28,522	-
Total	7,802,540	7,306,114	(496,426)
Other taxes and licenses:			
Motor vehicle licenses	-	58,133	-
Payments in lieu of taxes	-	9,613	-
Privilege licenses	-	32,061	-
Total	129,275	99,807	(29,468)
Unrestricted intergovernmental:			
Local option sales tax	-	2,307,722	-
ABC profit distribution	-	45,240	-
Gasoline tax refunds	-	13,183	-
Franchise tax	-	544,455	-
Telecommunications tax	-	92,088	-
Video programming fees	-	188,637	-
Beer and wine tax	-	19,540	-
Reimbursement from rural fire department	-	764,754	-
Total	4,634,604	3,975,619	(658,985)
Restricted intergovernmental:			
Powell Bill allocation	-	371,002	-
State grants	-	358,111	-
Federal grants	-	94,400	-
Controlled substance tax	-	8,705	-
PEG channel support	-	18,692	-
On-behalf of payments - Fire	-	62,787	-
Solid waste disposal tax	-	9,336	-
Total	624,808	923,033	298,225
Permits and fees:			
Alarm response fees	-	16,700	-
Building permits	-	352,869	-
Inspection and rezoning fees	-	60,372	-
Total	328,200	429,941	101,741

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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	8,282	-
Refuse collection fees	-	1,071,404	-
Cemetery lots and fees	-	67,800	-
General government contributions	-	8,505	-
Public safety contributions	-	22,783	-
Recreation fees and contributions	-	150,155	-
Library fees and contributions	-	13,614	-
Total	<u>1,337,551</u>	<u>1,342,543</u>	<u>4,992</u>
Investment earnings	<u>180,000</u>	<u>35,976</u>	<u>(144,024)</u>
Miscellaneous:			
Miscellaneous	-	48,915	-
Sale of surplus property	-	23,815	-
Lease revenue	-	20,481	-
Clayton Center Cultural Arts	-	228,519	-
Damage and insurance reimbursement	-	90,438	-
Total	<u>290,283</u>	<u>412,168</u>	<u>121,885</u>
Total revenues	<u>15,327,261</u>	<u>14,525,201</u>	<u>(802,060)</u>
EXPENDITURES:			
General government:			
Legislative:			
Salaries and employee benefits	-	78,989	-
Other operating expenditures	-	71,366	-
Reimbursement - proprietary funds	-	(73,404)	-
Total	<u>-</u>	<u>76,951</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	418,326	-
Other operating expenditures	-	529,476	-
Reimbursement - proprietary funds	-	(505,253)	-
Total	<u>-</u>	<u>442,549</u>	<u>-</u>
Information services:			
Salaries and employee benefits	-	208,692	-
Other operating expenditures	-	309,047	-
Reimbursement - proprietary funds	-	(86,734)	-
Total	<u>-</u>	<u>431,005</u>	<u>-</u>
Downtown and economic development			
Salaried and employee benefits	-	71,853	-
Other operating expenditures	-	394,239	-
Total	<u>-</u>	<u>466,092</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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
General government: (Continued)			
Human resources:			
Salaries and employee benefits	-	158,316	-
Other operating expenditures	-	71,890	-
Reimbursement - proprietary funds	-	(66,823)	-
Total	-	163,383	-
Finance:			
Salaries and employee benefits	-	384,198	-
Other operating expenditures	-	363,406	-
Reimbursement - proprietary funds	-	(377,436)	-
Total	-	370,168	-
Customer services:			
Salaries and employee benefits	-	478,988	-
Other operating expenditures	-	203,319	-
Capital outlay	-	140,075	-
Reimbursement - proprietary funds	-	(572,817)	-
Total	-	249,565	-
Legal:			
Other operating expenditures	-	112,739	-
Reimbursement - proprietary funds	-	(6,400)	-
Total	-	106,339	-
Planning and zoning:			
Salaries and employee benefits	-	272,660	-
Other operating expenditures	-	62,728	-
Total	-	335,388	-
Inspections:			
Salaries and employee benefits	-	377,522	-
Vehicle maintenance	-	1,004	-
Other operating expenditures	-	37,262	-
Capital outlay	-	32,966	-
Total	-	448,754	-
Total general government	3,325,812	3,090,194	235,618
Public safety:			
Police administration:			
Salaries and employee benefits	-	247,848	-
Vehicle maintenance	-	558	-
Other operating expenditures	-	514,758	-
Total	-	763,164	-

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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Police investigation:			
Salaries and employee benefits	-	551,915	-
Vehicle Maintenance	-	3,458	-
Other operating expenditures	-	110,598	-
Total	-	665,971	-
Police patrol:			
Salaries and employee benefits	-	1,468,654	-
Vehicle maintenance	-	29,950	-
Other operating expenditures	-	147,241	-
Total	-	1,645,845	-
Police special operations			
Salaries and employee benefits	-	637,619	-
Other operating expenditures	-	85,791	-
Capital outlay	-	26,508	-
Total	-	749,918	-
Fire department:			
Salaries and employee benefits	-	1,033,267	-
Vehicle Maintenance	-	19,793	-
Other operating expenditures	-	391,411	-
Capital outlay	-	42,550	-
Total	-	1,487,021	-
On Behalf of Payments-Fire	-	62,787	-
Total public safety	5,713,878	5,374,706	339,172
Public works:			
Administration:			
Salaries and employee benefits	-	294,619	-
Other operating expenditures	-	98,844	-
Reimbursement - proprietary funds	-	(214,251)	-
Total	-	179,212	-
Engineering:			
Salaries and employee benefits	-	198,082	-
Other operating expenditures	-	7,496	-
Reimbursement - proprietary funds	-	(83,371)	-
Total	-	122,207	-

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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Shop:			
Salaries and employee benefits	-	166,058	-
Other operating expenditures	-	41,796	-
Reimbursement - proprietary funds	-	(39,316)	-
Total	-	168,538	-
Street:			
Salaries and employee benefits	-	323,204	-
Vehicle maintenance	-	6,102	-
Street lights	-	77,185	-
Other operating expenditures	-	255,945	-
Capital outlay	-	647,732	-
Reimbursement - proprietary funds	-	(31,538)	-
Total	-	1,278,630	-
Property and maintenance:			
Salaries and employee benefits	-	451,876	-
Vehicle Maintenance	-	4,109	-
Other operating expenditures	-	162,811	-
Reimbursement - proprietary funds	-	(95,386)	-
Total	-	523,410	-
Total public works	2,119,518	2,271,997	(152,479)
Environmental protection:			
Solid waste:			
Trash hauling fee	-	541,084	-
Landfill fees	-	164,238	-
Recycling efforts	-	263,835	-
Miscellaneous activities	-	211,780	-
Total environmental protection	1,103,986	1,180,937	(76,951)
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	582,674	-
Vehicle Maintenance	-	176	-
Other operating expenditures	-	429,229	-
Capital outlay	-	156,942	-
Total	1,384,183	1,169,021	215,162
Cultural arts			
Salaries and employee benefits	-	274,460	-
Other operating expenditures	-	160,980	-
Total	472,063	435,440	36,623

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, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Library:			
Salaries and employee benefits	-	321,780	-
Other operating expenditures	-	91,511	-
Total	<u>430,393</u>	<u>413,291</u>	<u>17,102</u>
Total cultural and recreational	<u>2,286,639</u>	<u>2,017,752</u>	<u>268,887</u>
Debt service:			
Principal retirement	-	1,289,839	-
Interest and fees	-	409,069	-
Total debt service	<u>1,752,269</u>	<u>1,698,908</u>	<u>53,361</u>
Special appropriations:			
Miscellaneous	-	86,867	-
Reimbursement - proprietary funds	-	(9,300)	-
Total special appropriations	<u>80,000</u>	<u>77,567</u>	<u>2,433</u>
Total expenditures	<u>16,382,102</u>	<u>15,712,061</u>	<u>670,041</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,054,841)</u>	<u>(1,186,860)</u>	<u>(132,019)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Greenway Development Project	(50,000)	(47,817)	(2,183)
Bonds issued	482,400	5,000,000	(4,517,600)
Premium on bonds issued	-	50,368	50,368
Total other financing sources (uses)	<u>432,400</u>	<u>5,002,551</u>	<u>4,570,151</u>
Fund balance appropriated	<u>622,441</u>	-	<u>(622,441)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,815,691</u>	<u>\$ 3,815,691</u>
Fund balance, beginning		<u>7,964,423</u>	
Fund balance, ending		<u>\$11,780,114</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, 2010**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES:					
Grant revenue	\$ 96,000	\$ 45,000	\$ -	\$ 45,000	\$ (51,000)
Miscellaneous	\$ -	\$ -	57,364	57,364	\$ 57,364
Total Revenues	<u>96,000</u>	<u>45,000</u>	<u>57,364</u>	<u>102,364</u>	<u>6,364</u>
EXPENDITURES:					
Capital outlay:					
Technical services	60,000	60,000	-	60,000	-
Construction	600,000	-	105,181	105,181	494,819
Easement	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total expenditures	<u>696,000</u>	<u>60,000</u>	<u>105,181</u>	<u>165,181</u>	<u>530,819</u>
REVENUES OVER (UNDER) EXPENDITURES	(600,000)	(15,000)	(47,817)	(62,817)	537,183
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	<u>600,000</u>	<u>15,000</u>	<u>47,817</u>	<u>62,817</u>	<u>(537,183)</u>
Total other financing sources:	<u>600,000</u>	<u>15,000</u>	<u>47,817</u>	<u>62,817</u>	<u>(537,183)</u>
Net change in Fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>-</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

CLAYTON COMMUNITY CENTER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Grant revenues	\$ 500,000	\$ 450,000	\$ 50,000	\$ 500,000	\$ -
Miscellaneous	-	475,000	185,000	660,000	(660,000)
Interest revenue	-	1,640	82	1,722	(1,722)
Total Revenues	<u>500,000</u>	<u>926,640</u>	<u>235,082</u>	<u>1,161,722</u>	<u>(661,722)</u>
EXPENDITURES:					
Capital outlay:					
Design services	585,000	467,591	93,509	561,100	23,900
Site and building construction	6,197,320	5,304,878	826,829	6,131,707	65,613
Street and access improvements	150,000	56,949	-	56,949	93,051
Communications	36,025	-	-	-	36,025
Contingency	476,835	-	-	-	476,835
Total expenditures	<u>7,445,180</u>	<u>5,829,418</u>	<u>920,338</u>	<u>6,749,756</u>	<u>695,424</u>
REVENUES OVER (UNDER) EXPENDITURES	(6,945,180)	(4,902,778)	(685,256)	(5,588,034)	1,357,146
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	300,000	-	-	-	(300,000)
Water and sewer fund	60,900	-	-	-	(60,900)
Electric fund	10,000	-	-	-	(10,000)
Special revenue fund	400,000	-	-	-	(400,000)
USDA Loan	5,000,000	5,000,000	-	5,000,000	-
Installment purchase proceeds	1,174,280	1,500,000	-	1,500,000	325,720
Total other financing sources:	<u>6,945,180</u>	<u>6,500,000</u>	<u>-</u>	<u>6,500,000</u>	<u>(445,180)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,597,222</u>	<u>(685,256)</u>	<u>\$ 911,966</u>	<u>\$ 911,966</u>
Fund balance, beginning			<u>1,597,222</u>		
Fund balance, ending			<u>\$ 911,966</u>		

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NON-MAJOR GOVERNMENTAL FUNDS

Capital Reserve Fund – This fund is used to account for recreation permit and fee revenue and sidewalk and road construction fee in lieu of revenue. It is used for Recreation Capital expenditure and public works capital expenditure purposes.

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
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2010**

Exhibit B-1

	<u>Special Revenue Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Capital Reserve Fund</u>	<u>Horne Cemetery Fund</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 577,543	\$ 3,198	\$ 580,741
Accounts receivable	<u>284,186</u>	<u>-</u>	<u>284,186</u>
Total assets	<u>\$ 861,729</u>	<u>\$ 3,198</u>	<u>\$ 864,927</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Reserved for			
State statute	284,186	-	284,186
Construction	577,543	-	577,543
Perpetual maintenance	<u>-</u>	<u>3,198</u>	<u>3,198</u>
Total fund balances	<u>861,729</u>	<u>3,198</u>	<u>864,927</u>
Total liabilities and fund balances	<u>\$ 861,729</u>	<u>\$ 3,198</u>	<u>\$ 864,927</u>

TOWN OF CLAYTON, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit B-2

	Special Revenue Funds		Total Non-Major Governmental Funds
	Capital Reserve Fund	Horne Cemetery Fund	
REVENUES			
Investment earnings	\$ -	\$ 18	\$ 18
Miscellaneous revenue	22,613	-	22,613
Total revenues	22,613	18	22,631
EXPENDITURES			
Capital outlay	-	-	-
Total expenditures	-	-	-
Revenues over expenditures	22,613	18	22,631
Fund balances, beginning	839,116	3,180	842,296
Fund balances, ending	\$ 861,729	\$ 3,198	\$ 864,927

TOWN OF CLAYTON, NORTH CAROLINA

Exhibit B-3

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Permits and fees:			
Recreation	\$ -	\$ 18,750	\$ 18,750
Sidewalk	-	-	-
Road construction	-	<u>3,863</u>	<u>3,863</u>
Total revenues	-	<u>22,613</u>	<u>22,613</u>
EXPENDITURES			
Capital Reserve	-	-	-
REVENUES OVER EXPENDITURES	-	<u>22,613</u>	<u>22,613</u>
Fund balance, beginning		<u>839,116</u>	
Fund balance, ending		<u>\$ 861,729</u>	

TOWN OF CLAYTON, NORTH CAROLINA

Exhibit B-4

HORNE CEMETERY FUND

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

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 18	\$ 18
EXPENDITURES			
Cemetery Care	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	18	<u>\$ 18</u>
Fund balance, beginning		<u>3,180</u>	
Fund balance, ending		<u>\$ 3,198</u>	

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ENTERPRISE FUNDS

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.

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

Wastewater Treatment Plant Upgrade Project Fund - This fund is used to account for the Grant funds, loan proceeds and town contributions used to upgrade the Wastewater Treatment Plant Facility.

Wastewater Treatment Plant Upgrade Phase II Project Fund - This fund is used to account for the Revolving loan proceeds used to upgrade the Wastewater Treatment Plant Facility.

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.

Sam's Branch Sewer Outfall Project Fund – This fund is used for the loan proceeds used for the construction of the Sam's Branch Sewer Outfall Project.

Wastewater Treatment Capital Reserve Fund – This fund is used to account for cash reserves set aside for specific future water and sewer projects.

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

Electric System Expansion 2007-2009 Project Fund – This fund is used to account for loan proceeds and other revenues used for the construction of Electric System Expansion Projects.

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, 2010

Exhibit C-1
Page 1 of 2

	2010		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Water sales	\$ -	\$ 3,223,667	\$ -
Sewer charges	-	3,081,656	-
Connection and tap fees	-	14,150	-
Acreage fees	-	69,754	-
Total	<u>7,797,222</u>	<u>6,389,227</u>	<u>(1,407,995)</u>
Other operating revenues	<u>123,200</u>	<u>167,802</u>	<u>44,602</u>
Total operating revenues	<u>7,920,422</u>	<u>6,557,029</u>	<u>(1,363,393)</u>
Nonoperating revenues:			
Investment earnings	-	3,861	-
Capacity fees	-	293,715	-
Nutrient offset fees	-	26,778	-
Miscellaneous	-	8,114	-
Total nonoperating revenues	<u>68,722</u>	<u>332,468</u>	<u>263,746</u>
Total revenues	<u>7,989,144</u>	<u>6,889,497</u>	<u>(1,099,647)</u>
EXPENDITURES:			
Water purchases	<u>1,700,000</u>	<u>1,510,148</u>	<u>189,852</u>
Water distribution:			
Salaries and employee benefits	-	319,081	-
Meter replacements	-	41,777	-
Other operating expenditures	-	631,784	-
Total water distribution	<u>992,803</u>	<u>992,642</u>	<u>161</u>
Water preventative maintenance:			
Salaries and employee benefits	-	148,553	-
Chemicals	-	78,540	-
Supplies	-	2,807	-
Other operating expenditures	-	318,501	-
Total preventative maintenance	<u>621,726</u>	<u>548,401</u>	<u>73,325</u>
Water treatment:			
Salaries and employee benefits	-	349,199	-
Chemicals	-	29,244	-
Supplies	-	18,171	-
Other operating expenditures	-	805,663	-
Total water treatment	<u>1,223,650</u>	<u>1,202,277</u>	<u>21,373</u>
Total water distribution and treatment	<u>2,838,179</u>	<u>2,743,320</u>	<u>94,859</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, 2010

Exhibit C-1
Page 2 of 2

	2010		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 1,574,349	\$ -
Interest	-	355,487	-
Total debt service	<u>1,948,707</u>	<u>1,929,836</u>	<u>18,871</u>
Capital outlay:			
Water distribution	-	460,244	-
Water prevention	-	398,281	-
Total capital outlay	<u>915,000</u>	<u>858,525</u>	<u>56,475</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>1,217,258</u>	<u>1,152,977</u>	<u>64,281</u>
Total expenditures	<u>8,619,144</u>	<u>8,194,806</u>	<u>424,338</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(630,000)</u>	<u>(1,305,309)</u>	<u>(675,309)</u>
Other financing sources (uses)			
Refunding bonds issued	200,000	610,000	410,000
Payment to refunded bond escrow agent	-	(592,897)	(592,897)
Total other financing sources	<u>200,000</u>	<u>17,103</u>	<u>(182,897)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (430,000)</u>	<u>\$ (1,288,206)</u>	<u>\$ (858,206)</u>
Fund balance appropriated	<u>430,000</u>	<u>-</u>	<u>(430,000)</u>
REVENUES AND OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (1,288,206)</u>	<u>\$ (1,288,206)</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ (1,288,206)	
Reconciling items:			
Capital reserve fund - interest revenue		1,098	
Principal retirement		1,574,349	
Capital outlay		858,525	
Other postemployment benefits		(6,013)	
Vacation accrual		(427)	
Refunding bonds issued		(610,000)	
Payment to refunded bond escrow agent		592,897	
Depreciation & Amortization		(850,481)	
Total Reconciling items		<u>1,559,948</u>	
Change in net assets		<u>\$ 271,742</u>	

TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -
WASTEWATER TREATMENT PLANT UPGRADE
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit C-2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Grant Funds	\$ 1,833,333	\$ 1,613,299	\$ -	\$ 1,613,299	\$ (220,034)
EXPENDITURES:					
Capacity fee	432,000	-	-	-	432,000
Plant Improvements	1,035,659	1,376,514	-	1,376,514	(340,855)
Water Reuse Project	1,308,249	1,573,671	-	1,573,671	(265,422)
Easement Acquisition	10,000	3,502	-	3,502	6,498
Technical Services	288,145	100,051	-	100,051	188,094
Legal	10,000	-	-	-	10,000
Contingency	182,608	-	-	-	182,608
Total expenditures	3,266,661	3,053,738	-	3,053,738	212,923
REVENUES OVER (UNDER) EXPENDITURES	(1,433,328)	(1,440,439)	-	(1,440,439)	(7,111)
OTHER FINANCING SOURCES:					
Contribution from Water/Sewer Fund	516,661	485,303	-	485,303	(31,358)
Proceeds from loan	916,667	916,667	-	916,667	-
Total other financing sources	1,433,328	1,401,970	-	1,401,970	(31,358)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ (38,469)	-	\$ (38,469)	\$ (38,469)
Fund balance, beginning			(38,469)		
Fund balance, ending			\$ (38,469)		

TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -
WASTE WATER TREATMENT PLANT UPGRADE - PHASE II
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit C-3

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:					
Professional services	700,000	672,748	-	672,748	27,252
Construction	3,200,000	2,915,050	47,987	2,963,037	236,963
Contingency	550,000	-	-	-	550,000
Total expenditures	<u>4,450,000</u>	<u>3,587,798</u>	<u>47,987</u>	<u>3,635,785</u>	<u>814,215</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,450,000)</u>	<u>(3,587,798)</u>	<u>(47,987)</u>	<u>(3,635,785)</u>	<u>814,215</u>
OTHER FINANCING SOURCES:					
Proceeds from loan	4,450,000	3,793,656	-	3,793,656	(656,344)
Total other financing sources	<u>4,450,000</u>	<u>3,793,656</u>	<u>-</u>	<u>3,793,656</u>	<u>(656,344)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 205,858</u>	<u>(47,987)</u>	<u>\$ 157,871</u>	<u>\$ 157,871</u>
Fund balance, beginning			<u>205,858</u>		
Fund balance, ending			<u>\$ 157,871</u>		

**TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -**

Exhibit C-4

RALEIGH/CLAYTON SEWER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Miscellaneous	<u>\$ 3,850,000</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ (3,595,000)</u>
EXPENDITURES:					
Clayton capacity charges	807,400	807,366	-	807,366	34
Construction	5,159,200	242,432	-	242,432	4,916,768
Design services	275,000	231,232	-	231,232	43,768
Easements	250,000	164,776	2,150	166,926	83,074
Construction inspection	87,000	-	-	-	87,000
Geotechnical investigation	13,200	13,200	-	13,200	-
Contingency	<u>500,000</u>	<u>264</u>	<u>-</u>	<u>264</u>	<u>499,736</u>
Total expenditures	<u>7,091,800</u>	<u>1,459,270</u>	<u>2,150</u>	<u>1,461,420</u>	<u>5,630,380</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,241,800)</u>	<u>(1,204,270)</u>	<u>(2,150)</u>	<u>(1,206,420)</u>	<u>2,035,380</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>\$ (1,204,270)</u>	<u>(2,150)</u>	<u>\$ (1,206,420)</u>	<u>\$ (1,206,420)</u>
Fund balance, beginning			<u>(1,204,270)</u>		
Fund balance, ending			<u>\$(1,206,420)</u>		

TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -
SAMS BRANCH SEWER OUTFALL PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit C-5

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Interest earnings	\$ -	\$ 5,440	\$ 1,098	\$ 6,538	\$ 6,538
Total revenues	-	5,440	1,098	6,538	6,538
EXPENDITURES:					
Professional services	5,000	50,208	1,538	51,746	(46,746)
Construction	1,250,000	651,075	-	651,075	598,925
Easement	10,000	-	-	-	10,000
Contingency	120,000	-	-	-	120,000
Total expenditures	1,385,000	701,283	1,538	702,821	682,179
REVENUES OVER (UNDER) EXPENDITURES					
	(1,385,000)	(695,843)	(440)	(696,283)	688,717
OTHER FINANCING SOURCES:					
Proceeds from loan	1,200,000	1,120,000	-	1,120,000	(80,000)
Operating transfers from Capital reserve fund	185,000	-	-	-	(185,000)
Total other financing sources	1,385,000	1,120,000	-	1,120,000	(265,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES					
	\$ -	\$ 424,157	(440)	\$ 423,717	\$ 423,717
Fund balance, beginning			424,157		
Fund balance, ending			\$ 423,717		

TOWN OF CLAYTON
WATER TREATMENT CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit C-6

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues	\$ -	\$ -	\$ -
Expenditures	-	-	-
Revenues over expenditures	-	-	-
Other financing sources (uses) operating transfer from Water and Sewer Fund	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	-	\$ -
Fund balance, beginning		722,715	
Fund balance, ending		\$ 722,715	

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**TOWN OF CLAYTON, NORTH CAROLINA
ELECTRIC FUND**

**Exhibit C-7
Page 1 of 2**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Electricity sales	\$ -	\$ 12,052,005	\$ -
Connection fees	-	176,705	-
Penalties	-	251,009	-
Total	<u>12,275,342</u>	<u>12,479,719</u>	<u>204,377</u>
Other operating revenues	<u>25,000</u>	<u>34,509</u>	<u>9,509</u>
Total operating revenues	<u>12,300,342</u>	<u>12,514,228</u>	<u>213,886</u>
Nonoperating revenues:			
Investment earnings	-	8,581	-
Damage reimbursement	-	4,304	-
Miscellaneous	-	26,012	-
Total nonoperating revenues	<u>86,000</u>	<u>38,897</u>	<u>(47,103)</u>
Total revenues	<u>12,386,342</u>	<u>12,553,125</u>	<u>166,783</u>
EXPENDITURES:			
Electric power purchased	<u>9,130,000</u>	<u>9,581,422</u>	<u>(451,422)</u>
Electric operations:			
Salaries and employee benefits	-	716,670	-
Contracted maintenance	-	90,258	-
Vehicle maintenance	-	24,047	-
Payment in lieu of taxes	-	-	-
Other operating expenditures	-	618,351	-
Total electric operations	<u>1,472,060</u>	<u>1,449,326</u>	<u>22,734</u>
Debt service:			
Principal	-	388,838	-
Interest	-	36,289	-
Total debt service	<u>426,087</u>	<u>425,127</u>	<u>960</u>
Capital outlay	<u>46,000</u>	<u>18,899</u>	<u>27,101</u>
Reimbursement - General Fund:			
Support services	<u>1,416,844</u>	<u>1,009,051</u>	<u>-</u>
Total reimbursement	<u>1,416,844</u>	<u>1,009,051</u>	<u>407,793</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
Total expenditures	<u>12,490,991</u>	<u>12,483,825</u>	<u>7,166</u>
Revenues over (under) expenditures	<u>(104,649)</u>	<u>69,300</u>	<u>173,949</u>
OTHER FINANCING SOURCES :			
Transfer to other funds	104,649	-	(104,649)
Installment purchase obligations issued	-	-	-
Total other financing sources	<u>104,649</u>	<u>-</u>	<u>(104,649)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 69,300</u>	<u>\$ 69,300</u>

RECONCILIATION FROM BUDGETARY BASIS
(MODIFIED ACCRUAL) TO FULL ACCRUAL:

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ 69,300
Reconciling items:	
Capital outlay	18,899
Principal retirement	388,838
Other postemployment benefits	(3,553)
Vacation accrual	4,537
Depreciation	<u>(267,534)</u>
Total Reconciling items	<u>141,187</u>
Change in net assets	<u>\$ 210,487</u>

TOWN OF CLAYTON, NORTH CAROLINA
ELECTRIC CAPITAL PROJECTS FUND -
ELECTRIC SYSTEM EXPANSION 2007-2009
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit C-8

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:					
Construction	2,037,600	772,974	135,283	908,257	1,129,343
Contingency	203,760	-	-	-	203,760
Total expenditures	<u>2,241,360</u>	<u>772,974</u>	<u>135,283</u>	<u>908,257</u>	<u>1,333,103</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,241,360)</u>	<u>(772,974)</u>	<u>(135,283)</u>	<u>(908,257)</u>	<u>1,333,103</u>
OTHER FINANCING SOURCES:					
Proceeds from revenue bond	2,037,600	1,200,000	-	1,200,000	(837,600)
Transfer from Electric fund	203,760	-	-	-	(203,760)
Total other financing sources	<u>2,241,360</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>(1,041,360)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 427,026</u>	<u>(135,283)</u>	<u>\$ 291,743</u>	<u>\$ 291,743</u>
Fund balance, beginning			<u>427,026</u>		
Fund balance, ending			<u>\$ 291,743</u>		

TOWN OF CLAYTON, NORTH CAROLINA
ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Exhibit C-9

	Project Authorization	Prior Years	Actual Current Year	Total to date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):					
Transfers from (to) other funds:					
Electric Fund	67,738	243,546	-	243,456	175,718
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>243,456</u>	<u>243,456</u>
Revenues over other financing sources (uses)	<u>\$ -</u>	<u>243,546</u>	<u>-</u>	<u>243,456</u>	<u>\$ 243,456</u>
Fund balance, beginning			<u>243,546</u>		
Fund balance, ending			<u>\$ 243,546</u>		

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Agency Fund

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

Agency Fund

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

TOWN OF CLAYTON, NORTH CAROLINA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010

Exhibit D-1

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash equivalents	\$ 132,970	\$ 1,053,893	\$ 733,765	\$ 453,098
Taxes receivable	9,573	-	601	8,972
	<u>\$ 142,543</u>	<u>\$ 1,053,893</u>	<u>\$ 734,366</u>	<u>\$ 462,070</u>
LIABILITIES				
Due to general fund	-	30,989	-	30,989
Intergovernmental payable	142,543	1,022,904	734,366	431,081
	<u>\$ 142,543</u>	<u>\$ 1,053,893</u>	<u>\$ 734,366</u>	<u>\$ 462,070</u>

Other Schedules

This section contains additional information on property taxes.

- *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, 2010

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2009</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$ -	\$ 7,401,944	\$ 7,316,730	\$ 85,214
2008-2009	74,455	192	64,005	10,642
2007-2008	11,536	-	2,433	9,103
2006-2007	6,588	-	619	5,969
2005-2006	5,611	-	372	5,239
2004-2005	4,442	-	145	4,297
2003-2004	5,275	-	295	4,980
2002-2003	6,942	-	506	6,436
2001-2002	6,733	-	617	6,116
2000-2001	6,395	-	97	6,298
1999-2000	5,609	-	5,609	-
	<u>\$ 133,586</u>	<u>\$ 7,402,136</u>	<u>\$ 7,391,428</u>	144,294
Plus: Uncollected 2009-2010 ad valorem taxes receivable on annually registered vehicles				36,224
Less: Allowance for uncollectible accounts General Fund				<u>35,000</u>
Ad valorem taxes receivable - net				<u>\$ 145,518</u>
Reconciliation with revenues				
Ad valorem taxes - General Fund				<u>\$ 7,306,114</u>
Reconciling items:				
Interest collected				(28,522)
Releases/adjustments				4,367
Prior year prepayments				103,860
Taxes written off				<u>5,609</u>
Subtotal				<u>85,314</u>
Total collections and credits				<u>\$ 7,391,428</u>

**TOWN OF CLAYTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2010**

Exhibit E-2

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxes at current year's rate	\$ 1,330,926,815	\$ 0.54	\$ 7,187,005	\$ 6,619,645	\$ 567,360
Penalties	-		2,612	2,612	-
Total	<u>1,330,926,815</u>		<u>7,189,617</u>	<u>6,622,257</u>	<u>567,360</u>
Discoveries:					
Current years taxes	<u>47,161,828</u>	0.54	<u>253,152</u>	<u>247,256</u>	<u>5,896</u>
Total	<u>47,161,828</u>		<u>253,152</u>	<u>247,256</u>	<u>5,896</u>
Abatements:					
Current years taxes	<u>7,560,233</u>		<u>40,825</u>	<u>22,293</u>	<u>18,532</u>
Total	<u>7,560,233</u>		<u>40,825</u>	<u>22,293</u>	<u>18,532</u>
Total property valuation	<u>\$ 1,370,528,410</u>				
Net levy			7,401,944	6,847,220	554,724
Uncollected taxes at June 30, 2010			<u>85,214</u>	<u>35,999</u>	<u>49,215</u>
Current year's taxes collected			<u>\$ 7,316,730</u>	<u>\$ 6,811,221</u>	<u>\$ 505,509</u>
Current levy collection percentage			<u>98.85%</u>	<u>99.47%</u>	<u>91.13%</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.

Contents	Page
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>	83
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	92
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>	96
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>	100
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>	102

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

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003		
Governmental activities										
Invested in capital assets, net of related debt	\$ 14,028,775	\$ 16,847,632	\$ 13,240,544	\$ 16,782,361	\$ 13,168,311	\$ 11,712,266	\$ 9,815,878	\$ 9,251,137		
Restricted	2,181,198	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525	252,942		
Unrestricted	10,504,036	6,644,625	6,825,392	4,991,394	5,300,590	5,131,828	4,555,705	3,873,899		
Total governmental activities net assets	\$ 26,714,009	\$ 26,508,116	\$ 24,345,079	\$22,416,024	\$ 19,290,314	\$ 17,205,404	\$ 15,548,108	\$13,377,978		
Business-type activities										
Invested in capital assets, net of related debt	\$ 25,302,620	\$ 20,498,064	\$ 19,349,968	\$ 21,288,769	\$ 20,259,381	\$ 18,587,533	\$ 18,221,968	\$ 16,880,588		
Restricted	-	-	-	-	-	-	-	90,425		
Unrestricted	8,055,799	12,378,126	13,604,433	8,754,446	10,191,517	8,680,360	7,707,347	7,009,626		
Total business-type activities net assets	\$ 33,358,419	\$ 32,876,190	\$ 32,954,401	\$30,043,215	\$ 30,450,898	\$ 27,267,893	\$ 25,929,315	\$23,980,639		
Primary government										
Invested in capital assets, net of related debt	\$ 39,331,395	\$ 37,345,696	\$ 32,590,512	\$ 38,071,130	\$ 33,427,692	\$ 30,299,799	\$ 28,037,846	\$ 26,131,725		
Restricted	2,181,198	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525	343,367		
Unrestricted	18,559,835	19,022,751	20,429,825	13,745,840	15,492,107	13,812,188	12,263,052	10,883,525		
Total primary government net assets	\$ 60,072,428	\$ 59,384,306	\$ 57,299,480	\$ 52,459,239	\$ 49,741,212	\$ 44,473,297	\$ 41,477,423	\$ 37,358,617		

Note: Prior to the fiscal year ended June 30, 2003, the Statement of Net Assets was not included in the Town's audit report. Net asset data prior to that date is unavailable.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003		
Expenses										
Governmental activities										
General government	\$ 3,328,189	\$ 3,209,290	\$ 2,370,227	\$ 2,121,414	\$ 1,888,907	\$ 1,588,352	\$ 1,159,225	\$ 1,567,405		
Public safety	5,914,190	5,761,209	5,445,651	5,016,359	4,454,301	3,930,276	3,603,498	2,908,027		
Public works	1,825,793	1,751,273	1,720,445	1,343,990	1,501,298	1,021,328	1,037,724	1,080,606		
Environmental protection	1,187,049	1,247,291	1,045,238	812,451	726,817	621,206	610,617	450,448		
Culture and recreation	1,894,227	1,808,121	1,689,214	1,420,344	1,440,071	1,195,694	999,836	993,352		
Special appropriations	77,567	87,954	41,197	26,538	-	24,019	(4,585)	111		
Interest on long-term debt	409,069	339,114	280,458	205,870	206,415	225,282	(77,902)	42,290		
Total governmental activities expenses	14,636,084	14,204,252	12,592,430	10,946,966	10,217,809	8,606,157	7,328,413	7,042,239		
Business-type activities:										
Water and sewer	6,618,852	6,826,222	7,060,870	6,749,392	5,786,091	4,960,273	4,742,804	4,532,507		
Electric	12,342,639	12,376,728	10,861,342	10,209,665	9,876,152	8,738,470	8,514,079	7,886,579		
Total business-type activities expenses	18,961,491	19,202,950	17,922,212	16,959,057	15,662,243	13,698,743	13,256,883	12,419,086		
Total primary government expenses	\$ 33,597,575	\$ 33,407,202	\$ 30,514,642	\$ 27,906,023	\$ 25,880,052	\$ 22,304,900	\$ 20,585,296	\$ 19,461,325		
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 413,241	\$ -	\$ -	\$ -	\$ 105,065	\$ 95,414	\$ 77,702	\$ 82,036		
Public safety	24,982	695	4,416	1,929	2,525	6,115	7,916	13,199		
Public works	67,800	511,244	712,952	642,061	741,648	569,046	528,653	482,397		
Environmental protection	1,071,404	1,071,494	900,056	752,666	686,667	608,232	576,892	554,993		
Culture and recreation	163,769	130,574	127,244	457,328	84,227	70,494	87,967	166,900		
Operating grants and contributions	904,069	971,218	1,104,690	840,492	810,890	672,703	668,316	475,216		
Capital grants and contributions	873,513	1,043,361	580,065	1,636,529	1,288,210	380,073	349,817	1,346,163		
Total governmental activities program revenues	3,518,778	3,728,586	3,429,423	4,331,005	3,719,232	2,402,077	2,297,263	3,120,904		
Business-type activities:										
Charges for services:										
Water and sewer	6,389,227	6,178,248	6,277,889	6,137,038	5,834,540	4,681,591	4,695,178	5,172,901		
Electric	12,479,719	11,910,902	11,167,778	10,427,747	9,948,367	9,297,442	9,130,777	9,115,249		
Operating grants and contributions	202,311	151,061	180,306	164,488	131,058	210,431	124,166	127,957		
Capital grants and contributions	-	79,160	1,196,576	-	1,649,832	-	-	-		
Total business-type activities program revenues	19,071,257	18,319,371	18,822,549	16,729,273	17,563,797	14,189,464	13,950,121	14,416,107		
Total primary government program revenues	\$ 22,590,035	\$ 22,047,957	\$ 22,251,972	\$ 21,060,278	\$ 21,283,029	\$ 16,591,541	\$ 16,247,384	\$ 17,537,011		

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense) revenue								
Governmental activities	\$(11,117,306)	\$(10,475,666)	\$(9,163,007)	\$(6,615,961)	\$(6,498,577)	\$(6,204,080)	\$(5,031,150)	\$(3,921,335)
Business-type activities	109,766	(883,579)	900,337	(229,784)	1,901,554	490,721	693,238	1,997,021
Total primary government net expense	\$(11,007,540)	\$(11,359,245)	\$(8,262,670)	\$(6,845,745)	\$(4,597,023)	\$(5,713,359)	\$(4,337,912)	\$(1,924,314)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 7,307,811	\$ 7,303,733	\$ 7,164,272	\$ 5,194,264	\$ 4,803,277	\$ 4,451,336	\$ 4,140,169	\$ 3,747,324
Other taxes	962,382	1,254,282	1,176,015	1,073,219	863,651	745,804	776,702	812,099
Unrestricted grants and contributions	2,339,785	2,543,761	2,243,668	2,193,253	1,896,160	1,730,155	1,618,581	1,216,603
Investment earnings	36,076	138,837	249,753	258,677	268,071	115,893	79,462	108,517
Miscellaneous	677,145	1,398,090	558,354	722,258	752,328	704,741	302,706	99,494
Transfers	-	-	(300,000)	300,000	-	91,074	-	390,965
Proceeds from borrowings	-	-	-	-	-	-	-	575,473
Total governmental activities	11,323,199	12,638,703	11,092,062	9,741,671	8,583,487	7,839,003	6,917,620	6,950,475
Business-type activities								
Investment earnings	13,540	88,252	217,901	260,343	200,062	174,177	35,285	29,371
Miscellaneous	358,923	717,116	1,492,948	1,174,026	1,081,389	691,223	1,369,035	599,857
Transfers	-	-	300,000	(300,000)	-	(91,074)	-	(390,965)
Total business-type activities	372,463	805,368	2,010,849	1,134,369	1,281,451	774,326	1,404,320	238,263
Total primary government	\$ 11,695,662	\$ 13,444,071	\$ 13,102,911	\$ 10,876,040	\$ 9,864,938	\$ 8,613,329	\$ 8,321,940	\$ 7,188,738
Change in Net Assets								
Governmental activities	\$ 205,893	\$ 2,163,037	\$ 1,929,055	\$ 3,125,710	\$ 2,084,910	\$ 1,634,923	\$ 1,886,470	\$ 3,029,140
Business-type activities	482,229	(78,211)	2,911,186	904,585	3,183,005	1,265,047	2,097,558	2,235,284
Total primary government	\$ 688,122	\$ 2,084,826	\$ 4,840,241	\$ 4,030,295	\$ 5,267,915	\$ 2,899,970	\$ 3,984,028	\$ 5,264,424

Note: Prior to the fiscal year ended June 30, 2003, the Statement of Activities was not included in the Town's financial statements. Changes in net assets data prior to that date is unavailable.

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Telecommu- nications Tax
2010	\$ 7,306,114	\$ 2,307,722	\$ 544,455	\$ 45,240	\$ 92,088
2009	7,292,034	2,504,203	512,761	50,725	96,028
2008	7,163,604	2,202,723	445,827	62,994	87,937
2007	5,192,790	2,150,906	397,069	35,535	92,641
2006	4,800,759	1,857,610	351,311	33,920	83,906
2005	4,466,828	1,691,047	296,477	30,604	68,943
2004	4,158,748	1,584,835	296,348	21,338	82,436
2003	3,746,328	1,169,064	383,603	24,114	68,454
2002	3,831,415	994,528	156,672	¹ 22,857	N/A
2001	2,727,982	897,779	284,264	¹ 18,814	N/A

¹ Telecommunications tax included. Breakout is unavailable for these years.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General fund				
Reserved	\$ 8,007,923	\$ 2,226,861	\$ 1,999,265	\$ 1,340,575
Unreserved	<u>3,772,191</u>	<u>5,737,562</u>	<u>5,819,819</u>	<u>4,139,225</u>
Total general fund	<u>\$ 11,780,114</u>	<u>\$ 7,964,423</u>	<u>\$ 7,819,084</u>	<u>\$ 5,479,800</u>
All other governmental funds				
Reserved	\$ 287,384	\$ 282,085	\$ 265,265	\$ 244,604
Unreserved, reported in:				
Special revenue funds	577,543	560,211	401,622	432,622
Captial project funds	<u>911,966</u>	<u>1,597,222</u>	<u>3,229,930</u>	<u>6,818</u>
Total all other governmental funds	<u>\$ 1,776,893</u>	<u>\$ 2,439,518</u>	<u>\$ 3,896,817</u>	<u>\$ 684,044</u>

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 1,654,087	\$ 1,402,409	\$ 1,152,000	\$ 1,630,139	\$ 1,122,461	\$ 1,015,967
<u>4,330,873</u>	<u>3,832,377</u>	<u>3,607,751</u>	<u>2,536,240</u>	<u>3,073,482</u>	<u>3,161,117</u>
<u><u>\$ 5,984,960</u></u>	<u><u>\$ 5,234,786</u></u>	<u><u>\$ 4,759,751</u></u>	<u><u>\$ 4,166,379</u></u>	<u><u>\$ 4,195,943</u></u>	<u><u>\$ 4,177,084</u></u>
\$ 93,009	\$ 94,741	\$ 26,960	\$ 2,965	\$ -	\$ -
441,482	293,466	241,309	217,841	203,516	472,291
<u>832</u>	<u>160,176</u>	<u>908,256</u>	<u>35,101</u>	<u>386,507</u>	<u>4,533,341</u>
<u><u>\$ 535,323</u></u>	<u><u>\$ 548,383</u></u>	<u><u>\$ 1,176,525</u></u>	<u><u>\$ 255,907</u></u>	<u><u>\$ 590,023</u></u>	<u><u>\$ 5,005,632</u></u>

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

	2010	2009	2008	2007
Revenues				
Taxes	\$ 7,306,114	\$ 7,292,034	\$ 7,163,604	\$ 5,192,790
Licenses and permits	529,748	550,072	802,563	687,565
Intergovernmental	4,948,652	5,711,754	4,988,377	5,632,979
Charges for services	1,342,543	1,264,805	1,058,166	1,276,933
Investment earnings	36,076	138,837	249,753	258,677
Miscellaneous	677,145	1,213,907	414,153	600,132
Total revenues	<u>\$ 14,840,278</u>	<u>16,171,409</u>	<u>14,676,616</u>	<u>13,649,076</u>
Expenditures				
General government	2,917,152	2,550,589	1,941,019	1,706,452
Public safety	5,305,648	5,245,807	5,017,638	4,456,901
Public works	1,624,266	1,648,242	1,609,763	1,248,991
Environmental protection	1,180,937	1,247,291	1,035,157	802,961
Culture and recreation	1,860,810	1,760,348	1,623,764	1,345,211
Special appropriations	77,567	87,954	41,197	26,538
Capital outlay	2,072,292	5,208,660	5,368,997	4,029,868
Debt Service				
Principal	1,289,839	1,296,582	1,100,701	779,203
Interest and other fees	409,069	339,114	280,458	205,870
Total expenditures	<u>16,737,580</u>	<u>19,384,587</u>	<u>18,018,694</u>	<u>14,601,995</u>
Excess of revenues over (under) expenditures	(1,897,302)	(3,213,178)	(3,342,078)	(952,919)
Other financing sources (uses)				
Transfers In (Out)	-	-	(300,000)	300,000
Proceeds from borrowings	-	-	-	-
Bonds issued	5,000,000	-	-	-
Premium on bonds issued	50,368	-	-	-
Capital leases	-	1,901,218	9,194,135	296,480
Funds raised	-	-	-	-
Total other financing sources (uses)	<u>5,050,368</u>	<u>1,901,218</u>	<u>8,894,135</u>	<u>596,480</u>
Net change in fund balances	<u>\$ 3,153,066</u>	<u>\$ (1,311,960)</u>	<u>\$ 5,552,057</u>	<u>\$ (356,439)</u>
Debt service as a percentage of noncapital expenditures	11.58%	11.54%	10.92%	9.32%

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 4,800,759	\$ 4,466,828	\$ 4,158,748	\$ 3,746,328	\$ 3,381,415	\$ 2,727,982
911,983	2,410,388	2,271,703	1,784,696	1,550,940	1,571,075
4,753,203	1,752,754	1,714,912	1,607,045	1,394,693	2,105,925
813,857	714,896	705,931	762,865	686,874	530,783
268,071	115,893	79,462	108,517	249,440	263,970
487,571	419,523	302,706	99,494	161,864	217,656
<u>12,035,444</u>	<u>9,880,282</u>	<u>9,233,462</u>	<u>8,108,945</u>	<u>7,425,226</u>	<u>7,417,391</u>
1,293,294	948,743	679,936	675,546	948,022	774,244
4,025,678	3,499,216	2,852,049	2,750,284	3,021,465	2,830,741
1,412,136	958,226	1,411,310	998,360	1,343,377	1,146,720
721,346	621,206	610,617	450,448	484,887	461,787
1,377,071	79,545	975,368	699,544	734,135	585,434
35,366	1,152,518	(4,585)	111	11,415	13,156
2,138,087	1,870,298	2,121,572	3,549,926	4,963,770	632,609
747,936	983,429	927,058	827,704	725,230	487,338
206,415	225,282	209,826	334,452	264,675	60,816
<u>11,957,329</u>	<u>10,338,463</u>	<u>9,783,151</u>	<u>10,286,375</u>	<u>12,496,976</u>	<u>6,992,845</u>
78,115	(458,181)	(549,689)	(2,177,430)	(5,071,750)	424,546
-	91,074	-	390,965	-	-
-	-	1,542,530	233,473	-	5,000,000
-	-	-	-	-	-
-	-	-	-	-	-
659,000	214,000	532,027	342,000	175,000	-
-	-	-	995,000	500,000	-
<u>659,000</u>	<u>305,074</u>	<u>2,074,557</u>	<u>1,961,438</u>	<u>675,000</u>	<u>5,000,000</u>
<u>\$ 737,115</u>	<u>\$ (153,107)</u>	<u>\$ 1,524,868</u>	<u>\$ (215,992)</u>	<u>\$ (4,396,750)</u>	<u>\$ 5,424,546</u>
9.72%	14.27%	14.84%	17.25%	13.14%	8.62%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2010	\$ 7,306,114 ²	\$ 2,307,722	\$ 544,455	\$ 13,183	\$ 45,240	\$ 10,216,716
2009	7,292,034 ²	2,504,203	512,761	6,409	50,725	10,366,134
2008	7,163,604 ²	2,202,723	445,827	236	62,994	9,875,384
2007	5,192,790	2,150,906	397,069	145	35,535	7,776,445
2006	4,800,759	1,857,610	351,311	113	¹ 33,920	7,043,713
2005	4,466,828	1,691,047	296,477	101	¹ 30,604	6,485,057
2004	4,158,748	1,584,835	296,348	64	¹ 21,338	6,061,333
2003	3,746,328	1,169,064	383,603	20,028	24,114	5,343,137
2002	3,381,415	994,528	156,672	14,624	22,857	4,570,096
2001	2,727,982	897,779	284,264	13,238	18,814	3,942,077

¹ Motor fuel tax repealed in 2003. Revenues in subsequent years attributable to retail purchases.

² A significant portion of the increase in property tax is due to a large business personal property discovery.

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

Fiscal Year Ended <u>June 30</u>	Real <u>Property</u>	Personal <u>Property</u>	Public Service Company <u>Property</u>	Total Assessed <u>Value</u>	Total Direct Tax <u>Rate</u>
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	0.54
2006	836,998,120	127,357,285	10,413,919	974,769,324	0.49
2005	765,675,878	112,425,227	11,645,411	889,746,516	0.49
2004	706,486,732	99,581,295	8,107,981	814,176,008	0.49
2003	534,242,374	74,740,383	11,098,436	620,081,193	0.61
2002	444,788,661	87,317,918	11,098,436	543,205,015	0.61
2001	352,778,346	84,309,076	6,786,828	443,874,250	0.61

Note: Assessed valuations are established at 100% of market value. A revaluation of real property is required by state statute at least every eight years. The last revaluation was completed in 2003.

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

Fiscal Year	Tax Year	Town of Clayton	Johnston County	Claytex Fire District
2010	2009	0.54	0.78	0.0975
2009	2008	0.54	0.78	0.0975
2008	2007	0.54	0.78	0.0975
2007	2006	0.54	0.78	0.0975
2006	2005	0.49	0.78	0.07
2005	2004	0.49	0.78	0.07
2004	2003	0.49	0.78	0.04
2003	2002	0.61	0.85	0.07
2002	2001	0.61	0.85	0.05
2001	2000	0.61	0.85	0.045

**Town of Clayton
Principal Property Taxpayers
June 30, 2010**

Taxpayer	2010			2001		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Sprint Nextel Corporation	48,005,280	1	3.50%			
Crown Raleigh III LLC	35,794,781	2	2.61%			
Wal-Mart	14,789,524	3	1.08%			
Colonial Carton Company, Inc.	13,299,142	4	0.97%			
Walthom Group	12,150,761	5	0.89%			
DDRM Clayton Corners LLC	11,318,030	6	0.83%			
Amelia Village LLC	8,255,801	7	0.60%			
Riverwood Athletic Club LLC	7,297,910	8	0.53%			
Spinksville III LLC	7,055,230	9	0.51%			
Fred Smith Company	6,832,760	10	0.50%			
Glenwood Clayton Company LLC				6,424,880	1	1.45%
Glen Laurel Ltd Partnership				3,764,450	2	0.85%
Carolina Telephone				3,346,149	3	0.75%
Raft, Inc.				2,975,000	4	0.67%
Comfort Homes, Inc.				2,861,064	5	0.64%
Clayton Crossings Holdings LLC				2,820,990	6	0.64%
Chadwick Ventures LLC				2,560,650	7	0.58%
Clubcorp Golf of NC LLC				2,400,850	8	0.54%
Winn Dixie Raleigh, Inc.				2,154,416	9	0.49%
Milbar, Inc.				2,073,250	10	0.47%
Totals	<u>\$ 164,799,219</u>		<u>12.02%</u>	<u>\$ 31,381,699</u>		<u>7.08%</u>
Total Assessed Value	<u>\$ 1,370,528,410</u>			<u>\$ 443,874,250</u>		

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 7,401,944	\$ 7,316,730	98.8%	74,698	\$ 7,391,428	99.9%
2009	7,174,079	7,099,624	99.0%	173,993	7,273,617	101.4%
2008	7,154,864	7,082,517	99.0%	69,305	7,151,822	100.0%
2007	5,190,248	5,122,067	98.7%	54,924	5,176,991	99.7%
2006	4,777,251	4,725,091	98.9%	56,766	4,781,857	100.1%
2005	4,442,200	4,390,193	98.8%	63,250	4,453,443	100.3%
2004	4,073,291	4,009,858	98.4%	83,905	4,093,763	100.5%
2003	3,784,690	3,700,571	97.8%	95,003	3,795,574	100.3%
2002	3,335,347	3,236,767	97.0%	92,894	3,329,661	99.8%
2001	2,700,343	2,607,089	96.5%	128,640	2,735,729	101.3%

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 ¹	Per Capita ¹
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2010	\$5,000,000	\$12,738,249	\$ 475,000	\$ 720,000	\$ 11,788,487	\$ 30,721,736	N/A	182.30
2009	-	14,028,088	580,000	960,000	13,376,674	28,944,762	N/A	177.11
2008	-	13,423,453	690,000	1,200,000	12,736,056	28,049,509	N/A	173.26
2007	-	5,330,019	790,000	-	8,612,461	14,732,480	N/A	93.91
2006	-	5,812,742	885,000	-	5,662,227	12,359,969	0.28%	81.54
2005	-	5,901,678	975,000	-	4,211,009	11,087,687	0.27%	75.83
2004	-	6,693,480	1,060,000	-	4,862,285	12,615,765	0.33%	89.21
2003	-	5,545,981	1,140,000	-	5,093,258	11,779,239	0.34%	86.35
2002	-	5,498,150	1,215,000	-	6,017,518	12,730,668	0.38%	96.09
2001	-	6,048,380	1,290,000	-	6,956,700	14,295,080	0.43%	111.93

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

¹ See Schedule of Demographic and Economic Statistics.

Town of Clayton, North Carolina
Computation of Direct and Overlapping Bonded Debt
Last Ten Fiscal Years

Fiscal Year	Clayton			Johnston County			Town's Share of Debt
	General Obligation Bonds Outstanding ¹	Assessed Valuation	Percent Applicable to Town	General Obligation Bonds Outstanding ²	Assessed Valuation ²	Percentage Applicable to Town ³	
2010	5,475,000	1,370,528,410	100%	325,995,000	11,725,441,791	10.47%	39,591,251
2009	580,000	1,344,620,814	100%	340,645,000	11,472,157,697	10.49%	36,317,401
2008	690,000	1,338,485,028	100%	273,695,000	10,974,674,669	10.87%	30,441,637
2007	790,000	1,058,895,426	100%	232,485,000	10,182,659,636	9.42%	22,688,866
2006	885,000	974,769,324	100%	204,890,000	9,625,784,993	9.20%	19,725,570
2005	975,000	889,746,516	100%	177,845,000	9,066,737,779	8.94%	16,867,856
2004	1,060,000	814,176,008	100%	185,550,000	8,684,784,796	8.57%	16,963,883
2003	1,140,000	620,081,193	100%	161,075,000	6,473,699,163	8.74%	15,219,880
2002	1,215,000	543,205,015	100%	139,600,000	6,362,036,785	7.87%	12,196,718
2001	1,290,000	443,874,250	100%	100,825,000	6,062,013,800	6.82%	8,168,941

¹ Includes general obligation bonds for Enterprise Funds.

² Provided by Johnston County Finance Department.

³ Determined by ratio of assessed value of property subject to taxation in Johnston County.

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

	2010	2009	2008	2007
Debt limit	\$ 109,642,273	\$ 107,569,665	\$ 107,078,802	\$ 84,711,634
Total net debt applicable to limit	17,738,249	14,028,088	13,423,453	5,330,019
Legal debt margin	\$ 91,904,024	\$ 93,541,577	\$ 93,655,349	\$ 79,381,615
Total net debt applicable to the limit as a percentge of debt limit	16.18%	13.04%	12.54%	6.29%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	\$ 1,370,528,410
Debt limit (8% of total assessed value)	109,642,273
Less general obligation debt	<u>(17,738,249)</u>
Legal debt margin	<u>\$ 91,904,024</u>

Fiscal Year

2006	2005	2004	2003	2002	2001
\$ 77,981,546	\$ 71,179,721	\$ 65,134,081	\$ 49,606,495	\$ 43,456,401	\$ 35,509,940
5,812,742	5,901,678	6,693,480	5,545,981	5,498,150	6,048,380
\$ 72,168,804	\$ 65,278,043	\$ 58,440,601	\$ 44,060,514	\$ 37,958,251	\$ 29,461,560
7.45%	8.29%	10.28%	11.18%	12.65%	17.03%

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

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income	Median Age ¹	School Enrollment ³	Unemployment Rate ⁴
2010	168,525	N/A	N/A	36.10	32,288	9.2
2009	163,428	N/A	N/A	34.90	31,735	10.6
2008	161,889	N/A	N/A	36.00	30,563	5.6
2007	156,887	N/A	N/A	35.00	29,178	4.3
2006	151,589	4,411,506	29,216	34.57	27,591	4.2
2005	146,222	4,143,096	28,317	34.43	26,292	4.8
2004	141,422	3,814,399	26,907	34.29	24,766	4.8
2003	136,407	3,515,446	25,671	34.17	23,443	6.0
2002	132,491	3,368,909	25,348	34.11	22,375	5.7
2001	127,719	3,342,666	26,142	34.11	21,411	4.2

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

¹ US Census Bureau

² Bureau of Economic Analysis

³ Johnston County School System

⁴ NC Employment Security Commission

**Town of Clayton
Principal Employers
Current Year**

Employer	Employees	Rank	Percentage of County Employment ¹
Johnston County School System	4,051	1	5.75%
Talecris Biotherapeutics, Inc.	1,200	2	1.70%
Johnston Health	1,000	3	1.42%
Johnston County Government	911	4	1.29%
Wal-Mart Stores	850	5	1.21%
Precision Air/Flanders Corporation	600	6	0.85%
Novo Nordisk Pharmaceutical Industries	500	7	0.71%
Caterpillar, Inc.	400	8	0.57%
Sysco Food Systems	400	9	0.57%
Hospira, Inc.	200	10	0.28%
	10,112		14.35%
 Total County Employment	 70,399 ²		

¹ Data not available for the Town of Clayton. Johnston County information presented.

² Source: Johnston County Economic Development.

Note: Nine year historical data unavailable.

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

Function	Full-time Equivalent Employees as of June 30									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General government	42	43	39	40	37	35	34	33	34	28
Public safety										
Police										
Officers	41	41	42	38	36	37	35	32	31	31
Civilians	4	4	4	4	3	6	7	7	7	8
Fire										
Firefighters and officers	14	11	10	10	5	4	4	3	3	3
Civilians	1	1	1	1	1	1	1	0	0	0
Public works	28	26	27	26	23	19	20	21	17	19
Culture and recreation	11	11	9	9	8	8	7	6	7	5
Water/Sewer	16	13	10	11	12	11	12	11	12	11
Electric	10	10	9	10	8	9	11	10	11	12
Total	<u>167</u>	<u>160</u>	<u>151</u>	<u>149</u>	<u>133</u>	<u>130</u>	<u>131</u>	<u>123</u>	<u>122</u>	<u>117</u>

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

Function	2010	2009	2008	2007
Police				
Physical arrests	691	551	695	761
Traffic citations	3,291	2,978	3,110	3,017
Fire				
Number of calls answered	718	700	817	904
Inspections	334	322	342	257
Streets				
Street resurfacing (feet)	2,380	-	-	4,190
Pavement repairs	79	82	35	89
Sanitation				
Refuse collected (tons)	4,518	4,657	5,256	4,864
Recyclables collected (tons)	879	815	489	252
Culture and recreation				
Athletic field permits issued	22	19	19	17
Cultural arts center rentals ¹	1,110	1,175	581	579
Water				
New connections	121	200	342	651
Leak repairs	150	116	81	94
Average daily consumption	2,148,158	2,192,885	2,288,340	2,339,000
Wastewater				
Average daily sewage treatment (in thousands of gallons)	1,781	1,619	1,370	1,387

¹ The Cultural Arts Center began operation in FY 2002-2003.

Source: Various town departments.

Fiscal Year					
2006	2005	2004	2003	2002	2001
448	819	806	629	677	754
1,768	3,334	4,760	2,703	3,417	4,677
711	1,068	1,009	695	714	766
183	253	213	162	324	294
-	3,197	-	-	7,453	-
72	89	56	N/A	N/A	N/A
4,515	4,614	4,058	3,936	3,533	3,296
228	238	246	226	218	210
18	10	7	7	1	1
371	360	276	156	N/A	N/A
601	311	N/A	N/A	N/A	N/A
28	164	147	189	N/A	N/A
1,967,992	1,817,268	1,859,090	1,808,748	1,838,641	1,757,315
1,439	1,342	1,636	1,437	1,443	1,256

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

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	42	42	42	42	41	40	38	35	33	33
K-9 units	1	1	1	1	1	2	3	3	3	3
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	68	67	67	64	60	57	55	51	48	44
Culture and recreation										
Parks	5	5	5	5	5	5	5	5	5	3
Libraries	1	1	1	1	1	1	1	1	1	1
Cultural arts centers	1	1	1	1	1	1	1	1	N/A	N/A
Sewer										
Wastewater treatment facilities	1	1	1	1	1	1	1	1	1	1
Electric										
Distribution stations	1	1	2	2	2	2	2	2	2	2
Street lights	1,373	1,365	1,350	1,300	1,250	1,200	1,100	850	850	800

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

Fiscal Year Ended June 30	Commercial Construction ¹		Residential Construction ¹		Total		Bank Deposits ²
	Number of Units	Value	Number of Units	Value	Number of Units	Value	
2010	109	\$224,729,841 ³	112	\$14,800,632	221	239,530,473	\$ 207,412,639
2009	68	24,999,625	103	15,834,177	171	40,833,802	302,061,000
2008	80	44,463,164 ⁴	314	45,007,188	394	89,470,352	282,020,000
2007	55	10,614,205	345	43,680,120	400	54,294,325	281,608,000
2006	69	10,285,972	437	58,357,364	506	68,643,336	247,041,000
2005	88	14,776,798	273	36,254,078	361	51,030,876	219,091,000
2004	76	14,295,183	311	38,925,036	387	53,220,219	194,897,000
2003	92	15,495,759	225	34,134,129	317	49,629,888	188,012,000
2002	72	8,474,988	261	22,322,030	333	30,797,018	174,806,000
2001	80	9,220,898	295	34,347,560	375	43,568,458	160,597,000

¹ Compiled by Town of Clayton Planning & Inspections.

² Federal Deposit Insurance Corporation Summary of Deposits.

³ Increase due to \$200 million Talecris Biotherapeutics expansion project.

⁴ 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, 2010

Type of Coverage	Details of Coverage	
Health Insurance Blue Options PPO		Employee payments ranging from \$20-\$500 per service with use of provider designated physician/ medical facility. \$1,500 maximum out-of-pocket
Life Insurance	Varied	One times yearly salary per employee up to \$100,000
Workman's Compensation		Bodily injury by accident - Each accident Bodily injury by disease - Each employee Bodily injury by disease - Coverage limit
General Liability	2,000,000 2,500	Each occurrence Deductible
Police Professional Liability	2,000,000 3,000,000 2,500	Each occurrence and annual Annual aggregate Deductible
Public Officials Liability/ Employment Practices Liability	1,000,000 3,000,000 5,000	Each claim and annual Annual aggregate Deductible
Public Employees Blanket Bond	25,000 250	Indemnification Deductible
Public Officials Bond Finance Director Tax Collector	100,000 25,000 0	Liability Liability Deductible
Automobile Liability	2,000,000 2,500	Per occurrence Deductible
Automobile Comprehensive	N/A 500	Actual cash value valuation or \$1,000 deductible per vehicle - private passenger, light trucks, and all others
Automobile Collision	N/A 500	Actual cash value valuation or \$1,000 deductible per vehicle - private passenger, light trucks, and all others
Uninsured Motorist	250,000 2,500	Limits of coverage Deductible
Real & Personal Property	50,663,709 2,500	Cause of loss Deductible per occurrence includes boiler & machinery
Municipal Equipment	717,624 2,500	All risk coverage Deductible per occurrence
Computer Equipment/Media	1,350,000 2,500	Limits of coverage Deductible
Fine Arts	130,000 2,500	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, 2010

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.	\$2.43	\$.80/kgal	\$3.23/kgal
Over 100,000 gal.	2.43	--	2.43
Out of Town:			
Up to 100,000 gal.	\$4.14	\$.80	\$4.94
Over 100,000 gal.	4.14	--	4.14

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 = \$3.35 per 1,000 gallons of usage.

SEWER RATES (MONTHLY):

Sewer only customers - Residential only \$25.54.

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.	\$3.83	\$.64/kgal.	\$4.47/kgal.
Over 100,000 gal.	3.83	--	3.83
Out of Town:			
Up to 100,000 gal.	\$5.44	\$.64/kgal.	\$6.08/kgal.
Over 100,000 gal.	5.44	--	5.44

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

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

154 South Harbor Watch Drive
Statesville, North Carolina 28377
(704) 562-5039

713 South Main Street
Heritage House
Laurinburg, North Carolina 28352
(910) 277-2795

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*

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

We have audited 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, 2010, which collectively comprises the Town of Clayton, North Carolina's basic financial statements, and have issued our report thereon dated October 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clayton's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2010-1.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 1, 2010

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Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the compliance of Town of Clayton, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2010. The Town of Clayton's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of Town of Clayton's management. Our responsibility is to express an opinion on Town of Clayton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Town of Clayton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Clayton's compliance with those requirements.

In our opinion, Town of Clayton complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Town of Clayton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Town of Clayton's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 1, 2010

TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *No*

Noncompliance material to financial statements noted *Yes*

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Type of auditor's report issued on compliance for major State programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act *No*

Identification of major State program:

Powell Bill

Rural Development Grant

**TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section II – Financial Statement Findings

Finding 2010-1

MATERIAL NONCOMPLIANCE

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town of Clayton expended \$76,951 for environmental protection expenditures and \$152,479 for public works expenditures, all in the General fund; \$340,855 more in plant improvement expenditures and \$265,422 more in water reuse project expenditures in the Wastewater Treatment Plant Upgrade project fund, \$46,746 more in professional services expenditures in the Sams Branch Sewer Outfall project fund, \$451,422 more in electric power expenditures in the Electric Fund.

Effect: Moneys were spent that had not been appropriated.

Cause: The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted before expenditures exceed budgeted expenditures in the budget ordinance.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Section III – State Award Findings and Questioned Costs

None reported.

**TOWN OF CLAYTON, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2010**

Section II – Financial Statement Findings

MATERIAL NONCOMPLIANCE

Finding 2010-1

Name of contact person:	Robert McKie, Finance Director
Corrective Action:	Management will review a budget-to-actual report prepared by the finance officer monthly. Budget amendments will be made as necessary.
Proposed Completion Date:	Management will implement the above procedure at their December meeting.

Section III – State Award Findings and Questioned Costs

None reported

TOWN OF CLAYTON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2010

Finding 2009-1

Status: Similar comment found in current year. See finding 2010-1.

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TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS					
<u>U.S. Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2006-FF-03895	69,713	-	-
<u>U.S. Department of Justice</u>					
Edward Byrne Jag Grant	16.738		22,500	-	-
Bullet proof vest program	16.607		2,188	-	-
Total assistance - federal programs			94,401	-	-
STATE GRANTS					
Cash Assistance					
<u>N.C. Department of Environment and Natural Resources</u>					
Mountain to Sea Grant	N/A	022310-1269	-	34,111	-
N.C. Parks and Recreation Trust Fund	N/A	2005-393/P06010	-	50,000	-
<u>N.C. Rural Economic Development Center</u>					
Rural Development Grant	N/A		-	324,000	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	539,723	-
Total assistance state programs			-	947,834	-
Total assistance			\$ 94,401	\$ 947,834	\$ -

NOTE 1 - BASIS OF PRESENTATION

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

