

Comprehensive Annual Financial Report



**Town of Clayton, North Carolina
Fiscal Year Ended June 30, 2012**









TOWN OF CLAYTON
North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Prepared by:

Finance Department

Finance Director:

Robert W. McKie, Jr.



TOWN OF CLAYTON
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>	
INTRODUCTORY SECTION		
Letter of Transmittal	i	
Mission Statement and Goals	ix	
Certificate of Achievement in Financial Reporting	xii	
Area Map and History of the Town of Clayton	xiii	
Members of Town Council	xiv	
Administrative Staff	xv	
Clayton Boards and Commissions	xvi	
Organizational Chart.....	xvii	
 FINANCIAL SECTION		
Independent Auditor’s Report	1	
Management’s Discussion and Analysis.....	3	
Basic Financial Statements:		
Government-wide Financial Statements:		
1	Statement of Net Assets.....15	
2	Statement of Activities.....17	
Fund Financial Statements:		
3	Balance Sheet – Governmental Funds.....18	
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	21
7	Statement of Net Assets – Proprietary Funds.....	22
8	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	23
9	Statement of Cash Flows – Proprietary Funds	24
10	Statement of Fiduciary Net Assets.....	26
	Notes to the Basic Financial Statements	27
 REQUIRED SUPPLEMENTAL FINANCIAL DATA:		
	Law Enforcement Officers’ Special Separation Allowance – Schedule of Funding Progress	53
	Law Enforcement Officers’ Special Separation Allowance – Schedule of Employer Contributions.....	54

TOWN OF CLAYTON
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
	Other Postemployment Benefits – Schedule of Funding Progress.....55
	Other Postemployment Benefits – Schedule of Employer Contributions.....56
 COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:	
Major Governmental Funds	
General Fund:	
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual57
Greenway Development Project Fund:	
A-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception63
2012 GO Bond East Clayton Community Park Project Fund:	
A-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception64
Clayton Law Enforcement Center:	
A-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception65
2009A GO Bonds Recreation Project:	
A-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception66
2009A GO Bonds Streets Project:	
A-6	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception67
Non-Major Governmental Funds:	
B-1	Balance Sheet68
Horne Cemetery Fund	
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual69
Enterprise Funds:	
Water and Sewer Fund:	
C-1	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)70
Waste Water Treatment Plant Upgrade Phase II Project Fund:	
C-2	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception72
Raleigh/Clayton Sewer Project Fund:	
C-3	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception73
Elevated Water Storage Tank Project Fund:	
C-4	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception74
Automatic Rolls CDBG Project Fund:	
C-5	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception75

TOWN OF CLAYTON
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
	Electric Fund:
C-6	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)76
	Electric System Expansion 2007-2009 Project Fund:
C-7	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception78
	Electric Rate Stabilization Fund:
C-8	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception79
	Agency Fund:
D-1	Claytex Fire District Fund Statement of Changes in Assets and Liabilities80
 OTHER SCHEDULES:	
E-1	Schedule of Ad Valorem Taxes Receivable81
E-2	Analysis of Current Tax Levy82
 STATISTICAL SECTION:	
	Financial Trend Information
	Net Assets by Component83
	Changes in Net Assets84
	Governmental Activities Tax Revenues by Source.....86
	Fund Balances of Governmental Funds.....87
	Changes in Fund Balances of Governmental Funds.....89
	General Governmental Tax Revenues by Source91
	Revenue Capacity Information
	Assessed Value of Taxable Property92
	Property Tax Rates – Direct and Overlapping Governments.....93
	Principal Property Taxpayers94
	Property Tax Levies and Collections.....95
	Debt Capacity Information
	Ratios of Outstanding Debt by Type96
	Computation of Direct and Overlapping Bonded Debt97
	Legal Debt Margin.....98
	Demographic and Economic Information
	Demographic and Economic Statistics100
	Principal Employers101
	Operating Information
	Full-time Equivalent Town Government Employees by Function102
	Operating Indicators by Function103
	Capital Asset Statistics by Function105
	Commercial and Residential Construction Values.....106

TOWN OF CLAYTON
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Schedule of Insurance in Force.....	107
Schedule of Utility Rates	108
 COMPLIANCE SECTION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	110
Schedule of Findings and Questioned Costs	112
Summary Schedule of Prior Year Findings.....	113

INTRODUCTORY SECTION



Jody L. McLeod
MAYOR

Bruce Thompson
TOWN ATTORNEY

Steve Biggs
TOWN MANAGER



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

Michael Grannis
MAYOR PRO TEM

October 17, 2012

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

North Carolina General Statutes require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report, is published to fulfill that requirement for the fiscal year ended June 30, 2012.

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, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Town

The Town of Clayton was incorporated on April 12, 1869 and is located in the northwest portion of Johnston County, which is located in the western portion of the Coastal Plains. The Town, which is bisected by U.S. Highway 70 and located approximately 15 miles southeast of the capital city Raleigh, covers a 13.61 square mile area and has a population of approximately 16,116 per the 2010 Census. Clayton is the fastest growing municipality in Johnston County with an annual growth rate of approximately 7%. The Town has the statutory authority to extend its corporate limits through voluntary annexation under the direction of Town Council. The Town annexed approximately 2 acres by petition during the current fiscal year.

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

The Council is required to adopt a fiscal year operating budget by no later than June 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 levels. 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 unassigned 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 Aa3 bond rating from Moody's Investor Service. 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 ("JMC-Clayton"), a new \$30 million full service medical facility located on a 75-acre tract inside the Town limits.

JMC-Clayton opened in August of 2009 and employs approximately 150 people. The facility is developing in phases with initial services covering emergency care, outpatient surgery, and comprehensive outpatient diagnostic imaging and lab services. In addition, the site includes a free-standing three-story physician office building, Johnston Professional Plaza. The expansion of JMC-Clayton will require an additional 53,500 square-feet of space to house a full-service hospital that has been approved for 50 inpatient beds with the potential for 100 inpatient beds. The expansion project is expected to break ground in spring/summer 2013.

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 JMC-Clayton. As evidence of the potential in this area, the Town approved plans for a new development proposed by the Lundy Group in June of 2010. The approved project, Spring Branch, is intended to provide support services for the new medical center. The complex will include retail stores, restaurants, a bank, medical offices, and townhouses on a 50-acre parcel adjacent to JMC-Clayton. The first 36,000 square-foot building was recently completed and is anchored by Duke Medicine. Construction of a single-story 77-bed assisted living facility is currently underway, with completion expected in the spring 2013. Also, construction of a second two-story, 30,000 square-foot medical office building is scheduled to begin.

Health Park at 42 West, a 70,000 square-foot complex of medical office buildings, has been approved for construction on an 8.67-acre tract across from JMC-Clayton on Highway 42. Plans call for 5 single-story buildings in a plan that is consistent with the Highway 42 Small Area Plan previously adopted by the Council.

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

The Clayton economy is diversified with a balance of manufacturing and non-manufacturing industries. The Town is home to three large international pharmaceutical companies as well as a special purpose Research and Training Zone (“RTZ”), which is an economic development and training district created through special legislation that supports the special needs of the local pharmaceutical industries. The RTZ includes a 30,000 square-foot Workforce Development Center (“WDC”), which operates a partnership between Johnston Community College and North Carolina State University. The WDC is an educational and technical skills training center that concentrates on life sciences programming, business training, and workforce development in biotechnology and other sciences. Over 3,800 students

were enrolled in continuing education courses, approximately 660 students were involved in Associate curriculum programs for Bioprocess Technology and Biology and Biology Education, and had more than 3,400 outside vendor participants during the most recent year of operation. The Town's employment base includes approximately 10 percent of all biopharmaceutical jobs in the State.

The largest manufacturing employer is Grifols, S.A. ("Grifols"), formerly Talecris Biotherapeutics, Inc. ("Talecris"), a high-tech manufacturer of blood plasma related products for a variety of applications. The blood plasma facility has been in operation since 1981 and is now the primary manufacturing facility with approximately 1,200 employees. Grifols is in the process of completing a \$268.7 million expansion announced by Talecris in November of 2009 that is expected to create 259 new jobs and includes a state-of-the-art fractionation facility. Grifols recently announced plans to locate the fractionation facility in a new 30,000 square-foot building to achieve operational efficiencies.

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. In October of 2010, Novo Nordisk announced a \$73 million expansion for a new insulin delivery device that will create 85 new jobs. Hospira, Inc. ("Hospira") is a pharmaceutical bio-processing company also located in the RTZ. After purchasing the facility from Fresenius Kabi, Hospira invested approximately \$15 million in machinery and equipment and added approximately 150 new jobs bringing total employment to 200.

Caterpillar, Inc., a Fortune 100 company, is another large manufacturing employer. The Building and Construction Products Division of Caterpillar ("CAT") operates an assembly facility located near the Town that assembles and distributes all CAT rubber tire front-end loaders for North America and the export market, currently employing approximately 491. CAT completed construction of a temporary modular Core Products Development Center ("Center") within the Town. The Center is located on a 252-acre site where prototype machines are designed, tested, and subjected to customers' hands-on operation and critique at a state-of-the-art heavy equipment test track co-located with the Center. The prototype machines meet new market demands and stringent EPA air quality emission standards. According to CAT, 120 designers, engineers, and managers were relocated from its offices in Cary, NC to the new complex in Clayton.

In addition, CAT recently announced a \$33 million expansion plan that includes construction of a \$14.5 million, 55,000 square-foot free-standing two-story office building to replace the existing temporary modular Center and an \$18.5 million expansion to the assembly facility that will add 199 jobs over a five year period. The Clayton location was chosen as one of the Best Place to Work in 2012 by the Triangle

Business Journal: <http://www.bizjournals.com/triangle/news/2012/08/20/tbj-unveils-2012-best-places-to-work.html>

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 Grifols facility. In February of 2012, Turkington USA announced plans to close the Clayton facility and lay off approximately 101 employees. In March of 2012, Middleby Corp., an Illinois based food service equipment company, acquired the assets of Turkington USA and will continue operations employing many of the former Turkington employees.

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 90,000 square-foot, \$25.4 million bakery operation. The facility, now in operation, created 84 new jobs. The Town was awarded a \$700,000 Community Development Block Grant, which will provide primary funding of the infrastructure costs for an access road and water and sewer lines, in conjunction with a \$233,333 commitment of local funds. Additional assistance was received from the NC Department of Transportation.

The relocation of a major distribution facility from Raleigh to Clayton by Coca-Cola, employing approximately 185 and the opening of a brand new O'Reilly Auto Parts store represent recent employment activity in the Town.

Construction of new 216-unit apartment complex, Amelia Station, is expected to begin in late fall 2012 on a 15.5-acre tract and a new craft brewery, Deep River Brewing Company, is expected to open in downtown Clayton in late November and will create 8 new jobs. The brewery will produce two flagship beers and four seasonal beers.

The Town of Clayton's downtown area experienced a gain of 10 new businesses, a net gain of 10 jobs, and 9 business closures. Private investment exceeded \$0.3 million and approximately \$6.3 million of public improvements were completed. During the course of the past six years, approximately \$8.6 million of private investment has occurred, including 97 new businesses and 55 business closures, 26 façade improvements, including 17 assisted by the Town's grant program, 10 building expansions, 4 renovations, and a net gain of 151 jobs.

Also, the Town of Clayton hosted the 2012 North Carolina Main Street Conference in January of 2012. The conference united officials from 61 Main Street municipalities and 28 Small Town Main Street communities across North Carolina during a series of workshops and meetings. The conference was a success as evidenced by officials extending their stay to meet privately with the Town's Mayor regarding the Town's downtown revitalization efforts. 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 self-imposed budget austerity program was curtailed for the FY 2013 budget; primarily due to realized improvements in both revenue growth and operational cost efficiencies. However, the budgeted growth is dependent upon the implementation of decisions and projects previously committed to by the Town in conjunction with onetime costs related to increased economic development efforts and quality of life enhancements, which are contingent upon a sustained recovery. The Town is on firmer financial ground than the two prior fiscal years and achievement of its goal to be a leaner and significantly more efficient operation without the consequence of future cuts to personnel, benefits, or programs by the end of FY 2012 was realized. More detailed information is contained in the MD&A.

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

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

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

The top priorities for FY 2012, which were established by the Mayor and Town Council during a planning session in March of 2012, were acted upon and achieved. The list is as follows:

- Grifols project
- Hospital development – inpatient beds
- Communication program development
- Wastewater treatment – nitrogen
- Employee compensation and retention
- Customer service policy
- Sam’s Branch/Mountains to Sea Trail greenway project
- Library strategic plan

Major Initiatives

The 1.25-mile Sam's Branch Greenway ("Greenway") along the Neuse River is a 10-foot wide multiuse paved trail that will ultimately extend approximately 5.5-miles connecting with Legend Park, Municipal Park, and Clemmons State Forest. The Town received a \$300,000 grant from the NC Parks & Recreation Trust Fund to assist with the purchase of additional acreage along the Neuse River for future park development. The site adjoins the Mountains-to-Sea Trail ("MTS") and is currently the subject of a master plan project. The Greenway and connecting section of the MTS will become part of the East Coast Greenway, which is a developing trail system beginning at the Canadian border in Calais, ME that will link 15 states and numerous municipalities with Key West, FL at the southernmost point. The MTS and Greenway provide a great benefit to Town residents by linking communities together while serving as the backbone of the Town's expanding system of trails. Clayton is truly the "Premier Community for Active Families".

Construction is nearing completion on the new East Clayton Community Park, a 60-acre tract that will feature regulation size baseball and soccer fields, two large open use spaces, a playground, a picnic pavilion with restrooms, and a mile long walking trail. The \$2.0 million general obligation bond issuance in March of 2012 provided the funding for this project. Also, a dog park, which is the first one in Johnston County, opened in spring 2012 and is located across the road.

The \$1.99 million Phase 2 work of the massive Bond Streets Project was recently completed. The improvements include the resurfacing of 19,200 linear feet of streets, the installation of more than 4,200 linear feet of new sidewalks, replacement of 3,850 linear feet of 8-inch sewer line and 2,600 linear feet of 6-inch water line, replacement of 128 sewer service lines, 29 sewer manholes, 84 water service lines, and 10 fire hydrants. The \$1.2 million Phase 3 work of the project is underway and will require the replacement of water and sewer lines, resurfacing of 5 more streets, and installing new sidewalks, including an extensive rebuild of John Street. The Town's total investment will be \$4.3 million after completion of Phase 3, which is the final phase of Bond Streets Project.

An Artist-in-Residency Program was implemented in 2011 to promote and enhance the Town's reputation as an arts community. A professional artist was assigned to further the Town's arts program with primary responsibility for working with residents, organizations, and local officials to promote the arts in a way that compliments both the community's unique identity and values.

The Town hired a Florida production company to produce a short promotional video that will air on national television. Terry Bradshaw, a 4-time Super Bowl champion and Fox Sports broadcaster, will narrate the film that will appear as a short segment in the Today in America Hidden Gems series. The program features often overlooked American towns and cities that have weathered the economic downturn and boosted economic activity through proactive policies. The Town intends to utilize the film to facilitate its economic development efforts after the conclusion of the television airings.

Other noteworthy items include: 1) planning and design of a \$1.1 million pedestrian walkway connecting several area schools and residential neighborhoods to the Clayton Community Center; 2) construction on a new \$2.5 million, 1.0 million gallon elevated water storage tank is underway and is funded through a combination of federal and state resources in the form of a loan and grants. The tank will enhance fire protection in the area served by the Town's Fire Station No. 2, serve as a backup water supply, and satisfy storage capacity and pressure requirements; 3) plans are underway to construct a \$5.0 million wastewater pipeline that will link with nearby Raleigh facilities and provide up to a million gallons per day of additional capacity; 4) the Town intends to implement a hosted desktop solution (cloud computing) to reduce all costs associated with communications and information management while improving efficiency.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Clayton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the eleventh 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

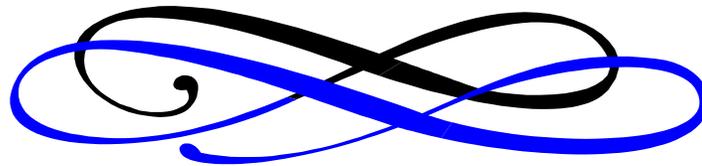


Robert W. McKie, Jr.
Finance Director

Town of Clayton

MISSION STATEMENT:

Premier Community for Active Families



2012 – 2017 Goals:

Grow the Local Economy

*Financially Responsible Town Government Providing
Quality Service*

Manage Growth Producing Quality Developments

Expand Leisure Opportunities and Arts Community

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

Think Downtown

Think CLAYTON. Think Art.

UNPLUGGED!
Clayton Music & Art



WEST
SIDE
STORY

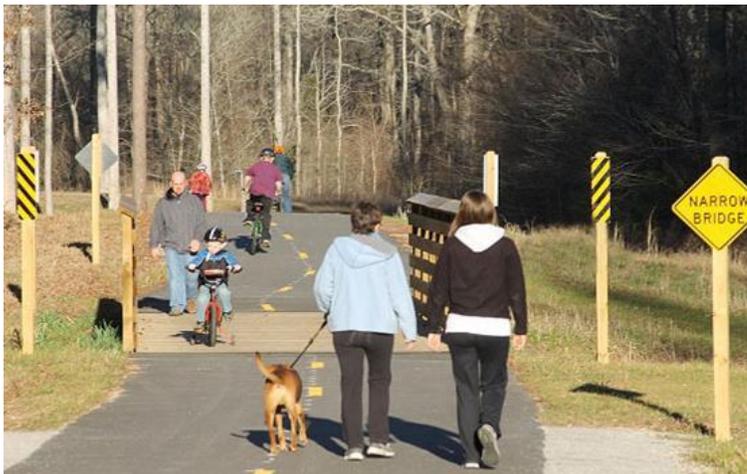
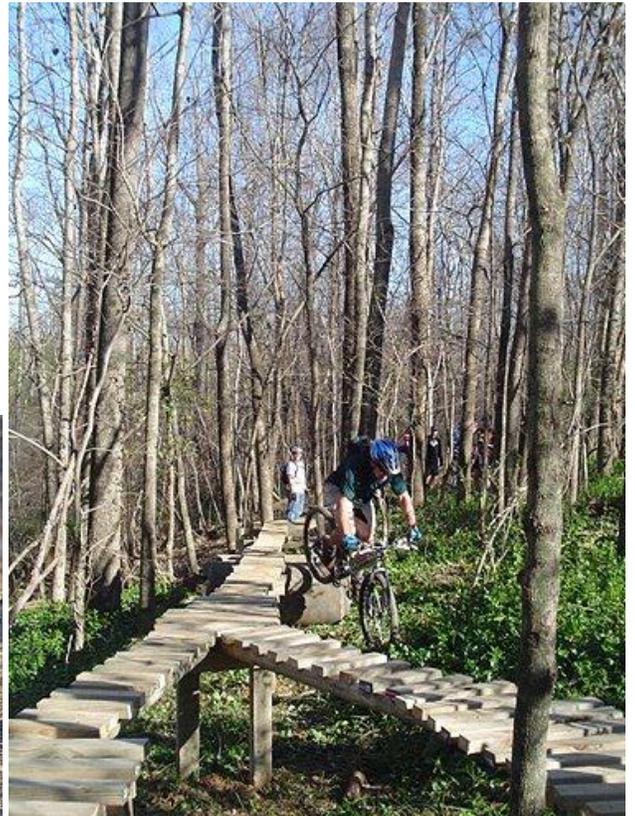
Clayton Youth Theater
cvt
est. 2007

Think CLAYTON. Think Downtown.
downtownclayton.org
townofclaytonnc.org

Done, Shop and Play in
Downtown Clayton
Doing
AGAIN
DDA
CLAYTON TOWN SQUARE
CONCERT
4/11/13



Think CLAYTON. Think Fireworks.



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, 2011

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.



Linda C. Davison

President

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, sawmill, tobacco warehouses and two cotton mills. Farm products made markets a necessity and the convenience of the railroad made watermelon growing especially successful. The first tobacco sales were held in 1909.

Public education began in Clayton around 1853 when Mr. H.L. Hinton of New Jersey came south and opened Clayton Academy which operated until the construction of the Clayton Graded School. The Clayton Graded School, built in 1915 and the Clayton Grammar School and Municipal Auditorium, built in 1926 is located at 111 East Second Street. Built on 23 acres of land in the Classical Revival architectural style the school was in operation as a public school until closing in the spring of 1997. The building then sat empty until the former grade school building was renovated and converted into the Clayton Government Services complex and the former Municipal Auditorium and grammar school building was renovated and converted into the Clayton Cultural Arts Center. Both buildings were reopened to the public in January 2003, establishing a focal point for Clayton. While creating a sense of the new Clayton, the buildings still preserve the best of the old and a sense of the past in their design. The buildings are listed in the National Register of Historic Places.

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

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



Town of Clayton Members of Town Council And Related Support Personnel



Pictured above:

Front Row: Councilman R.S. “Butch” Lawter Jr., 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 Art Holder, Town Manager Steve Biggs, Councilman Jason Thompson, 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

Dale Medlin

Electric System Director

Tim Simpson

Public Works Director

Lee Barbee

Fire Chief

Glen Allen

Police Chief

Christie Starnes

Library Director

Catherine Whitley

**Human Resources
Director**

Ann Game

**Customer Service
Director**

Larry Bailey

Recreation Director

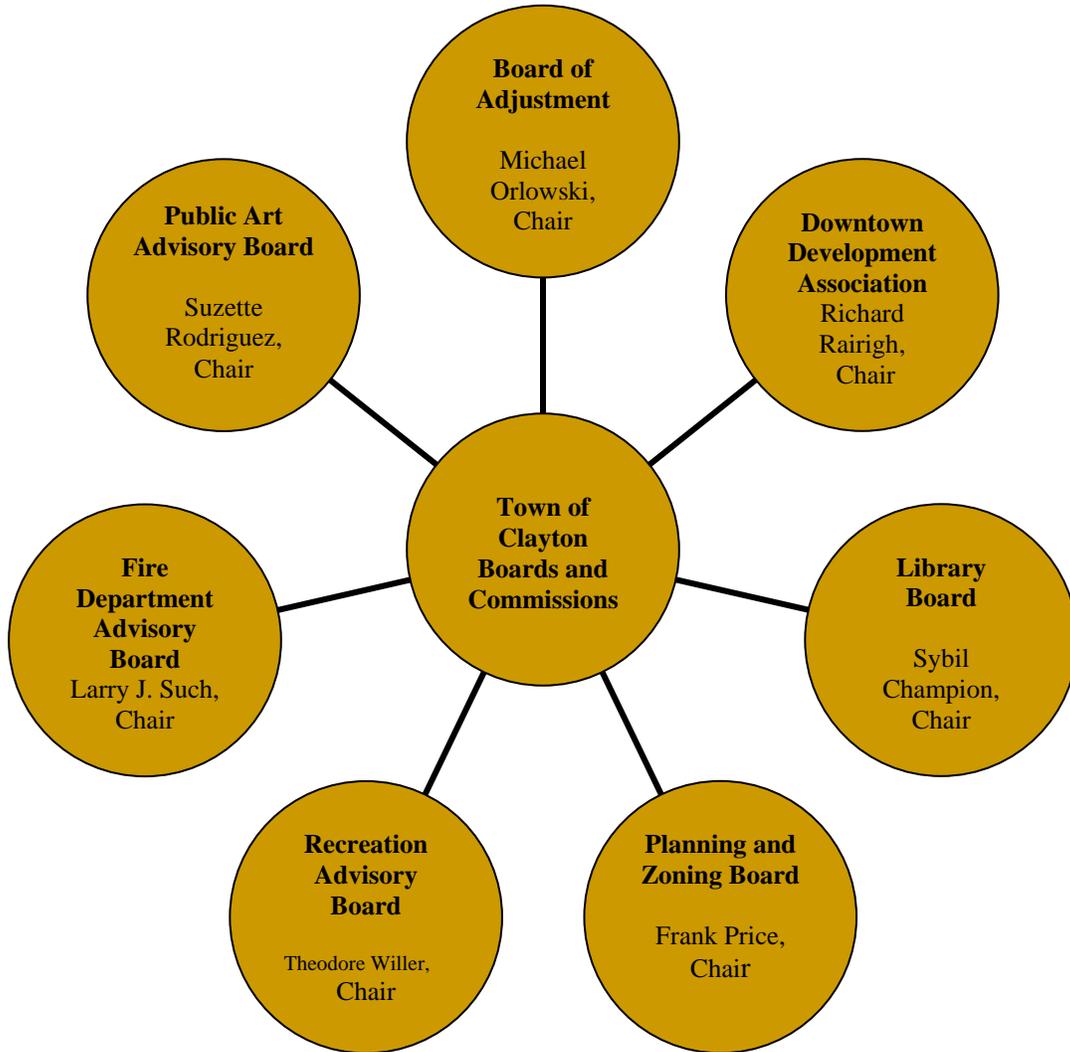
Heidi Stump

Cultural Arts Director

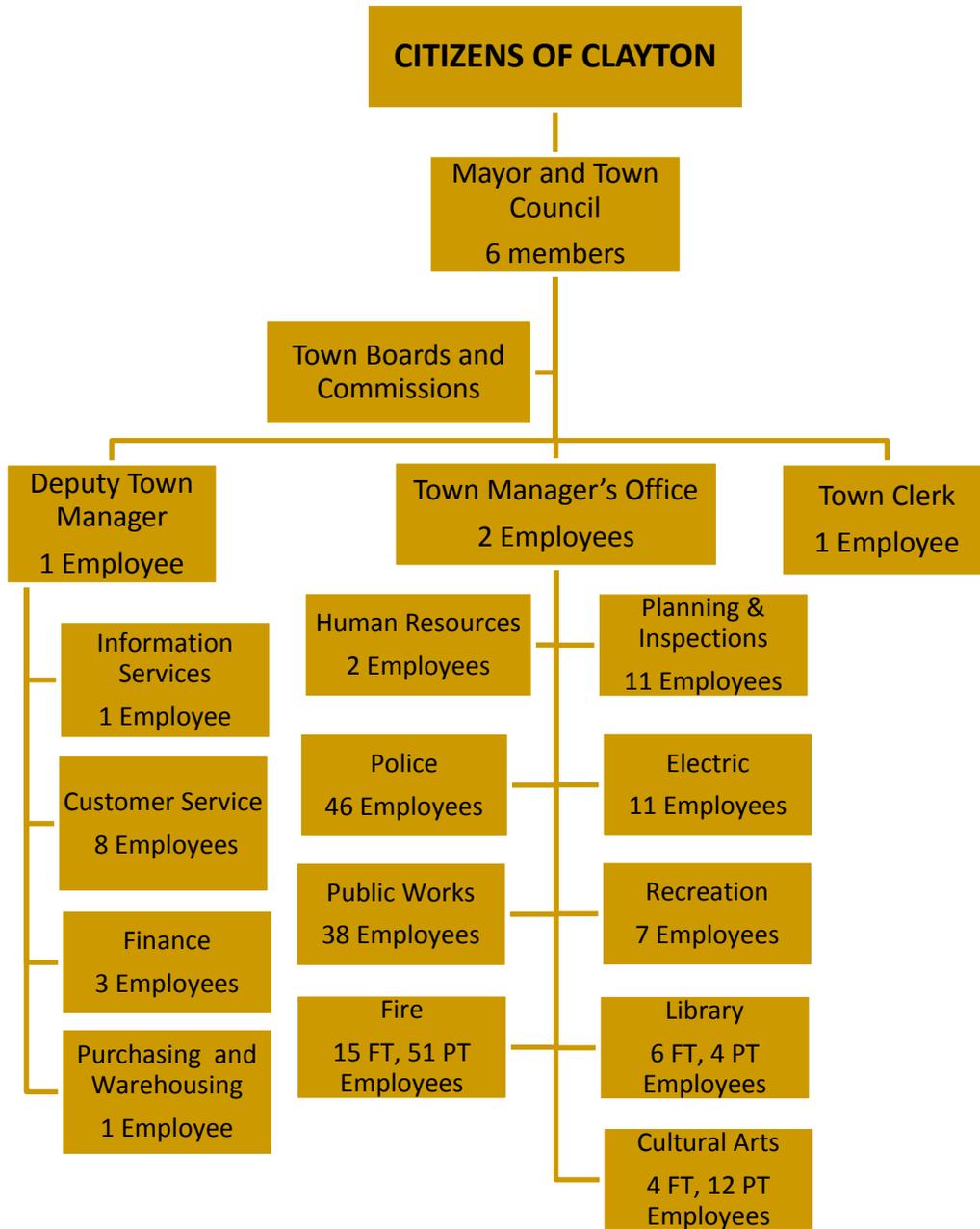
David DeYoung

Planning 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

815 South Main Street
Laurinburg, North Carolina 28352
(910) 277-2795

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

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, 2012 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, 2012, 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 September 28, 2012 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.

Accounting principles generally accepted in the United States of America require that 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clayton's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are stated in all material respects in relation to the basic financial statements as a whole.



September 28, 2012

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, 2012. 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 \$66,152,421 (*net assets*). Of this amount \$14,506,198 (*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 \$3,679,916, primarily due to increases in the net assets of both governmental and business-type activities.
- As of the close of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$9,198,950, a decrease of \$2,494,864 in comparison with the prior year. Approximately 33.31% of the ending fund balance, or \$3,063,951 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,813,270, or 38.66% of total general fund expenditures for the fiscal year.
- The Town of Clayton maintained its Aa3 and AA bond rating with Moody's Investor Service and Standard & Poor's, respectively.
- The Town of Clayton's total debt increased by \$2,162 (0.01%) during the current fiscal year. Total General Fund debt increased by \$708,306 (3.14%). The key factor in this increase was the issuance of general obligation public improvement bonds in the amount of \$2,000,000.

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, public works, 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 Clayton Downtown Development Association (DDA) is a legal separate entity from the Town and plays a vital role in the Town's economic development initiative. The Town of Clayton exercises control over the DDA by appointing its board members and has the ability to impose its will on the DDA.

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

Fund Financial Statements - 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 six 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 five 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 \$66,152,421 at the close of the most recent fiscal year.

By far the largest portion of the Town of Clayton's net assets (74.10%) 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			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$10,709,449	\$13,572,413	\$11,871,222	\$ 9,531,308	\$22,580,671	\$23,103,721
Other Non-current assets	-	-	-	-	-	-
Capital assets	43,793,552	39,121,185	38,169,335	38,656,631	81,962,887	77,777,816
Total assets	<u>54,503,001</u>	<u>52,693,598</u>	<u>50,040,557</u>	<u>48,187,939</u>	<u>104,543,558</u>	<u>100,881,537</u>
Current liabilities	3,059,144	3,513,933	3,725,514	3,676,822	6,784,658	7,190,755
Noncurrent liabilities	<u>22,805,647</u>	<u>21,884,112</u>	<u>8,800,832</u>	<u>9,334,165</u>	<u>31,606,479</u>	<u>31,218,277</u>
Total liabilities	<u>25,864,791</u>	<u>25,398,045</u>	<u>12,526,346</u>	<u>13,010,987</u>	<u>38,391,137</u>	<u>38,409,032</u>
Net assets:						
Invested in capital assets, net of related debt	21,281,487	20,619,008	27,736,009	27,772,311	49,017,496	48,391,319
Restricted	2,628,727	2,786,883	-	-	2,628,727	2,786,883
Unrestricted	<u>4,727,996</u>	<u>3,889,662</u>	<u>9,778,202</u>	<u>7,404,641</u>	<u>14,506,198</u>	<u>11,294,303</u>
Total net assets	<u>\$28,638,210</u>	<u>\$27,295,553</u>	<u>\$37,514,211</u>	<u>\$35,176,952</u>	<u>\$66,152,421</u>	<u>\$62,472,505</u>

An additional portion of the Town of Clayton's net assets (3.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,506,198) 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 \$158,156 in restricted net assets reported in connection with the Town of Clayton's governmental activities, primarily due to a reduction in stabilization by State statute.

The government's net assets increased in the amount of \$3,679,916 in the current fiscal year. The majority of this increase was due to increases in business-type activities.

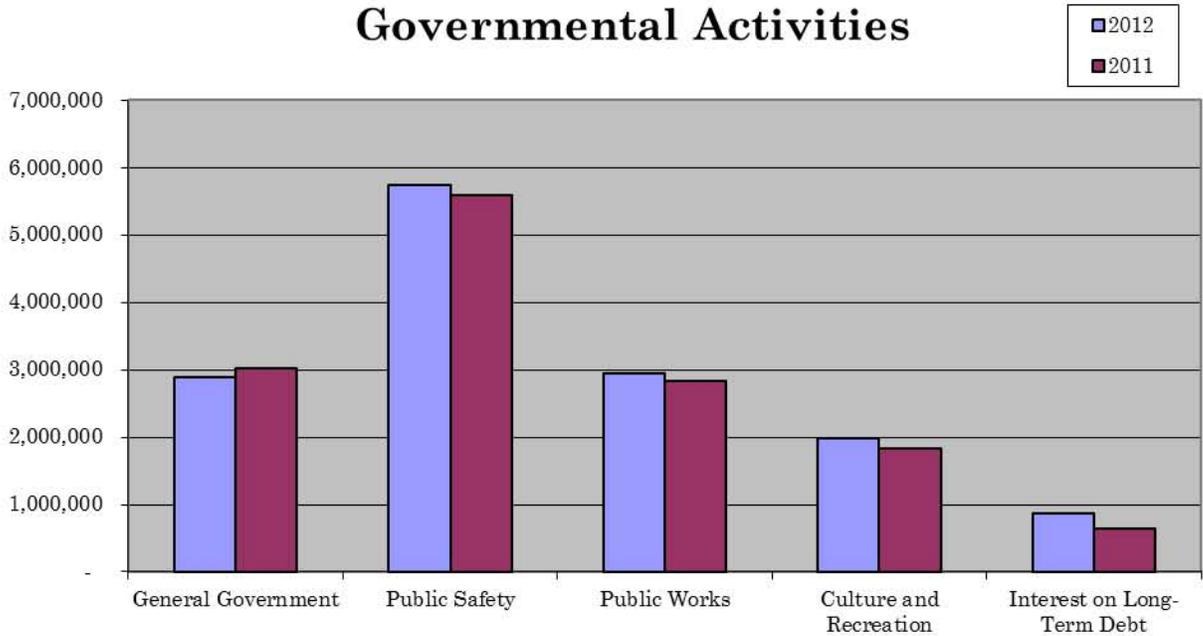
Governmental activities. Governmental activities increased the Town's net assets by \$1,342,657, thereby accounting for 36.49% of the total growth in the net assets of the Town of Clayton. Key elements of this increase are as follows:

Town of Clayton Changes in Net Assets

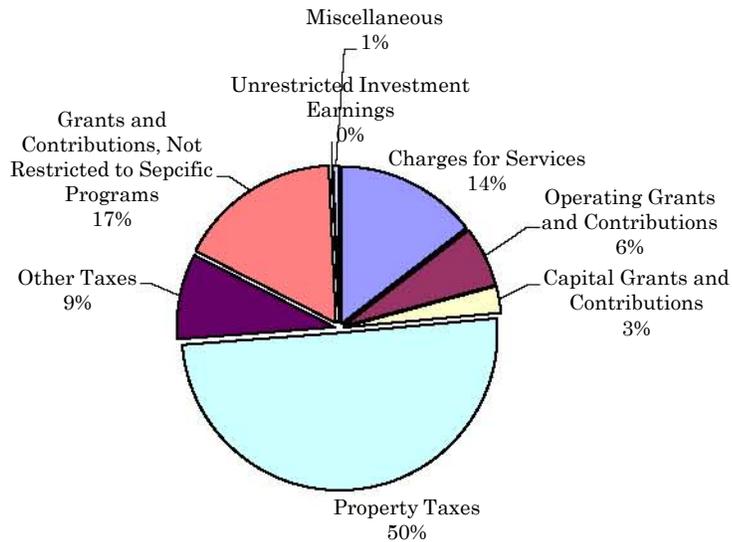
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 2,298,148	\$ 2,040,644	\$19,606,478	\$20,108,080	\$21,904,626	\$22,148,724
Operating grants and contributions	980,116	946,535	291,277	196,755	1,271,393	1,143,290
Capital grants and contributions	433,306	447,724	220,907	837,258	654,213	1,284,982
General revenues:						
Property taxes	7,931,296	7,249,558	-	-	7,931,296	7,249,558
Other taxes	1,385,536	1,398,420	-	-	1,385,536	1,398,420
Grants and contributions not restricted to specific programs	2,636,522	2,504,441	-	-	2,636,522	2,504,441
Unrestricted investment earnings	15,397	23,932	11,659	16,644	27,056	40,576
Miscellaneous	97,685	448,463	915,727	359,331	1,013,412	807,794
Total revenue	15,778,006	15,059,717	21,046,048	21,518,068	36,824,054	36,577,785
Expenses:						
General government	2,891,649	3,022,085	-	-	2,891,649	3,022,085
Public safety	5,749,306	5,595,345	-	-	5,749,306	5,595,345
Public works	2,945,050	2,828,337	-	-	2,945,050	2,828,337
Culture and recreation	1,979,108	1,836,914	-	-	1,979,108	1,836,914
Interest on long-term debt	870,236	645,725	-	-	870,236	645,725
Water and Sewer	-	-	6,656,327	6,292,272	6,656,327	6,292,272
Electric	-	-	12,052,462	12,721,049	12,052,462	12,721,049
Total expenses	14,435,349	13,928,406	18,708,789	19,013,321	33,144,138	32,941,727
Increases in net assets before transfers	1,342,657	1,131,311	2,337,259	2,504,747	3,679,916	3,636,058
Transfers	-	-	-	-	-	-
Changes in net assets	1,342,657	1,131,311	2,337,259	2,504,747	3,679,916	3,636,058
Net assets, beginning	27,295,553	26,714,009	35,176,952	33,358,419	62,472,505	60,072,428
Change in Accounting Principle (Note 9)	-	(549,767)	-	(822,276)	-	(1,372,043)
Prior Period Adjustment (Note 10)	-	-	-	136,062	-	136,062
Net assets, restated	27,295,553	26,164,242	35,176,952	32,672,205	62,472,505	58,836,447
Net assets, ending	\$28,638,210	\$27,295,553	\$37,514,211	\$35,176,952	\$66,152,421	\$62,472,505

- Charges for services and property tax revenues increased 10.11%, or \$939,242, primarily due to an increase in property tax revenues attributable to a higher tax base.
- Building permits and inspection and rezoning fees revenues increased 33.09%, or \$128,418.
- Grants and contributions revenues increased by \$151,244, primarily due to higher sales tax revenues.
- Expenses increased 3.64%, or \$506,943, primarily for public safety and culture and recreation due to operating and maintaining recently completed capital projects in conjunction with higher interest on long-term debt attributable to the general obligation public improvement bonds. The Town continues to monitor revenues and expenses closely.

Expenses and Program Revenues - Governmental Activities



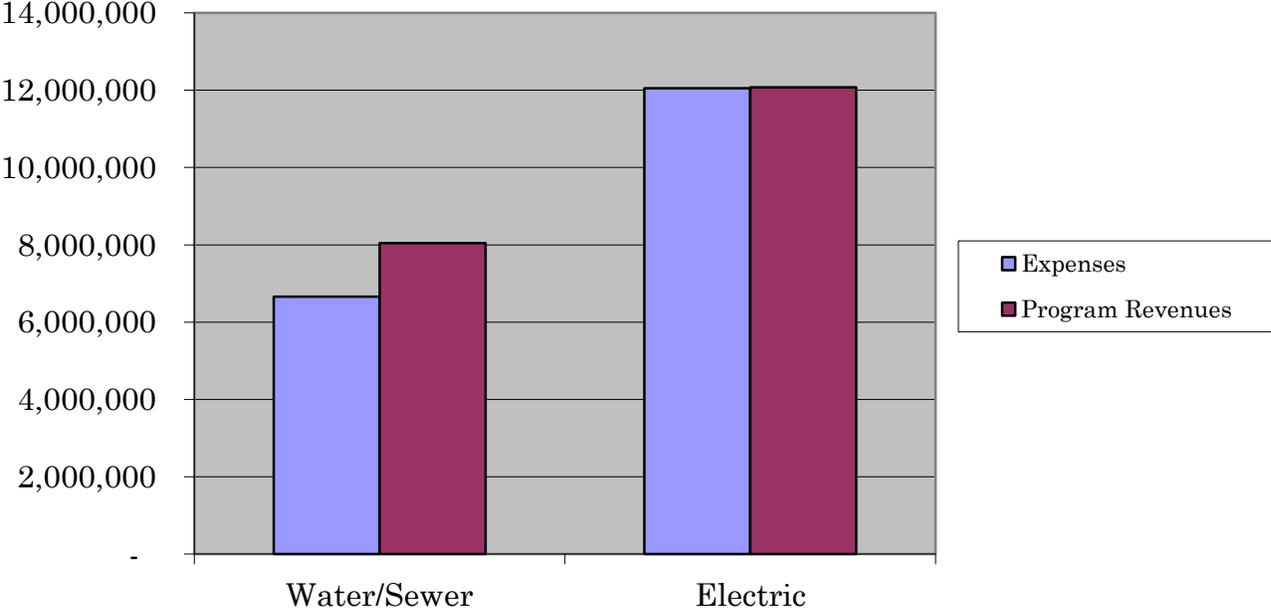
Revenues by Source - Governmental Activities



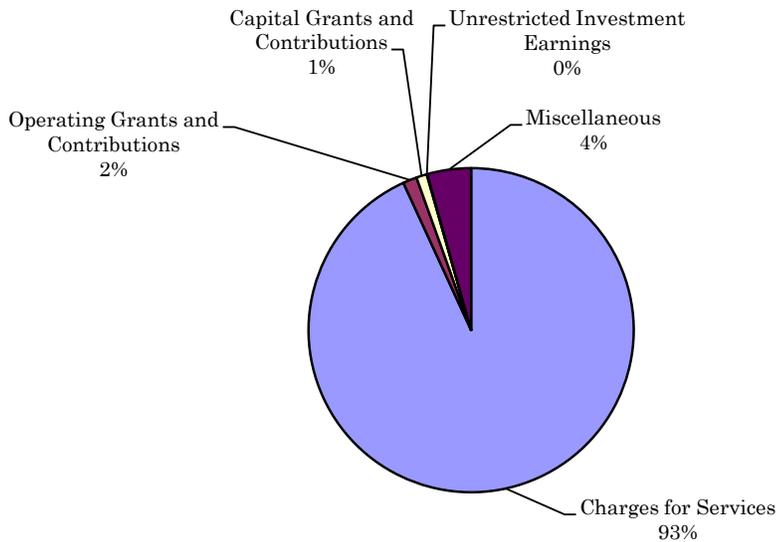
Business-type activities. Business-type activities increased the Town of Clayton's net assets by \$2,337,259, accounting for a 63.51% increase in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased 2.49%, or \$501,602, primarily due to lower power consumption attributable to the unseasonably mild winter and spring seasons. Water and sewer revenues increased 3.27%, or \$239,554.
- Grants and contributions decreased by \$521,829, primarily due to the completion of the Community Development Block Grant funded Automatic Rolls project.
- Capacity fees increased by \$502,146, primarily due to an increase in new development activity.
- Expenses decreased 1.60%, or \$304,532, primarily due to lower power purchases that resulted from reduced consumption attributable to unseasonable weather.

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 \$9,198,950 with a net decrease in fund balance of \$2,494,864. Included in this change in fund balance are the increases in the General Fund and 2012 GO Bonds East Clayton Community Park Fund and the decreases in the capital project funds for the Clayton Law Enforcement Center Fund, 2009A GO Bonds Recreation Project, and 2009A GO Bonds Streets Project, which resulted from ongoing construction and completed projects.

The General Fund is the chief operating fund of the Town of Clayton. At the end of the current fiscal year, fund balance available was \$7,135,104, while total fund balance reached \$8,444,832. The Town of Clayton's governing body has determined the Town should maintain a legally available fund balance of 21% of budgeted expenditures and an operating standard of 31%. The Town currently has available fund balance of 45.56% of budgeted expenditures. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38.66% of total general fund expenditures, while total fund balance represents 56.17 of that same amount.

Fund balance of the Town of Clayton's General Fund increased by \$792,484 during the current fiscal year. Key components of this change are as follows:

- Property tax revenues were 9.49% higher, or \$687,381, primarily due to an increase in the tax base while the Town adopted a revenue-neutral tax rate of \$0.525 per \$100 valuation.
- Intergovernmental revenues increased by \$146,648, primarily due to an increase in local option sales tax revenue by \$128,269, and overall increases in other shared revenue distributions in the amount of \$71,711.
- Investment income was 25.76% lower, or \$4,294, primarily due to the historically low short-term interest rates implemented by the Federal Reserve.
- Street expenditures for Powell Bill disbursements decreased by \$104,020, primarily due to the continued utilization of bond funds to complete paving and resurfacing projects.
- Debt service increased by \$202,679, primarily due to debt incurred for the construction of the Clayton Law Enforcement Center and to finance rolling stock acquisitions.
- Total expenditures increased \$88,237 but were 3.99% lower than budgeted.

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 \$5,654,894, and those for the Electric Fund amounted to \$4,123,308. 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 \$228,570 increase in appropriations between the original and final amended budget, which resulted from a transfer to capital project funds and the supplemental appropriation of prior year unauthorized substance tax distributions for police equipment, which must be utilized to directly enhance the Town's law enforcement activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Clayton's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$81,962,887 (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 5.38% (a 111.6% increase for governmental activities and an 11.6% decrease for business-type activities).

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

- Construction in progress of \$1,535,798 in governmental-type activities primarily for the East Clayton Community Park project.
- Completion of the Clayton Law Enforcement Center and Phase 2 of the GO Bonds Streets capital projects.
- Completion of the Automatic Rolls capital project.
- No major demolitions were recorded this year.

Town of Clayton's Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 5,533,839	\$ 5,521,977	\$ 138,600	\$ 138,600	\$ 5,672,439	\$ 5,660,577
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	1,535,798	4,914,462	911,081	1,557,593	2,446,879	6,472,055
Total non-depreciable assets	7,069,637	10,436,439	3,682,794	4,329,306	10,752,431	14,765,745
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	27,489,453	20,680,956	3,096,846	3,096,846	30,586,299	23,777,802
Plant, machinery, and equipment	2,792,780	2,663,875	41,623,529	40,247,337	44,416,309	42,911,212
Vehicles	5,731,562	5,466,871	1,329,222	1,329,222	7,060,784	6,796,093
Infrastructure	11,902,449	9,825,088	-	-	11,902,449	9,825,088
Total depreciable assets	47,916,244	38,636,790	49,649,597	48,273,405	97,565,841	86,910,195
Accumulated depreciation	(11,192,329)	(9,952,044)	(15,163,056)	(13,946,080)	(26,355,385)	(23,898,124)
Total depreciable assets, net	36,723,915	28,684,746	34,486,541	34,327,325	71,210,456	63,012,071
Total	\$ 43,793,552	\$ 39,121,185	\$ 38,169,335	\$ 38,656,631	\$ 81,962,887	\$ 77,777,816

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

Long-term Debt. At the end of the current fiscal year, the Town of Clayton had total bonded debt outstanding of \$8,559,000. Of this amount, \$6,715,000 comprises debt backed by the full faith and credit of the Town of Clayton and \$1,844,000 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			
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 6,500,000	\$ 4,750,000	\$ 215,000	\$ 345,000	\$ 6,715,000	\$ 5,095,000
Revenue bonds	-	-	1,844,000	480,000	1,844,000	480,000
Other debt	16,748,732	17,790,426	8,374,326	10,314,470	25,123,058	28,104,896
Total	\$ 23,248,732	\$ 22,540,426	\$ 10,433,326	\$ 11,139,470	\$ 33,682,058	\$ 33,679,896

The Town's total debt increased \$2,162, or 0.01%, during the current fiscal year. The primary factors for this increase were the issuance of \$2,000,000 in general obligation public

improvement bonds and the issuance of a \$1,604,000 revenue bond anticipation note to construct an elevated water storage tank.

The Town of Clayton maintained its bond ratings from Moody's Investor Service (Aa3) and Standard and Poor's Corporation (AA).

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 \$97,107,019, which is significantly in excess of the Town of Clayton's outstanding general obligation debt.

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

Budget Highlights for the Fiscal Year Ending June 30, 2013

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

- The unemployment rate for Johnston County is approximately 8.6%, which is a welcome reduction from a rate of 9.9% a year ago and the 9.8% annual average for calendar 2011. The State annual average was 10.5% for calendar 2011.
- Higher median household income. Median household income within a five mile radius of the Town was \$60,189 compared to \$44,834 for Johnston County and \$42,941 for the State.
- The self-imposed budget austerity program was curtailed due to realized improvements in both revenue growth and operational cost efficiencies and includes funding for a 3% cost-of-living adjustment (COLA) but no funding for a merit compensation program.

All of these factors were considered in preparing the Town of Clayton's budget for the 2013 fiscal year. The budgeted growth is dependent upon the implementation of decisions and projects previously committed to by the Town in conjunction with onetime costs, which are contingent upon a sustained recovery.

During the current fiscal year, the unassigned fund balance in the General Fund increased to \$5,813,270, or 20.2%. The Town of Clayton appropriated \$6,061 of this amount for spending in the 2013 fiscal year budget.

The 2013 budget does not propose changes to the tax rate. A modest increase in water and sewer rates is proposed primarily due to wholesale and contractual increases. No rate increase in electric rates is proposed, primarily due to continuing improvements in operational efficiency in conjunction with a successful load management program and stable wholesale power costs.

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). Issuance of the remaining \$2,000,000 in unissued bonds for recreational facilities occurred in March 2012 and the related debt service is included in the 2013 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 1
Page 1 of 2

	Primary Government			Clayton Downtown Development Association
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,987,938	\$ 8,545,198	15,533,136	\$ 9,143
Taxes receivables (net)	150,489	-	150,489	-
Accounts receivable (net)	563,520	2,706,579	3,270,099	-
Due from/to other governments	746,208	-	746,208	-
Inventories	-	619,445	619,445	-
Restricted cash and cash equivalents	<u>2,261,294</u>	<u>-</u>	<u>2,261,294</u>	<u>-</u>
Total current assets	<u>10,709,449</u>	<u>11,871,222</u>	<u>22,580,671</u>	<u>9,143</u>
Non-current assets				
Capital assets (Note 3)				
Land, non-depreciable improvements and construction in progress	7,069,637	3,682,794	10,752,431	-
Other capital assets, net of depreciation	<u>36,723,915</u>	<u>34,486,541</u>	<u>71,210,456</u>	<u>-</u>
Total capital assets	<u>43,793,552</u>	<u>38,169,335</u>	<u>81,962,887</u>	<u>-</u>
 Total assets	 <u>\$54,503,001</u>	 <u>\$50,040,557</u>	 <u>\$ 104,543,558</u>	 <u>\$ 9,143</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 1
Page 2 of 2

	Primary Government			Clayton Downtown Development Association
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,073,859	\$ 1,461,429	\$ 2,535,288	\$ -
Unearned revenue	286,151	157,318	443,469	-
Customer deposits	-	347,784	347,784	-
Current portion of long-term liabilities	1,699,134	1,758,983	3,458,117	-
Total current liabilities	3,059,144	3,725,514	6,784,658	-
Long-term liabilities				
Due in more than one year	22,805,647	8,800,832	31,606,479	-
Total liabilities	25,864,791	12,526,346	38,391,137	-
NET ASSETS				
Investment in capital assets, net of related debt	21,281,487	27,736,009	49,017,496	-
Restricted for:				
Other functions	984,777	-	984,777	-
Public Improvements	315,668	-	315,668	-
Public Safety	15,328	-	17,683	-
Stabilization by State Statute	1,309,728	-	1,309,728	-
Cemetery perpetual care	3,226	-	3,226	-
Unrestricted	4,727,996	9,778,202	14,506,198	9,143
Total net assets	28,638,210	37,514,211	66,152,421	9,143
Total liabilities and net assets	\$54,503,001	\$50,040,557	\$ 104,543,558	\$ 9,143

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets										
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government										
				Governmental Activities	Business-type Activities	Total								
Primary government														
Governmental activities														
General government operations	\$ 2,891,649	\$ 524,188	\$ 81,461	\$ -	\$ (2,286,000)	\$ -	\$ (2,286,000)	\$ -						
Public safety	5,749,306	20,404	898,655	609	(4,829,638)	-	(4,829,638)	-						
Public works	2,945,050	1,212,288	-	432,697	(1,300,065)	-	(1,300,065)	-						
Cultural and recreational	1,979,108	541,268	-	-	(1,437,840)	-	(1,437,840)	-						
Interest on long-term debt	870,236	-	-	-	(870,236)	-	(870,236)	-						
Total governmental activities	14,435,349	2,298,148	980,116	433,306	(10,723,779)	-	(10,723,779)	-						
Business-type activities														
Water and sewer	6,656,327	7,567,633	254,851	220,907	-	1,387,064	1,387,064	-						
Electric	12,052,462	12,038,845	36,426	-	-	22,809	22,809	-						
Total business-type activities	18,708,789	19,606,478	291,277	220,907	-	1,409,873	1,409,873	-						
Total primary government	\$ 33,144,138	\$ 21,904,626	\$ 1,271,393	\$ 654,213	\$ (10,723,779)	\$ 1,409,873	\$ (9,313,906)	\$ -						
Component unit														
Clayton Downtown Development Association, Inc	\$ 46,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						(46,260)
General revenues														
Taxes														
Property taxes, levied for general purposes					7,931,296	-	7,931,296	-						
Other taxes					1,385,536	-	1,385,536	-						
Grants and contributions, not restricted to specific programs					2,636,522	-	2,636,522	-						
Unrestricted investment earnings					15,397	11,659	27,056	-						
Miscellaneous					97,685	915,727	1,013,412	41,534						
Total general revenues and transfers					12,066,436	927,386	12,993,822	41,534						
Change in net assets					1,342,657	2,337,259	3,679,916	(4,726)						
Net assets, beginning					27,295,553	35,176,952	62,472,505	13,869						
Net assets, ending					\$ 28,638,210	\$ 37,514,211	\$ 66,152,421	\$ 9,143						

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

TOWN OF CLAYTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

Exhibit 3

	Major Funds							Total Governmental Funds
	General	Greenway Development Project	2012 GO Bonds East Clayton Community Park	Law Enforcement Center	2009A GO Bonds Recreation Project	2009A GO Bonds Streets Project	Total Non-Major Fund	
ASSETS								
Cash and cash equivalents	\$6,984,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,226	\$ 6,987,938
Restricted cash	1,072,857	-	697,397	278,445	41,130	171,465	-	2,261,294
Receivables, net								
Taxes	150,489	-	-	-	-	-	-	150,489
Accounts	563,520	-	-	-	-	-	-	563,520
Due from other governments	746,208	-	-	-	-	-	-	746,208
Due from other funds	-	14,245	-	-	-	-	-	14,245
Total assets	\$9,517,786	\$ 14,245	\$ 697,397	\$ 278,445	\$ 41,130	\$ 171,465	\$ 3,226	\$10,723,694
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	\$ 622,069	\$ 20	\$ 155,779	\$ 124,526	\$ -	\$ 171,465	\$ -	\$ 1,073,859
Deferred revenue	150,489	-	-	-	-	-	-	150,489
Unearned revenue	286,151	-	-	-	-	-	-	286,151
Due to other funds	14,245	-	-	-	-	-	-	14,245
Liabilities payable from restricted funds	-	-	-	-	-	-	-	-
Total liabilities	1,072,954	20	155,779	124,526	-	171,465	-	\$ 1,524,744
Fund balances								
Non Spendable								
Perpetual maintenance	-	-	-	-	-	-	3,226	3,226
Restricted								
Stabilization by State Statute	1,309,728	-	-	-	-	-	-	1,309,728
Streets - Powell Bill	984,777	-	-	-	-	-	-	984,777
Public Improvements	-	14,225	541,618	153,919	41,130	-	-	750,892
Public Safety-Police	15,328	-	-	-	-	-	-	15,328
Committed								
Public Improvements	315,668	-	-	-	-	-	-	315,668
Assigned								
Subsequent year's expenditures	6,061	-	-	-	-	-	-	6,061
Unassigned	5,813,270	-	-	-	-	-	-	5,813,270
Total fund balances	8,444,832	14,225	541,618	153,919	41,130	-	3,226	9,198,950
Total liabilities and fund balances	\$9,517,786	\$ 14,245	\$ 697,397	\$ 278,445	\$ 41,130	\$ 171,465	\$ 3,226	\$10,723,694
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								\$ 9,198,950
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								43,793,552
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.								150,489
Compensated absences not expected to be materially liquidated with expendable available resources								(467,103)
Net pension obligation								(429,908)
Other postemployment benefits								(359,038)
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								(23,248,732)
Net assets of governmental activities								\$28,638,210

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Exhibit 4

	Major Funds							Total Non-Major Fund	Total Governmental Funds
	General Fund	Greenway Development Project	2012 GO Bonds East Clayton Community Park	Law Enforcement Center	2009A G.O. Bond Recreation Project	2009A G.O. Bond Street Project			
REVENUES									
Ad valorem taxes	\$ 7,931,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,931,632
Other taxes and licenses	175,927	-	-	-	-	-	-	-	175,927
Unrestricted intergovernmental	4,719,512	-	-	-	-	-	-	-	4,719,512
Restricted intergovernmental	532,613	-	-	-	-	-	-	-	532,613
Permits and fees	550,761	-	-	-	-	-	-	-	550,761
Sales and services	1,754,815	-	-	-	-	-	-	-	1,754,815
Investment earnings	12,376	-	1,260	647	-	1,105	9	15,397	
Miscellaneous	82,685	-	-	-	15,000	-	-	-	97,685
Total revenues	15,760,321	-	1,260	647	15,000	1,105	9	15,778,342	
EXPENDITURES									
Current									
General government operations	2,592,517	-	-	-	-	-	-	-	2,592,517
Public safety	5,495,891	-	-	-	-	-	-	-	5,495,891
Public works	2,675,027	-	-	-	-	-	-	-	2,675,027
Cultural and recreational	1,858,635	-	-	-	-	-	-	-	1,858,635
Debt service									
Principal retirement	1,542,991	-	-	-	-	-	-	-	1,542,991
Interest and other charges	870,236	-	-	-	-	-	-	-	870,236
Capital outlay	-	63,678	1,474,542	1,820,703	26,517	2,118,666	-	5,504,106	
Total expenditures	15,035,297	63,678	1,474,542	1,820,703	26,517	2,118,666	-	20,539,403	
Excess (deficiency) of revenues over expenditures	725,024	(63,678)	(1,473,282)	(1,820,056)	(11,517)	(2,117,561)	9	(4,761,061)	
OTHER FINANCING SOURCES (USES)									
Debt Issued	251,297	-	-	-	-	-	-	-	251,297
Bonds issued	-	-	2,000,000	-	-	-	-	-	2,000,000
Premium on bonds issued	-	-	14,900	-	-	-	-	-	14,900
Transfers from (to) other funds	(183,837)	77,903	-	-	-	105,934	-	-	
Total other financing sources	67,460	77,903	2,014,900	-	-	105,934	-	2,266,197	
Net change in fund balances	792,484	14,225	541,618	(1,820,056)	(11,517)	(2,011,627)	9	(2,494,864)	
Fund balances, beginning	7,652,348	-	-	1,973,975	52,647	2,011,627	3,217	11,693,814	
Fund balances, ending	\$ 8,444,832	\$ 14,225	\$ 541,618	\$ 153,919	\$ 41,130	\$ -	\$ 3,226	\$ 9,198,950	

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, 2012

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (2,494,864)

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	5,912,652
Depreciation	(1,240,285)

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	(336)
--	-------

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	19,232
Current pension cost	(59,179)
Other postemployment benefits	(86,257)

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.

Debt proceeds	(2,251,297)	
Debt principle paid	<u>1,542,991</u>	<u>(708,306)</u>

Total changes in net assets of governmental activities \$ 1,342,657

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, 2012

Exhibit 6

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,771,702	\$ 7,771,702	\$ 7,931,632	\$ 159,930
Other taxes and licenses	139,500	139,500	175,927	36,427
Unrestricted intergovernmental	4,640,540	4,640,540	4,719,512	78,972
Restricted intergovernmental	531,100	531,100	532,613	1,513
Permits and fees	347,250	347,250	550,761	203,511
Sales and services	1,632,418	1,632,418	1,754,815	122,397
Investment earnings	21,000	21,000	12,376	(8,624)
Miscellaneous	129,364	129,364	82,685	(46,679)
Total revenues	15,212,874	15,212,874	15,760,321	547,447
EXPENDITURES				
Current				
General government operations	2,841,840	2,821,318	2,592,517	228,801
Public safety	5,549,809	5,628,499	5,495,891	132,608
Public works	2,731,682	2,749,602	2,675,027	74,575
Cultural and recreational	1,984,620	1,999,165	1,858,635	140,530
Debt service				
Principal retirement	1,616,054	1,591,054	1,542,991	48,063
Interest and other charges	887,299	870,236	870,236	-
Total expenditures	15,611,304	15,659,874	15,035,297	624,577
Revenues over (under) expenditures	(398,430)	(447,000)	725,024	1,172,024
OTHER FINANCING SOURCES (USES)				
Debt proceeds	267,000	267,000	251,297	(15,703)
Transfer (to) other funds	-	(180,000)	(183,837)	(3,837)
Total other financing sources (uses)	267,000	87,000	67,460	(19,540)
Fund balance appropriated	131,430	360,000	-	(360,000)
Net change in fund balance	\$ -	\$ -	792,484	\$ 792,484
Fund balances, beginning			7,652,348	
Fund balances, ending			<u>\$ 8,444,832</u>	

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

Exhibit 7

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,930,105	\$ 3,615,093	\$ 8,545,198
Accounts receivable (net) - billed	784,960	590,299	1,375,259
Accounts receivable (net) - unbilled	528,847	802,473	1,331,320
Inventories	74,332	545,113	619,445
Total current assets	<u>6,318,244</u>	<u>5,552,978</u>	<u>11,871,222</u>
Non-current assets			
Capital assets			
Land, improvements and construction in progress	3,662,794	20,000	3,682,794
Other capital assets, net of depreciation	<u>28,645,522</u>	<u>5,841,019</u>	<u>34,486,541</u>
Capital assets, net	<u>32,308,316</u>	<u>5,861,019</u>	<u>38,169,335</u>
Total non-current assets	<u>32,308,316</u>	<u>5,861,019</u>	<u>38,169,335</u>
Total assets	<u>\$ 38,626,560</u>	<u>\$ 11,413,997</u>	<u>\$ 50,040,557</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 342,362	\$ 1,119,067	\$ 1,461,429
Customer deposits	91,947	255,837	347,784
Unearned revenue	157,318	-	157,318
Compensated absences - current	24,912	20,914	45,826
General obligation bonds payable - current	135,000	-	135,000
Revenue bond payable - current	-	240,000	240,000
Installment purchases payable - current	<u>1,317,990</u>	<u>20,167</u>	<u>1,338,157</u>
Total current liabilities	<u>2,069,529</u>	<u>1,655,985</u>	<u>3,725,514</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	21,899	12,939	34,838
Compensated absences	24,912	20,913	45,825
General obligation bonds payable - noncurrent	80,000	-	80,000
Revenue bond payable - noncurrent	-	-	-
Installment purchases payable - noncurrent	<u>8,640,169</u>	<u>-</u>	<u>8,640,169</u>
Total noncurrent liabilities	<u>8,766,980</u>	<u>33,852</u>	<u>8,800,832</u>
Total liabilities	<u>10,836,509</u>	<u>1,689,837</u>	<u>12,526,346</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,135,157	5,600,852	27,736,009
Unrestricted	<u>5,654,894</u>	<u>4,123,308</u>	<u>9,778,202</u>
Total net assets	<u>27,790,051</u>	<u>9,724,160</u>	<u>37,514,211</u>
Total liabilities and net assets	<u>\$ 38,626,560</u>	<u>\$ 11,413,997</u>	<u>\$ 50,040,557</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, 2012

Exhibit 8

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
OPERATING REVENUES			
Charges for services	\$ 7,534,335	\$ 12,038,845	\$ 19,573,180
Water and sewer taps	33,298	-	33,298
Other operating revenues	254,851	36,426	291,277
Total operating revenues	<u>7,822,484</u>	<u>12,075,271</u>	<u>19,897,755</u>
OPERATING EXPENSES			
Electric operations	-	10,802,771	10,802,771
Water distribution	2,470,749	-	2,470,749
Water preventive maintenance	612,769	-	612,769
Waste collection and treatment	1,255,435	-	1,255,435
Tax reimbursements - General Fund	-	352,249	352,249
Support services - General Fund	1,127,387	612,810	1,740,197
Depreciation and amortization	947,560	269,416	1,216,976
Total operating expenses	<u>6,413,900</u>	<u>12,037,246</u>	<u>18,451,146</u>
Operating income (loss)	<u>1,408,584</u>	<u>38,025</u>	<u>1,446,609</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,651	8,008	11,659
Interest and other charges	(242,427)	(15,216)	(257,643)
Capacity fees	642,020	-	642,020
Nutrient offset fees	54,029	-	54,029
Miscellaneous	79,569	140,109	219,678
Total nonoperating revenue (expenses)	<u>536,842</u>	<u>132,901</u>	<u>669,743</u>
Income before contributions	<u>1,945,426</u>	<u>170,926</u>	<u>2,116,352</u>
Capital contributions	<u>220,907</u>	<u>-</u>	<u>220,907</u>
Change in net assets	<u>2,166,333</u>	<u>170,926</u>	<u>2,337,259</u>
Total net assets, beginning	<u>25,623,718</u>	<u>9,553,234</u>	<u>35,176,952</u>
Total net assets, ending	<u>\$ 27,790,051</u>	<u>\$ 9,724,160</u>	<u>37,514,211</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

Exhibit 9
Page 1 of 2

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,728,208	\$ 12,129,535	\$ 19,857,743
Cash paid for goods and services	(4,549,646)	(10,845,275)	(15,394,921)
Cash paid to or on behalf of employees for services	(857,804)	(745,250)	(1,603,054)
Customer deposits received	-	96,104	96,104
Customer deposits returned	(24,088)	(38,772)	(62,860)
Other operating revenues	254,851	36,426	291,277
Miscellaneous revenue	79,569	140,109	219,678
Net cash provided by operating activities	<u>2,631,090</u>	<u>772,877</u>	<u>3,403,967</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Capacity fees	642,020	-	642,020
Nutrient offset fees	54,029	-	54,029
Total cash flows from noncapital financing activities	<u>696,049</u>	<u>-</u>	<u>696,049</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(519,740)	(209,940)	(729,680)
Principal paid on bond maturities and equipment contracts	(1,949,144)	(361,000)	(2,310,144)
Proceeds from debt issuance	1,604,000	-	1,604,000
Interest paid on bond maturities and equipment contracts	(242,427)	(15,216)	(257,643)
Capital contributions	220,907	-	220,907
Net cash (used) by capital and related financing activities	<u>(886,404)</u>	<u>(586,156)</u>	<u>(1,472,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	3,651	8,008	11,659
Net increase in cash and cash equivalents	2,444,386	194,729	2,639,115
Balances, beginning	<u>2,485,719</u>	<u>3,420,364</u>	<u>5,906,083</u>
Balances, ending	<u>\$ 4,930,105</u>	<u>\$ 3,615,093</u>	<u>\$ 8,545,198</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

Exhibit 9
Page 2 of 2

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,408,584	\$ 38,025	\$ 1,446,609
Adjustments to reconcile operating income to net cash provided by operating activities			
Miscellaneous revenue	79,569	140,109	219,678
Depreciation & amortization	947,560	269,416	1,216,976
Changes in assets and liabilities:			
(Increase) in accounts receivable	160,575	90,690	251,265
(Increase) decrease in inventory	(6,532)	54,468	47,936
Increase (decrease) in accounts payable and accrued liabilities	29,317	124,533	153,850
(Decrease) in customer deposits	5,885	57,332	63,217
Increase in postemployment benefits	4,058	2,250	6,308
Increase (decrease) in accrued vacation pay	2,074	(3,946)	(1,872)
Total adjustments	<u>1,222,506</u>	<u>734,852</u>	<u>1,957,358</u>
Net cash provided by operating activities	<u>\$ 2,631,090</u>	<u>\$ 772,877</u>	<u>\$ 3,403,967</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2012

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 1,040,852
Taxes receivable	<u>9,956</u>
Total assets	<u>\$ 1,050,808</u>
Liabilities and net assets	
Liabilities:	
Intergovernmental payable	<u>\$ 1,050,808</u>
Total liabilities	<u>\$ 1,050,808</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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Clayton Downtown Development Association, Inc.

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

B. Basis of Presentation

Government-wide Statements: The statement of net 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:

**TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

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

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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 department level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager is authorized to effect interdepartmental transfers, in the same fund, provided that no departmental budget shall be reduced by more than ten percent without the prior approval of the governing board. Any such transfers must be reported to the governing board at its next regular meeting and be entered into the minutes of the meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. 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, 2012

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 (rural development reserve) 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, 2011.

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, 2012 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

**TOWN OF CLAYTON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Wastewater capacity allocation rights are recorded at historical cost and amortized over 20 years using the straight-line method. For information, describing capital assets see Note 2.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, 2012**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by State Statute [G.S. 105-113.113].

Restricted for Public Improvements – portion of fund balance that is restricted by revenue source for recreational facilities and street improvements. This amount represents the balance of the total unexpended General Obligation Public Improvement Bonds, Series 2009A and Series 2012 funds.

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

**TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

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

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

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

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

The Town of Clayton has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that legally available fund balance is at least equal to or greater than 21% of budgeted expenditures. Any portion in excess of 21% is available for appropriation as deemed necessary and approved by Council. The Town's operating standard for legally available fund balance is a minimum of 31% of budgeted expenditures.

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.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

At June 30, 2012, the Town's deposits had a carrying amount of \$8,349,088 and a bank balance of \$8,548,987. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the Association was \$9,143 and the bank balance was \$10,369. At June 30, 2012, the Town's petty cash fund totaled \$2,200.

Investments

At June 30, 2012, the Town of Clayton had \$777,411 and \$9,706,583 invested with the North Carolina Capital Management Trust's Cash Portfolio and Term Portfolio, respectively. The Cash Portfolio carries a credit rating of AAAm by Standard and Poor's. The Town and the Association have no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

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

General fund:	
Taxes receivable	\$ 60,000
Accounts receivable	<u>4,372</u>
	64,372
Enterprise funds	<u>68,492</u>
Total	<u>\$ 133,864</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Due from Other Governmental Agencies

At June 30, 2012, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business- type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 423,327	\$ -	\$ 423,327	\$ -
Franchise Tax	131,755	-	131,755	-
Telecommunication Tax	21,994	-	21,994	-
Video Programming Fees	46,852	-	46,852	-
Solid Waste Disposal Fees	2,551	-	2,551	-
Vehicle & Property taxes	64,505	-	64,505	-
PEG Channel	8,264	-	8,264	-
	<u>\$ 699,248</u>	<u>\$ -</u>	<u>\$ 699,248</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,521,977	\$ 11,862	\$ -	\$ 5,533,839
Construction in progress	4,914,462	1,535,798	4,914,462	1,535,798
Total capital assets not being depreciated	<u>10,436,439</u>	<u>1,547,660</u>	<u>4,914,462</u>	<u>7,069,637</u>
Capital assets being depreciated				
Buildings and improvements	20,680,956	6,808,497	-	27,489,453
Equipment	2,663,875	128,905	-	2,792,780
Vehicles and motorized equipment	5,466,871	264,691	-	5,731,562
Infrastructure	9,825,088	2,077,361	-	11,902,449
Total capital assets being depreciated	<u>38,636,790</u>	<u>9,279,454</u>	<u>-</u>	<u>47,916,244</u>
Less accumulated depreciation				
Buildings	2,198,896	391,911	-	2,590,807
Equipment	1,908,737	248,541	-	2,157,278
Vehicles and motorized equipment	4,263,769	403,343	-	4,667,112
Infrastructure	1,580,642	196,490	-	1,777,132
Total accumulated depreciation	<u>9,952,044</u>	<u>1,240,285</u>	<u>-</u>	<u>11,192,329</u>
Total capital assets being depreciated, net	<u>28,684,746</u>	<u>8,039,169</u>	<u>-</u>	<u>36,723,915</u>
Governmental activity capital assets, net	<u>\$ 39,121,185</u>	<u>\$ 9,586,829</u>	<u>\$ 4,914,462</u>	<u>\$ 43,793,552</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

At June 30, 2012, construction in progress was comprised of the construction of the Greenway Development, Clayton Law Enforcement Center, and General Obligation Public Improvement Bonds Projects.

General government	\$ 353,790
Public safety	458,927
Public works	284,973
Cultural and recreational	<u>142,595</u>
Total depreciation expense	<u>\$ 1,240,285</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 118,600	\$ -	\$ -	\$ 118,600
Nitrogen credits	2,633,113	-	-	2,633,113
Construction in progress	<u>1,557,593</u>	<u>108,367</u>	<u>754,879</u>	<u>911,081</u>
Total capital assets not being depreciated	<u>4,309,306</u>	<u>108,367</u>	<u>754,879</u>	<u>3,662,794</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	31,258,492	1,095,252	-	32,353,744
Furniture and maintenance equipment	587,708	71,000	-	658,708
Vehicles	<u>515,174</u>	<u>-</u>	<u>-</u>	<u>515,174</u>
Total capital assets being depreciated	<u>37,914,989</u>	<u>1,166,252</u>	<u>-</u>	<u>39,081,241</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	1,035,000	180,000	-	1,215,000
Buildings	346,159	27,811	-	373,970
Plant and distribution system	7,158,642	643,679	-	7,802,321
Furniture and maintenance equipment	478,538	75,024	-	553,562
Vehicles	<u>469,820</u>	<u>21,046</u>	<u>-</u>	<u>490,866</u>
Total accumulated depreciation	<u>9,488,159</u>	<u>947,560</u>	<u>-</u>	<u>10,435,719</u>
Total Capital assets being depreciated, net	<u>28,426,830</u>	<u>218,692</u>	<u>-</u>	<u>28,645,522</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 32,736,136</u>	<u>\$ 327,059</u>	<u>\$ 754,879</u>	<u>\$ 32,308,316</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Electric Fund				
Capital assets not being depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated				
Buildings	1,143,231	-	-	1,143,231
Plant and distribution system	8,186,525	209,940	-	8,396,465
Furniture and maintenance	214,612	-	-	214,612
Vehicles	<u>814,048</u>	<u>-</u>	<u>-</u>	<u>814,048</u>
Total capital assets being depreciated	<u>10,358,416</u>	<u>209,940</u>	<u>-</u>	<u>10,568,356</u>
Less accumulated depreciation for				
Buildings	193,323	19,062	-	212,385
Plant and distribution system	3,322,550	217,088	-	3,539,638
Furniture and maintenance equipment	204,566	4,607	-	209,173
Vehicles	<u>737,482</u>	<u>28,659</u>	<u>-</u>	<u>766,141</u>
Total accumulated depreciation	<u>4,457,921</u>	<u>269,416</u>	<u>-</u>	<u>4,727,337</u>
Total capital assets being depreciation, net	<u>5,900,495</u>	<u>(59,476)</u>	<u>-</u>	<u>5,841,019</u>
Electric Fund				
Capital Assets – net	<u>\$ 5,920,495</u>	<u>\$ (59,476)</u>	<u>\$ -</u>	<u>\$ 5,861,019</u>
Business-type activities capital assets, net	<u>\$ 38,656,631</u>			<u>\$ 38,169,335</u>

**TOWN OF CLAYTON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.97% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Clayton are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERs for the years ended June 30, 2012, 2011, and 2010 were \$508,164, \$465,525, and \$370,902, 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, 2011, 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>44</u>
Total	<u>45</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, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Summary of Significant Accounting Policies

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

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

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

The annual required contribution for the current year was determined as part of the December 31, 2010 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 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 82,362
Interest on net pension obligation	18,536
Adjustment to annual required contribution	<u>(22,116)</u>
Annual pension cost	78,782
Contributions made	<u>(19,603)</u>
Increase in net pension obligation	59,179
Net pension obligation beginning of year	<u>370,729</u>
Net pension obligation end of year	<u>\$ 429,908</u>

**TOWN OF CLAYTON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Fiscal Year <u>June 30</u>	<u>Three Year Trend Information</u>		Net Pension <u>Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
2010	\$ 70,581	18.30%	\$ 288,905
2011	\$ 94,741	13.63%	\$ 370,729
2012	\$ 78,782	24.88%	\$ 429,908

Funded Status and Funding Progress

As of December 31 2010, 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 \$769,822. The covered payroll (annual payroll of active employees covered by the plan) was \$2,105,132, and the ratio of the UAAL to the covered payroll was 36.57 percent.

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

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and 4 percent of regular employees' salary, and all amounts contributed are vested immediately. Also, the law enforcement officer may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$507,360, which consisted of \$324,214 from the Town and \$183,146 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, 2012**

NOTE 2 - 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 revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$40,935 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, 2012. 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 pays for one-half (50%) of the cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees:	Law 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 \$5,554 for retirees. The Town obtains healthcare coverage through private insurers. Retirees made contributions in the amount of \$5,554. No dependent coverage was purchased.

**TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

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

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

Annual required contribution	\$ 96,465
Interest on net OPEB obligation	12,052
Adjustment to annual required contribution	<u>(10,398)</u>
Annual OPEB cost (expense)	98,119
Contributions made	<u>(5,554)</u>
Increase (decrease) in net OPEB obligation	92,565
Net OPEB obligation, beginning of year	<u>301,311</u>
Net OPEB obligation, end of year	<u>\$ 393,876</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
2010	\$ 113,223	4.98%	\$214,977
2011	97,645	11.58%	301,311
2012	98,119	5.66%	393,876

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, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

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

In the December 31, 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 \$63.4 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, 2012**

NOTE 2 - 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 \$300,000 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, 2012, 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, 2012 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%	\$ 4,500,000	\$ -
\$2,000,000 General Obligation Bonds, Series 2012 dated April 13, 2012 And maturing in annual installments of \$140,000 to \$120,000 through February 2027, interest ranging from .35% to 2.7%	2,000,000	-
\$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%.	\$ -	\$ 215,000
Total general obligation bonds	<u>\$ 6,500,900</u>	<u>\$ 215,000</u>
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%	\$ -	\$ 240,000
2012 Revenue Bond Anticipation Note – Water and Sewer System; Series 2012 dated March 8, 2012 and maturing in one lump sum Payment in September 2013; interest at 1.45%	\$ -	\$ 1,604,000
Total revenue bonds	<u>\$ -</u>	<u>\$ 1,844,000</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	Serviced by	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Installment Purchases		
2009 Clayton Community Center; contract of \$1,500,000; due in monthly installments of \$8,333 for principal; interest at 3.57%	\$ 1,166,667	\$ -
2000 Town Hall/Cultural Arts Complex; contract of \$5,000,000; due in monthly installments of \$24,510 for principal beginning July 2001; interest at 4.47%	1,765,582	-
2012 Rolling Stock vehicle purchase; contract of \$251,297; due in monthly Installments of \$7,151, interest at 1.57%	251,297	-
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%	685,569	-
2007 Real Property; contract of \$1,600,000; due in monthly installments of \$26,667 plus interest at 3.64%	19,833	33,500
2007 Park Land Purchase; contract for \$2,073,435; due in monthly installments of \$11,519 plus interest at 3.94%.	1,416,847	-
2008 Fire Truck; contract of \$ 410,000; due in monthly installments of \$3,980; interest at 3.11%	247,830	-
2008 Technology; contract for \$823,200; due in monthly installments of \$14,944; interest at 2.78%	103,645	-
2007 Municipal Building; contract of \$5,000,000; due in monthly installments of variable principal; interest at 2.975%	4,821,697	-
2011 Clayton Law Enforcement Center; contract of \$6,070,000; annual installments of variable principal starting in 2014; interest at 4.46%	6,070,000	-
2011 Rolling Stock; contract of \$297,000; due in monthly installments of \$8,480; interest at 1.79%	199,765	-
2008 Water/Sewer Project; contract of \$600,000; due in monthly installments of \$10,000 plus interest at 2.52%	-	110,000
2008 Sanitary Sewer Revolving Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	2,880,000
2007 Sanitary Sewer Revolving Loan; contract for \$3,921,798; due in annual installments of \$257,117 plus interest at 2.205%.	-	2,571,171
1996 Revolving Loan Fund; contract of \$4.3 million; due in annual installments of \$220,511; interest at 2.89%	-	882,045

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Installment Purchases (Continued)		
1998 Sanitary Sewer Project; contract for \$1,007,888; due in annual installments of \$50,394; interest at 2.91%	-	364,121
1995 Clean Water Bond; contract of \$354,000; annual installments of \$17,700; interest at 5.3%	-	88,500
1996 Water and Sewer extensions; contract of \$120,000; without interest, repayment from yearly acreage fees collected by the Town for connection to water and sewer lines installed to service Colonial Carton Company	-	120,000
2006 Nitrogen Credits; contract for \$1,815,748; due in monthly principal installments of \$15,131; interest at 4.12%	-	726,299
2008 Sams Branch Outfall Project; contract of \$1,120,000; due in monthly installments of \$9,333; plus interest at 3.48%	-	261,119
2009 ARM Project; contract of \$579,000; due in monthly installments of \$10,557; including interest at 2.96%	-	235,770
2009 WWTP Generator; contract of \$250,000; due in monthly installments of \$4,558; including interest at 2.96%	-	101,801
Total installment purchases	<u>16,748,732</u>	<u>8,374,326</u>
Total outstanding	23,248,732	10,433,326
Less current portion	<u>1,465,582</u>	<u>1,713,157</u>
	<u>\$ 21,783,150</u>	<u>\$ 8,720,169</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

At June 30, 2012, the Town of Clayton had a legal debt margin of \$97,107,019

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, 2012:

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2011	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 4,750,000	\$ 2,000,000	\$ 250,000	\$ 6,500,000	\$ 390,000
Installment purchases	17,790,426	251,297	1,292,991	16,748,732	1,075,582
Compensated absences	486,335	348,916	368,148	467,103	233,552
Other postemployment benefits	272,781	86,257	-	359,038	-
Net pension obligation	<u>370,729</u>	<u>59,179</u>	<u>-</u>	<u>429,908</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 23,670,271</u>	<u>\$ 2,745,649</u>	<u>\$ 1,911,139</u>	<u>\$ 24,504,781</u>	<u>\$ 1,699,134</u>
Business-type activities:					
General obligation bonds	\$ 345,000	\$ -	\$ 130,000	\$ 215,000	\$ 135,000
Revenue bonds	480,000	1,604,000	240,000	1,844,000	240,000
Installment purchases	10,314,470	-	1,940,144	8,374,326	1,338,157
Other postemployment benefits	28,530	6,308	-	34,838	-
Compensated absences	<u>93,523</u>	<u>75,419</u>	<u>77,290</u>	<u>91,652</u>	<u>45,826</u>
Business-type activity long-term liabilities	<u>\$ 11,261,523</u>	<u>\$ 1,685,727</u>	<u>\$ 2,387,434</u>	<u>\$ 10,559,816</u>	<u>\$ 1,758,983</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, 2012, 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						
2013	\$ 390,000	\$ 189,357	\$1,075,582	\$ 662,642	\$1,465,582	\$ 851,999
2014	390,000	186,825	1,126,492	629,332	1,516,492	816,157
2015	390,000	178,695	982,431	590,251	1,372,431	768,946
2016	390,000	170,425	947,947	554,800	1,337,947	725,225
2017	390,000	161,875	953,763	517,789	1,343,763	679,664
2018-2022	1,950,000	646,856	3,828,237	2,103,061	5,778,237	2,749,917
Thereafter	<u>2,600,000</u>	<u>379,412</u>	<u>7,834,280</u>	<u>2,517,670</u>	<u>10,434,280</u>	<u>2,897,082</u>
Total	<u>6,500,000</u>	<u>1,913,445</u>	<u>16,748,732</u>	<u>7,575,545</u>	<u>23,248,732</u>	<u>9,488,990</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

5. Long-Term Debt (Continued)

	Bond obligation		Installment purchases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Business-type activities						
2013	\$ 375,000	\$ 11,098	\$ 1,338,157	\$ 199,278	\$ 1,713,157	\$ 210,376
2014	1,684,000	37,161	1,184,755	163,205	2,868,755	200,366
2015	-	-	946,039	132,212	946,039	132,212
2016	-	-	908,920	106,520	908,920	106,520
2017	-	-	506,835	84,525	506,835	84,525
2018-2022	-	-	2,289,620	259,683	2,289,620	259,683
Thereafter	-	-	1,200,000	79,380	1,200,000	79,380
	<u>2,059,000</u>	<u>48,259</u>	<u>8,374,326</u>	<u>1,024,803</u>	<u>10,433,326</u>	<u>1,073,062</u>
Total	<u>\$8,559,000</u>	<u>\$1,961,704</u>	<u>\$25,123,058</u>	<u>\$8,600,348</u>	<u>\$33,682,058</u>	<u>\$10,562,052</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, 2012, is as follows:

Operating revenues	\$12,075,270
Operating expenses *	<u>11,173,321</u>
Operating income	901,949
Non-operating revenues (expenses) **	<u>144,998</u>
Income available for debt service	1,046,947
Debt service, principal and interest paid (Revenue bond only)	\$ 252,096
Debt service coverage ratio	4.15

* Per rate covenants, this does not include the depreciation expense of \$269,415 nor the \$612,810 in voluntary transfers made to the General Fund as reserves for operations.

** Per rate covenants, this does not include revenue bond interest paid of \$12,096.

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 \$246,048. Principal and interest paid for the current year and total customers net revenues were \$252,096 and \$901,949, respectively.

**TOWN OF CLAYTON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Deferred/Unearned Revenues

The balance in deferred/unearned revenues at June 30, 2012 consists of the following elements:

<u>Governmental Activities</u>	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (Net)	\$ 150,489	\$ -
Community Development Assessments	-	266,481
Prepaid taxes	-	<u>19,670</u>
	<u>\$ 150,489</u>	<u>\$ 286,151</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, 2012, consist of the following:

Due to the Greenway Development Project from the General Fund:

General Fund	<u>\$ 14,245</u>
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Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2012, consist of the following:

From the General Fund to the Greenway Development Project – financing sources	\$ 77,903
From the General Fund to the 2009A GO Bonds Street Project fund-financing sources	105,934

**TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

NOTE 2 - 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, 2012, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$25,604 for the 67 employed firemen who perform firefighting duties for the Town's fire department. The 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 \$15,331 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, 2012. 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 3 - JOINT VENTURES

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the 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 Pension Plan on-behalf of the employee members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2012, the Town reported revenues and expenditures for the payments of \$15,331 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, 2012. 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.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2012, \$17,500 was paid to a Town Councilman for rental of police facilities.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 6 - 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, 2012 were \$9,358,803.

NOTE 7 – FUND BALANCE

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

Total fund balance – General Fund	<u>\$ 8,444,832</u>
Less:	
Stabilization by State Statute	1,309,728
Streets-Powell Bill	984,777
Public Improvements	315,668
Public Safety	15,328
Appropriate Fund Balance in 2013 Budget	6,061
Working Capital/Fund Balance Policy-Operating Standard	4,798,761
Remaining Fund Balance	1,014,509

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 (JAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	JAAL as a % of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	\$ 769,822	\$ 769,822	0.00%	\$ 2,105,132	36.57%
12/31/2010	-	672,393	672,393	0.00%	2,020,788	33.27%
12/31/2009	-	796,120	796,120	0.00%	2,131,334	37.35%
12/31/2008	-	545,290	545,290	0.00%	2,044,877	26.67%
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%

**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>
6/30/2012	82,362	23.80%
6/30/2011	95,763	13.49%
6/30/2010	68,383	18.89%
6/30/2009	57,076	28.47%
6/30/2008	46,550	38.50%
6/30/2007	32,475	41.92%
6/30/2006	32,197	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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% - 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2009	\$ -	\$ 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>
2012	96,465	11.73%
2011	96,465	11.73%
2010	112,633	5.01%

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 completion of a master plan for the development of a 71 acre tract of land adjacent to the Neuse River and for the acquisition of easements for the Mountains-to-Sea Trail.

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

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

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

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

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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Taxes	\$ -	\$ 7,902,183	\$ -
Penalties and interest	-	29,449	-
Total	<u>7,771,702</u>	<u>7,931,632</u>	<u>159,930</u>
Other taxes and licenses:			
Motor vehicle licenses	-	61,296	-
Payments in lieu of taxes	-	9,509	-
Privilege licenses	-	105,122	-
Total	<u>139,500</u>	<u>175,927</u>	<u>36,427</u>
Unrestricted intergovernmental:			
Local option sales tax	-	2,531,400	-
ABC profit distribution	-	81,461	-
Gasoline tax refunds	-	192	-
Franchise tax	-	542,253	-
Telecommunications tax	-	85,657	-
Video programming fees	-	205,653	-
Beer and wine tax	-	70,355	-
Tax Reimbursements	-	352,249	-
Reimbursement from rural fire department	-	850,292	-
Total	<u>4,640,540</u>	<u>4,719,512</u>	<u>78,972</u>
Restricted intergovernmental:			
Powell Bill allocation	-	432,697	-
State grants	-	-	-
Federal grants	-	609	-
Controlled substance tax	-	14,564	-
PEG channel support	-	32,721	-
On-behalf of payments - Fire	-	40,935	-
Solid waste disposal tax	-	11,087	-
Total	<u>531,100</u>	<u>532,613</u>	<u>1,513</u>
Permits and fees:			
Alarm response fees	-	5,000	-
Recreation fees in lieu	-	29,250	-
Building permits	-	128,340	-
Inspection and rezoning fees	-	388,171	-
Total	<u>347,250</u>	<u>550,761</u>	<u>203,511</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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	15,404	-
Refuse collection fees	-	1,148,483	-
Cemetery lots and fees	-	63,805	-
General government contributions	-	7,677	-
Public safety contributions	-	7,428	-
Recreation fees and contributions	-	245,680	-
Clayton Center Cultural Arts	-	249,503	-
Library fees and contributions	-	16,835	-
Total	<u>1,632,418</u>	<u>1,754,815</u>	<u>122,397</u>
Investment earnings	<u>21,000</u>	<u>12,376</u>	<u>(8,624)</u>
Miscellaneous:			
Miscellaneous	-	62,113	-
Sale of surplus property	-	336	-
Sale of easement	-	-	-
Lease revenue	-	16,339	-
Reimbursable projects	-	-	-
Damage and insurance reimbursement	-	3,897	-
Total	<u>129,364</u>	<u>82,685</u>	<u>(46,679)</u>
Total Revenues	<u>15,212,874</u>	<u>15,760,321</u>	<u>547,447</u>
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	73,402	-
Other operating expenditures	-	77,927	-
Reimbursement - proprietary funds	-	(38,675)	-
Total	<u>-</u>	<u>112,654</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	431,861	-
Other operating expenditures	-	414,272	-
Reimbursement - proprietary funds	-	(433,746)	-
Total	<u>-</u>	<u>412,387</u>	<u>-</u>
Human Resources:			
Salaries and employee benefits	-	144,414	-
Other operating expenditures	-	167,344	-
Reimbursement - proprietary funds	-	(42,750)	-
Total	<u>-</u>	<u>269,008</u>	<u>-</u>
Special Appropriations:			
Miscellaneous	-	81,250	-
Reimbursement - proprietary funds	-	(13,540)	-
Total	<u>-</u>	<u>67,710</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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Other operating expenditures	-	79,038	-
Reimbursement - proprietary funds	-	(31,474)	-
Total	-	47,564	-
Total General Government	1,067,752	909,323	158,429
Financial Services:			
Administration:			
Salaries and employee benefits	-	284,764	-
Other operating expenditures	-	226,548	-
Reimbursement - proprietary funds	-	(137,296)	-
Total	-	374,016	-
Customer Services:			
Salaries and employee benefits	-	426,688	-
Other operating expenditures	-	87,224	-
Reimbursement - proprietary funds	-	(502,360)	-
Total	-	11,552	-
Information Services:			
Salaries and employee benefits	-	51,192	-
Other operating expenditures	-	392,380	-
Capital outlay	-	99,583	-
Reimbursement - proprietary funds	-	(95,887)	-
Total	-	447,268	-
Total Financial Services	839,008	832,836	6,172
Community Development Services:			
Planning and Zoning:			
Salaries and employee benefits	-	290,717	-
Other operating expenditures	-	62,415	-
Capital outlay	-	22,100	-
Total	-	375,232	-
Downtown and Economic Development			
Salaried and employee benefits	-	73,920	-
Other operating expenditures	-	73,202	-
Total	-	147,122	-

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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Community Development Services: (Continued)			
Inspections:			
Salaries and employee benefits	-	301,060	-
Vehicle maintenance	-	739	-
Other operating expenditures	-	26,205	-
Total	-	328,004	-
Total Community Development Services	914,558	850,358	64,200
Total General Government Operations	2,821,318	2,592,517	228,801
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	262,675	-
Vehicle maintenance	-	128	-
Other operating expenditures	-	140,625	-
Capital outlay	-	31,530	-
Total	-	434,958	-
Police Investigation:			
Salaries and employee benefits	-	521,897	-
Vehicle Maintenance	-	3,770	-
Other operating expenditures	-	95,908	-
Capital outlay	-	28,469	-
Total	-	650,044	-
Police Patrol:			
Salaries and employee benefits	-	1,494,525	-
Vehicle maintenance	-	13,150	-
Other operating expenditures	-	174,691	-
Capital outlay	-	173,161	-
Total	-	1,855,527	-
Police Special Operations			
Salaries and employee benefits	-	687,163	-
Vehicle maintenance	-	5,761	-
Other operating expenditures	-	89,594	-
Capital outlay	-	31,531	-
Total	-	814,049	-
Total Law Enforcement	3,842,754	3,754,578	88,176
Fire Protection:			
Salaries and employee benefits	-	1,290,856	-
Vehicle Maintenance	-	12,494	-
Other operating expenditures	-	397,028	-
On behalf of payments	-	40,935	-
Total	-	1,741,313	-
Total Fire Protection	1,785,745	1,741,313	44,432

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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Total Public Safety	<u>5,628,499</u>	<u>5,495,891</u>	<u>132,608</u>
Public Works:			
Administration:			
Salaries and employee benefits	-	288,051	-
Other operating expenditures	-	85,148	-
Reimbursement - proprietary funds	-	(194,160)	-
Total	<u>-</u>	<u>179,039</u>	<u>-</u>
Engineering:			
Salaries and employee benefits	-	207,976	-
Other operating expenditures	-	9,053	-
Reimbursement - proprietary funds	-	(89,990)	-
Total	<u>-</u>	<u>127,039</u>	<u>-</u>
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	175,539	-
Other operating expenditures	-	35,094	-
Reimbursement - proprietary funds	-	(47,489)	-
Total	<u>-</u>	<u>163,144</u>	<u>-</u>
Streets:			
Salaries and employee benefits	-	291,853	-
Vehicle maintenance	-	3,377	-
Street lights	-	76,803	-
Other operating expenditures	-	178,294	-
Capital outlay	-	14,950	-
Reimbursement - proprietary funds	-	(28,889)	-
Total	<u>-</u>	<u>536,388</u>	<u>-</u>
Property Maintenance:			
Salaries and employee benefits	-	302,279	-
Vehicle Maintenance	-	2,754	-
Other operating expenditures	-	222,412	-
Reimbursement - proprietary funds	-	(83,940)	-
Total	<u>-</u>	<u>443,505</u>	<u>-</u>
Sanitation:			
Trash hauling fee	-	501,309	-
Landfill fees	-	223,655	-
Recycling efforts	-	278,175	-
Miscellaneous activities	-	222,773	-
Total	<u>-</u>	<u>1,225,912</u>	<u>-</u>
Total Public Works	<u>2,749,602</u>	<u>2,675,027</u>	<u>74,575</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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	675,769	-
Vehicle Maintenance	-	2,452	-
Other operating expenditures	-	334,196	-
Total Parks & Recreation	<u>1,128,397</u>	<u>1,012,417</u>	<u>115,980</u>
Cultural & Performing Arts:			
Salaries and employee benefits	-	273,030	-
Other operating expenditures	-	172,323	-
Capital outlay	-	7,222	-
Total Cultural & Performing Arts	<u>477,216</u>	<u>452,575</u>	<u>24,641</u>
Library Operations:			
Salaries and employee benefits	-	320,958	-
Other operating expenditures	-	72,685	-
Total Library Operations	<u>393,552</u>	<u>393,643</u>	<u>(91)</u>
Total Cultural and Recreational	<u>1,999,165</u>	<u>1,858,635</u>	<u>140,530</u>
Debt Service:			
Principal retirement	-	1,542,991	-
Interest and fees	-	870,236	-
Total Debt Service	<u>2,461,290</u>	<u>2,413,227</u>	<u>48,063</u>
Total Expenditures	<u>15,659,874</u>	<u>15,035,297</u>	<u>624,577</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(447,000)</u>	<u>725,024</u>	<u>1,172,024</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Debt Issuance	267,000	251,297	(15,703)
2009A GO Bonds Streets Project	(105,000)	(105,934)	(934)
Greenway Development Project	(75,000)	(77,903)	(2,903)
Total other financing sources (uses)	<u>87,000</u>	<u>67,460</u>	<u>(19,540)</u>
Fund balance appropriated	<u>360,000</u>	-	<u>(360,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>792,484</u>	<u>\$ 792,484</u>
Fund balance, beginning		<u>7,652,348</u>	
Fund balance, ending		<u>\$ 8,444,832</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, 2012

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES:					
Grant revenue	\$ 96,000	\$ 61,889	\$ -	\$ 61,889	\$ (34,111)
Miscellaneous	96,354	96,354	-	96,354	-
Total Revenues	<u>192,354</u>	<u>158,243</u>	<u>-</u>	<u>158,243</u>	<u>(34,111)</u>
EXPENDITURES:					
Capital outlay:					
Technical services	231,000	219,380	5,000	224,380	6,620
Construction	600,000	519,251	58,678	577,929	22,071
Easement	32,327	26,927	-	26,927	5,400
Total expenditures	<u>863,327</u>	<u>765,558</u>	<u>63,678</u>	<u>829,236</u>	<u>34,091</u>
REVENUES OVER (UNDER) EXPENDITURES	(670,973)	(607,315)	(63,678)	(670,993)	(20)
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	670,973	607,315	77,903	685,218	14,245
Total other financing sources:	<u>670,973</u>	<u>607,315</u>	<u>77,903</u>	<u>685,218</u>	<u>14,245</u>
Net change in Fund balance	<u>\$ -</u>	<u>\$ -</u>	14,225	<u>\$ 14,225</u>	<u>14,225</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 14,225</u>		

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

Exhibit A-3

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

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
REVENUES:					
Interest revenue	\$ 1,500	\$ -	\$ 1,260	\$ 1,260	\$ 240
Total Revenues	<u>1,500</u>	<u>-</u>	<u>1,260</u>	<u>1,260</u>	<u>240</u>
EXPENDITURES:					
Capital outlay:					
Professional services	150,000	-	150,421	150,421	(421)
Construction	1,954,500	-	1,322,385	1,322,385	632,115
Site improvements	<u>2,000</u>	<u>-</u>	<u>1,736</u>	<u>1,736</u>	<u>264</u>
Total expenditures	<u>2,106,500</u>	<u>-</u>	<u>1,474,542</u>	<u>1,474,542</u>	<u>631,958</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,105,000)	-	(1,473,282)	(1,473,282)	631,718
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	90,100	-	-	-	(90,100)
Bonds issued	2,000,000	-	2,000,000	2,000,000	-
Premium on bonds issued	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>14,900</u>	<u>-</u>
Total other financing sources:	<u>2,105,000</u>	<u>-</u>	<u>2,014,900</u>	<u>2,014,900</u>	<u>(90,100)</u>
Net change in fund balance	\$ -	\$ -	541,618	\$ 541,618	\$ 541,618
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 541,618</u>		

CAPITAL PROJECTS FUND

LAW ENFORCEMENT CENTER

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

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Interest revenue	\$ 5,000	\$ 2,441	\$ 647	\$ 3,088	\$ (1,912)
Total Revenues	5,000	2,441	647	3,088	(1,912)
EXPENDITURES:					
Capital outlay:					
Professional services	85,000	47,000	19,467	66,467	18,533
Construction	4,890,774	3,625,520	1,151,700	4,777,220	113,554
Furniture, Fixtures & Equipment	480,000	43,990	435,135	479,125	875
Administrative	220,600	171,556	49,044	220,600	-
Geotechnical investigation	60,000	49,833	725	50,558	9,442
Contingency	332,476	154,417	164,632	319,049	13,427
Preservation expense	6,150	6,150	-	6,150	-
Total expenditures	6,075,000	4,098,466	1,820,703	5,919,169	155,831
REVENUES OVER (UNDER) EXPENDITURES	(6,070,000)	(4,096,025)	(1,820,056)	(5,916,081)	153,919
OTHER FINANCING SOURCES:					
Debt Proceeds	6,070,000	6,070,000	-	6,070,000	-
Total other financing sources:	6,070,000	6,070,000	-	6,070,000	-
Net change in fund balance	\$ -	\$ 1,973,975	(1,820,056)	\$ 153,919	\$ 153,919
Fund balance, beginning			1,973,975		
Fund balance, ending			\$ 153,919		

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CAPITAL PROJECTS FUND

2009A GO BONDS RECREATION PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Grant revenues	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
Interest revenue	4,500	4,475	-	4,475	(25)
Miscellaneous	-	-	15,000	15,000	15,000
Total Revenues	<u>304,500</u>	<u>4,475</u>	<u>15,000</u>	<u>19,475</u>	<u>(285,025)</u>
EXPENDITURES:					
Capital outlay:					
Professional services	86,547	85,334	(28,798)	56,536	30,011
Construction	65,100	14,340	50,752	65,092	8
Land acquisition	2,605,000	2,004,668	4,512	2,009,180	595,820
Site improvements	<u>168,000</u>	<u>167,633</u>	<u>51</u>	<u>167,684</u>	<u>316</u>
Total expenditures	<u>2,924,647</u>	<u>2,271,975</u>	<u>26,517</u>	<u>2,298,492</u>	<u>626,155</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,620,147)	(2,267,500)	(11,517)	(2,279,017)	341,130
OTHER FINANCING SOURCES:					
Special revenue fund	600,000	300,000	-	300,000	(300,000)
Bonds issued	2,000,000	2,000,000	-	2,000,000	-
Premium on bonds issued	<u>20,147</u>	<u>20,147</u>	<u>-</u>	<u>20,147</u>	<u>-</u>
Total other financing sources:	<u>2,620,147</u>	<u>2,320,147</u>	<u>-</u>	<u>2,320,147</u>	<u>(300,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 52,647</u>	<u>(11,517)</u>	<u>\$ 41,130</u>	<u>\$ 41,130</u>
Fund balance, beginning			<u>52,647</u>		
Fund balance, ending			<u>\$ 41,130</u>		

2009A GO BONDS STREETS PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Grant revenues	\$ 78,000	\$ -	\$ -	\$ -	\$ (78,000)
Interest revenue	9,400	8,210	1,105	9,315	(85)
Total Revenues	<u>87,400</u>	<u>8,210</u>	<u>1,105</u>	<u>9,315</u>	<u>(78,085)</u>
EXPENDITURES:					
Capital outlay:					
Professional services	85,000	74,001	554	74,555	10,445
Construction	4,102,500	850,563	2,026,534	2,877,097	1,225,403
System maintenance	275,000	102,240	79,498	181,738	93,262
Mitigation Projects	100,000			-	
Contingency	223,983	-	12,080	12,080	211,903
Total expenditures	<u>4,786,483</u>	<u>1,026,804</u>	<u>2,118,666</u>	<u>3,145,470</u>	<u>1,641,013</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,699,083)	(1,018,594)	(2,117,561)	(3,136,155)	1,562,928
OTHER FINANCING SOURCES:					
Bonds issued	3,000,000	3,000,000	-	3,000,000	-
Premium on bonds issued	30,221	30,221		30,221	-
Transfer from General Fund	983,170		105,934	105,934	
Transfer from Water and Sewer Fund	685,692	-		-	(685,692)
Total other financing sources:	<u>4,699,083</u>	<u>3,030,221</u>	<u>105,934</u>	<u>3,136,155</u>	<u>(1,562,928)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,011,627</u>	(2,011,627)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>2,011,627</u>		
Fund balance, ending			<u>\$ -</u>		

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NONMAJOR GOVERNMENTAL FUND

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

TOWN OF CLAYTON, NORTH CAROLINA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

Exhibit B-1

	<u>Special Revenue Fund</u>	<u>Total Non-Major Governmental Fund</u>
	Horne Cemetery Fund	
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,226	\$ 3,226
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,226</u>	<u>\$ 3,226</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>
Fund balances		
Reserved for		
Construction	-	-
Perpetual maintenance	<u>3,226</u>	<u>3,226</u>
Total fund balances	<u>3,226</u>	<u>3,226</u>
Total liabilities and fund balances	<u>\$ 3,226</u>	<u>\$ 3,226</u>

HORNE CEMETERY FUND

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

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 9	\$ 9
EXPENDITURES			
Cemetery Care	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 9</u>
Fund balance, beginning		<u>3,217</u>	
Fund balance, ending		<u>\$ 3,226</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 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.

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

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

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

Electric 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, 2012

Exhibit C-1
Page 1 of 2

	2012		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Water sales	\$ -	\$ 4,035,220	\$ -
Sewer charges	-	3,499,115	-
Connection and tap fees	-	33,298	-
Total	<u>7,496,192</u>	<u>7,567,633</u>	<u>71,441</u>
Other operating revenues	<u>308,362</u>	<u>254,851</u>	<u>(53,511)</u>
Total operating revenues	<u>7,804,554</u>	<u>7,822,484</u>	<u>17,930</u>
Nonoperating revenues:			
Investment earnings	-	3,016	-
Capacity fees	-	642,020	-
Nutrient offset fees	-	54,029	-
Miscellaneous	-	79,569	-
Total nonoperating revenues	<u>225,610</u>	<u>778,634</u>	<u>553,024</u>
Total revenues	<u>8,030,164</u>	<u>8,601,118</u>	<u>570,954</u>
EXPENDITURES:			
Water Distribution Operations:			
Water purchases	-	1,675,671	-
Salaries and employee benefits	-	334,684	-
Meter replacements	-	38,210	-
Bad debt expense	-	30,952	-
Other operating expenditures	-	385,100	-
Total water distribution	-	<u>2,464,617</u>	-
Preventative Maintenance:			
Salaries and employee benefits	-	197,973	-
Chemicals	-	64,428	-
Supplies	-	2,420	-
Other operating expenditures	-	347,948	-
Total preventative maintenance	-	<u>612,769</u>	-
Water Treatment:			
Salaries and employee benefits	-	331,310	-
Chemicals	-	32,302	-
Supplies	-	20,514	-
Other operating expenditures	-	871,309	-
Total water treatment	-	<u>1,255,435</u>	-
Total water distribution and treatment	<u>4,556,872</u>	<u>4,332,821</u>	<u>224,051</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, 2012

Exhibit C-1
Page 2 of 2

	2012		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 1,519,596	\$ -
Interest	-	242,427	-
Total debt service	<u>1,951,963</u>	<u>1,762,023</u>	<u>189,940</u>
Capital outlay:			
Water distribution	-	71,000	-
Water treatment	-	176,144	-
Total capital outlay	<u>344,406</u>	<u>247,144</u>	<u>97,262</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>1,176,923</u>	<u>1,127,387</u>	<u>49,536</u>
Total expenditures	<u>8,030,164</u>	<u>7,469,375</u>	<u>560,789</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>1,131,743</u>	<u>1,131,743</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 1,131,743	
Reconciling items:			
Principal retirement		1,519,596	
Capital outlay		247,144	
Other postemployment benefits		(4,058)	
Vacation accrual		(2,074)	
Depreciation & Amortization		(947,560)	
Capital contribution		220,907	
Interest revenue-capital project		635	
Total Reconciling items		<u>1,034,590</u>	
Change in net assets		<u>\$ 2,166,333</u>	

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, 2012

Exhibit C-2

	Project Authorization	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	2,978,631	-	2,978,631	221,369
Contingency	550,000	-	-	-	550,000
Total expenditures	<u>4,450,000</u>	<u>3,651,379</u>	<u>-</u>	<u>3,651,379</u>	<u>798,621</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,450,000)</u>	<u>(3,651,379)</u>	<u>-</u>	<u>(3,651,379)</u>	<u>798,621</u>
OTHER FINANCING SOURCES:					
Proceeds from loan	<u>4,450,000</u>	<u>3,874,101</u>	<u>-</u>	<u>3,874,101</u>	<u>(575,899)</u>
Total other financing sources	<u>4,450,000</u>	<u>3,874,101</u>	<u>-</u>	<u>3,874,101</u>	<u>(575,899)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 222,722</u>	<u>-</u>	<u>\$ 222,722</u>	<u>\$ 222,722</u>
Fund balance, beginning			<u>222,722</u>		
Fund balance, ending			<u>\$ 222,722</u>		

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

Exhibit C-3

RALEIGH/CLAYTON SEWER PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES					
Miscellaneous	<u>\$ 3,850,000</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ (3,595,000)</u>
EXPENDITURES:					
Clayton capacity charges	807,400	807,366	-	807,366	34
Construction	5,159,200	242,432	1,220	243,652	4,915,548
Design services	275,000	231,232	12,125	243,357	31,643
Easements	250,000	166,926	-	166,926	83,074
Construction inspection	87,000	-	-	-	87,000
Geotechnical investigation	13,200	13,200	-	13,200	-
Contingency	500,000	264	-	264	499,736
Total expenditures	<u>7,091,800</u>	<u>1,461,420</u>	<u>13,345</u>	<u>1,474,765</u>	<u>5,617,035</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,241,800)</u>	<u>(1,206,420)</u>	<u>(13,345)</u>	<u>(1,219,765)</u>	<u>2,022,035</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>\$(1,206,420)</u>	<u>(13,345)</u>	<u>\$(1,219,765)</u>	<u>\$ (1,219,765)</u>
Fund balance, beginning			<u>(1,206,420)</u>		
Fund balance, ending			<u>\$(1,219,765)</u>		

TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -
ELEVATED WATER STORAGE TANK
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2012

Exhibit C-4

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Grant revenues	\$ 1,562,200	\$ -	\$ -	\$ -	\$ (1,562,000)
Interest earnings	-	-	635	635	635
Total revenues	<u>1,562,200</u>	<u>-</u>	<u>635</u>	<u>635</u>	<u>(1,561,365)</u>
EXPENDITURES:					
Professional services	276,400	148,660	37,675	186,335	90,065
Construction	2,650,000	-	57,347	57,347	2,592,653
Contingency	<u>265,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,000</u>
Total expenditures	<u>3,191,400</u>	<u>148,660</u>	<u>95,022</u>	<u>243,682</u>	<u>2,947,718</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,629,200)</u>	<u>(148,660)</u>	<u>(94,387)</u>	<u>(243,047)</u>	<u>1,386,153</u>
OTHER FINANCING SOURCES:					
Proceeds from loan	1,599,200	-	1,604,000	1,604,000	4,800
Operating transfers from Water and Sewer fund	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources	<u>1,629,200</u>	<u>-</u>	<u>1,604,000</u>	<u>1,604,000</u>	<u>(25,200)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (148,660)</u>	<u>1,509,613</u>	<u>\$ 1,360,953</u>	<u>\$ 1,360,953</u>
Fund balance, beginning			<u>(148,660)</u>		
Fund balance, ending			<u>\$ 1,360,953</u>		

TOWN OF CLAYTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND -
AUTOMATIC ROLLS CDBG

Exhibit C-5

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
CDBG Grant	\$ 700,000	\$ 479,093	\$ 220,907	\$ 700,000	\$ -
Developer contributions	234,000	234,000	-	234,000	-
Total revenues	<u>934,000</u>	<u>713,093</u>	<u>220,907</u>	<u>934,000</u>	<u>-</u>
EXPENDITURES:					
Construction	666,800	539,346	130,293	669,639	(2,839)
Administrative	400	351	-	351	49
Construction inspection	4,000	-	-	-	4,000
Street repairs & improvements	131,000	101,289	29,665	130,954	46
Design	96,700	92,346	4,270	96,616	84
Nitrogen capacity	25,100	21,547	-	21,547	3,553
Contingency	10,000	-	-	-	10,000
Total expenditures	<u>934,000</u>	<u>754,879</u>	<u>164,228</u>	<u>919,107</u>	<u>14,893</u>
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ -</u>	<u>\$ (41,786)</u>	<u>56,679</u>	<u>\$ 14,893</u>	<u>\$ 14,893</u>
Fund balance, beginning			(41,786)		
Fund balance, ending			<u>\$ 14,893</u>		

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2012**

	2012		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Electricity sales	\$ -	\$ 11,756,717	\$ -
Connection fees	-	21,149	-
Penalties	-	260,979	-
Total	<u>13,050,856</u>	<u>12,038,845</u>	<u>(1,012,011)</u>
Other operating revenues	19,775	36,426	16,651
Total operating revenues	<u>13,070,631</u>	<u>12,075,271</u>	<u>(995,360)</u>
Nonoperating revenues:			
Investment earnings	-	8,008	-
Damage reimbursement	-	9,714	-
Miscellaneous	-	130,395	-
Total nonoperating revenues	<u>287,500</u>	<u>148,117</u>	<u>(139,383)</u>
Total revenues	<u>13,358,131</u>	<u>12,223,388</u>	<u>(1,134,743)</u>
EXPENDITURES:			
Electric operations:			
Electric power purchased	-	9,358,803	-
Salaries and employee benefits	-	744,204	-
Contracted maintenance	-	76,247	-
Vehicle maintenance	-	24,771	-
Bad Debt expense	-	142,019	-
Other operating expenditures	-	458,423	-
Total electric operations	<u>11,681,411</u>	<u>10,804,467</u>	<u>876,944</u>
Debt service:			
Principal	-	361,000	-
Interest	-	15,216	-
Total debt service	<u>376,216</u>	<u>376,216</u>	<u>-</u>
Capital outlay	<u>279,000</u>	<u>209,940</u>	<u>69,060</u>
Reimbursement - General Fund:			
Taxes	382,249	352,249	-
Support services	639,255	612,810	-
Total reimbursement	<u>1,021,504</u>	<u>965,059</u>	<u>56,445</u>

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
Total expenditures	<u>13,358,131</u>	<u>12,355,682</u>	<u>1,002,449</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (132,294)</u>	<u>\$ (132,294)</u>

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

REVENUES OVER EXPENDITURES	\$ (132,294)
Reconciling items:	
Capital outlay	209,940
Principal retirement	361,000
Other postemployment benefits	(2,250)
Vacation accrual	3,946
Depreciation	<u>(269,416)</u>
Total Reconciling items	<u>303,220</u>
Change in net assets	<u>\$ 170,926</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, 2012

Exhibit C-7

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:					
Construction	2,037,600	944,850	-	944,850	1,092,750
Contingency	203,760	-	-	-	203,760
Total expenditures	<u>2,241,360</u>	<u>944,850</u>	<u>-</u>	<u>944,850</u>	<u>1,296,510</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,241,360)</u>	<u>(944,850)</u>	<u>-</u>	<u>(944,850)</u>	<u>1,296,510</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>\$ 255,150</u>	<u>-</u>	<u>\$ 255,150</u>	<u>\$ 255,150</u>
Fund balance, beginning			255,150		
Fund balance, ending			<u>\$ 255,150</u>		

ELECTRIC CAPITAL PROJECTS FUND -

ELECTRIC RATE STABILIZATION FUND

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

From Inception and for the Fiscal Year Ended June 30, 2012

	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	-	243,546	175,808
Electric Fund	(67,738)	-	-	-	67,738
Total other financing sources (uses)	-	243,546	-	243,546	243,546
Revenues over other financing sources (uses)	\$ -	\$ 243,546	-	\$ 243,546	\$ 243,456
Fund balance, beginning			243,546		
Fund balance, ending			\$ 243,546		

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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, 2012

Exhibit D-1

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and cash equivalents	\$ 669,681	\$ 1,221,463	\$ 850,292	\$ 1,040,852
Taxes receivable	<u>8,820</u>	<u>9,956</u>	<u>8,820</u>	<u>9,956</u>
	<u>\$ 678,501</u>	<u>\$ 1,231,419</u>	<u>\$ 859,112</u>	<u>\$ 1,050,808</u>
LIABILITIES				
Intergovernmental payable	<u>678,501</u>	<u>1,231,419</u>	<u>859,112</u>	<u>1,050,808</u>
	<u>\$ 678,501</u>	<u>\$ 1,231,419</u>	<u>\$ 859,112</u>	<u>\$ 1,050,808</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, 2012

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 7,898,355	\$ 7,789,545	108,810
2010-2011	106,857	290	95,369	11,779
2009-2010	17,141	-	1,976	15,165
2008-2009	8,489	-	1,187	7,302
2007-2008	8,168	-	673	7,495
2006-2007	5,028	-	373	4,655
2005-2006	5,023	-	206	4,817
2004-2005	4,211	-	103	4,108
2003-2004	4,892	-	78	4,814
2002-2003	6,099	-	661	5,438
2001-2002	6,009	-	6,009	-
	<u>\$ 171,917</u>	<u>\$ 7,898,645</u>	<u>\$ 7,896,180</u>	<u>\$ 174,383</u>
Plus: Uncollected 2011-2012 ad valorem taxes receivable on annually registered vehicles				36,106
Less: Allowance for uncollectible accounts General Fund				<u>60,000</u>
Ad valorem taxes receivable - net				<u>\$ 150,489</u>
Reconciliation with revenues				
Ad valorem taxes - General Fund				<u>\$ 7,931,632</u>
Reconciling items:				
Interest collected				(29,449)
Prior year prepayments				(12,354)
Releases/adjustments				342
Taxes written off				<u>6,009</u>
Subtotal				<u>(35,452)</u>
Total collections and credits				<u>\$ 7,896,180</u>

**TOWN OF CLAYTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2012**

Exhibit E-2

	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	\$ 1,486,148,316	\$ 0.525	\$ 7,802,288	\$ 7,197,645	\$ 604,642
Penalties	-		-	-	-
Total	<u>1,486,148,316</u>		<u>7,802,288</u>	<u>7,197,645</u>	<u>604,642</u>
Discoveries:					
Current years taxes	20,560,401	0.525	107,942	105,002	2,941
Prior year taxes	<u>2,036,219</u>	0.525	<u>10,690</u>	<u>10,690</u>	-
Total	<u>22,596,620</u>		<u>118,632</u>	<u>115,692</u>	<u>2,941</u>
Abatements:					
Current years taxes	<u>4,298,050</u>		<u>22,565</u>	<u>9,084</u>	<u>13,481</u>
Total	<u>4,298,050</u>		<u>22,565</u>	<u>9,084</u>	<u>13,481</u>
Total property valuation	<u>\$ 1,504,446,886</u>				
Net levy			7,898,355	7,304,253	594,102
Uncollected taxes at June 30, 2012			<u>108,810</u>	<u>48,509</u>	<u>60,301</u>
Current year's taxes collected			<u>\$ 7,789,545</u>	<u>\$ 7,255,744</u>	<u>\$ 533,801</u>
Current levy collection percentage			<u>98.62%</u>	<u>99.34%</u>	<u>89.85%</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.

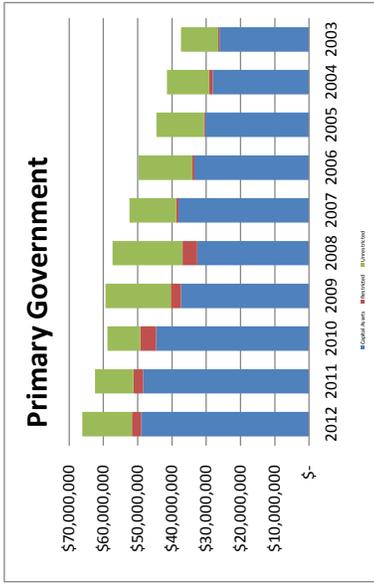
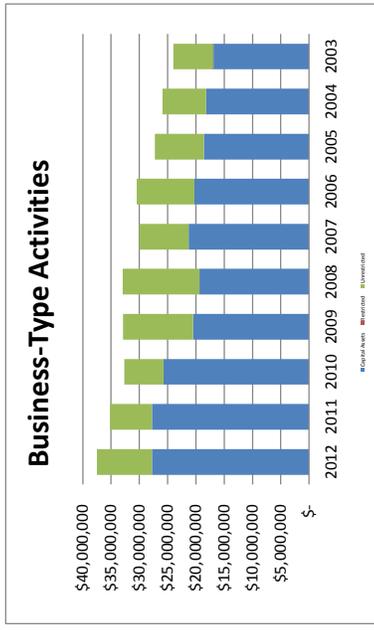
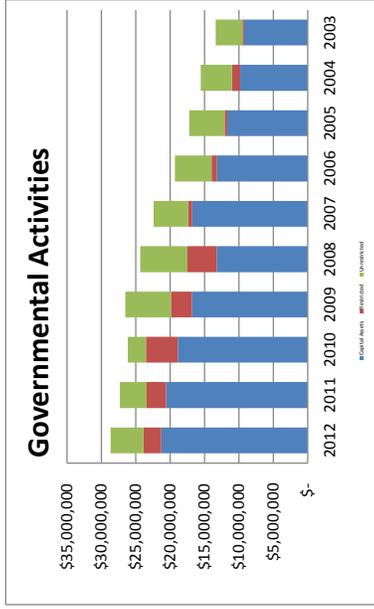
Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	83
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant 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.



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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 21,281,487	\$ 20,619,008	\$ 18,906,564	\$ 16,847,632	\$ 13,240,544	\$ 16,782,361	\$ 13,168,311	\$ 11,712,266	\$ 9,815,878	\$ 9,251,137
Restricted	2,628,727	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525	252,942
Unrestricted	4,727,996	3,889,662	2,634,837	6,644,625	6,825,392	4,991,594	5,300,590	5,131,828	4,555,705	3,873,899
Total governmental activities net assets	\$ 28,638,210	\$ 27,295,553	\$ 26,164,242	\$ 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	\$ 27,736,009	\$ 27,772,311	\$ 25,730,425	\$ 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	9,778,202	7,404,641	6,941,780	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	\$ 37,514,211	\$ 35,176,952	\$ 32,672,205	\$ 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	\$ 49,017,496	\$ 48,391,319	\$ 44,636,989	\$ 37,345,696	\$ 32,590,512	\$ 38,071,130	\$ 33,427,692	\$ 30,299,799	\$ 28,037,846	\$ 26,131,725
Restricted	2,628,727	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525	343,367
Unrestricted	14,506,198	11,294,303	9,576,617	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	\$ 66,152,421	\$ 62,472,505	\$ 58,836,447	\$ 59,384,306	\$ 57,299,480	\$ 52,459,239	\$ 49,741,212	\$ 44,473,297	\$ 41,477,423	\$ 37,358,617

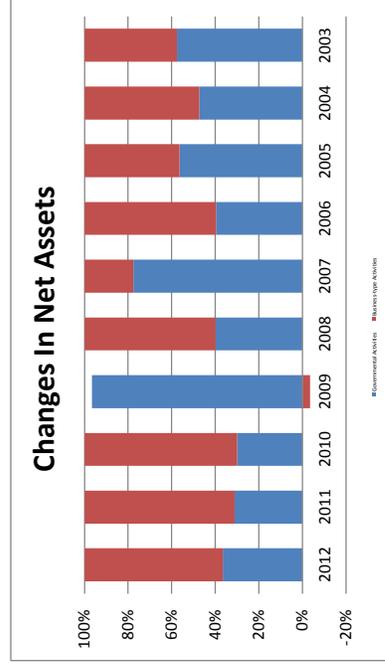


Note: Prior to the fiscal year ended June 30, 2003, the Statement of Net Assets was not included in the Town's audit report. Net asset data prior to that date is unavailable.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
General government	\$ 2,891,649	\$ 3,022,085	\$ 3,405,756	\$ 3,297,244	\$ 2,411,424	\$ 2,147,952	\$ 1,888,907	\$ 1,612,371	\$ 1,154,640	\$ 1,567,516
Public safety	5,749,306	5,595,345	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	2,945,050	2,828,337	3,012,842	2,998,564	2,765,683	2,156,441	2,228,115	1,642,534	1,648,341	1,531,054
Culture and recreation	1,979,108	1,836,914	1,894,227	1,808,121	1,689,214	1,420,344	1,440,071	1,195,694	999,836	993,352
Interest on long-term debt	870,236	645,725	409,069	339,114	280,458	205,870	206,415	225,282	(77,902)	42,290
Total governmental activities expenses	14,435,349	13,928,406	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	6,656,327	6,292,272	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	12,052,462	12,721,049	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	18,708,789	19,013,321	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	\$ 33,144,138	\$ 32,941,727	\$ 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	\$ 524,188	\$ 388,093	\$ 413,241	\$ -	\$ -	\$ -	\$ 105,065	\$ 95,414	\$ 77,702	\$ 82,036
Public safety	20,404	32,961	24,982	695	4,416	1,929	2,525	6,115	7,916	13,199
Public works	1,212,288	1,172,643	1,139,204	1,582,738	1,613,008	1,394,727	1,428,315	1,177,278	1,105,545	1,037,390
Culture and recreation	541,268	446,947	163,769	130,574	127,244	457,328	84,227	70,494	87,967	166,900
Operating grants and contributions	980,116	946,535	904,069	971,218	1,104,690	840,492	810,890	672,703	668,316	475,216
Capital grants and contributions	433,306	447,724	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	3,711,570	3,434,903	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	7,567,633	7,328,079	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	12,038,845	12,780,001	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	291,277	196,755	202,311	151,061	180,306	164,488	131,058	210,431	124,166	127,957
Capital grants and contributions	220,907	837,258	-	79,160	1,196,576	-	1,649,832	-	-	-
Total business-type activities program revenues	20,118,662	21,142,093	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	\$ 23,830,232	\$ 24,576,996	\$ 22,590,035	\$ 22,047,957	\$ 22,251,972	\$ 21,060,278	\$ 21,283,029	\$ 16,591,541	\$ 16,247,384	\$ 17,537,011

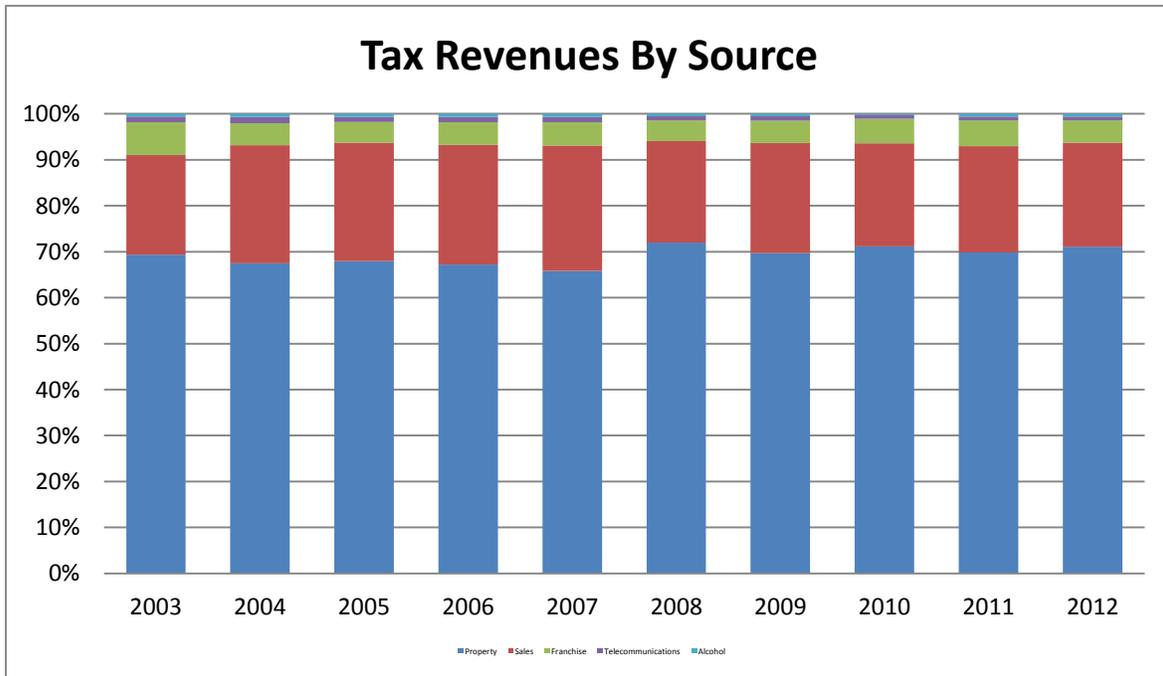
	Fiscal Year										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Net (expense) revenue											
Governmental activities	\$ (10,723,779)	\$ (10,493,503)	\$ (11,117,306)	\$ (10,475,666)	\$ (9,163,007)	\$ (6,615,961)	\$ (6,498,577)	\$ (6,204,080)	\$ (5,031,150)	\$ (3,921,335)	
Business-type activities	1,409,873	2,128,772	1,091,766	(883,579)	900,337	(229,784)	1,901,554	490,721	693,238	1,997,021	
Total primary government net expense	\$ (9,313,906)	\$ (8,364,731)	\$ (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	\$ 7,981,296	\$ 7,249,558	\$ 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	1,385,536	1,398,420	962,382	1,254,282	1,176,015	1,073,219	863,651	745,804	776,702	812,099	
Unrestricted grants and contributions	2,636,522	2,504,441	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	15,397	23,932	36,076	138,837	249,753	258,677	268,071	115,893	79,462	108,517	
Miscellaneous	97,685	448,463	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	12,066,436	11,624,814	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	11,659	16,644	13,540	88,252	217,901	260,343	200,062	174,177	35,285	29,371	
Miscellaneous	915,727	359,331	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	927,386	375,975	372,463	805,368	2,010,849	1,134,369	1,281,451	774,326	1,404,320	238,263	
Total primary government	\$ 12,993,822	\$ 12,000,789	\$ 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	\$ 1,342,657	\$ 1,131,311	\$ 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	2,337,259	2,504,747	482,229	(78,211)	2,911,186	904,585	3,183,005	1,265,047	2,097,558	2,235,284	
Total primary government	\$ 3,679,916	\$ 3,636,058	\$ 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)

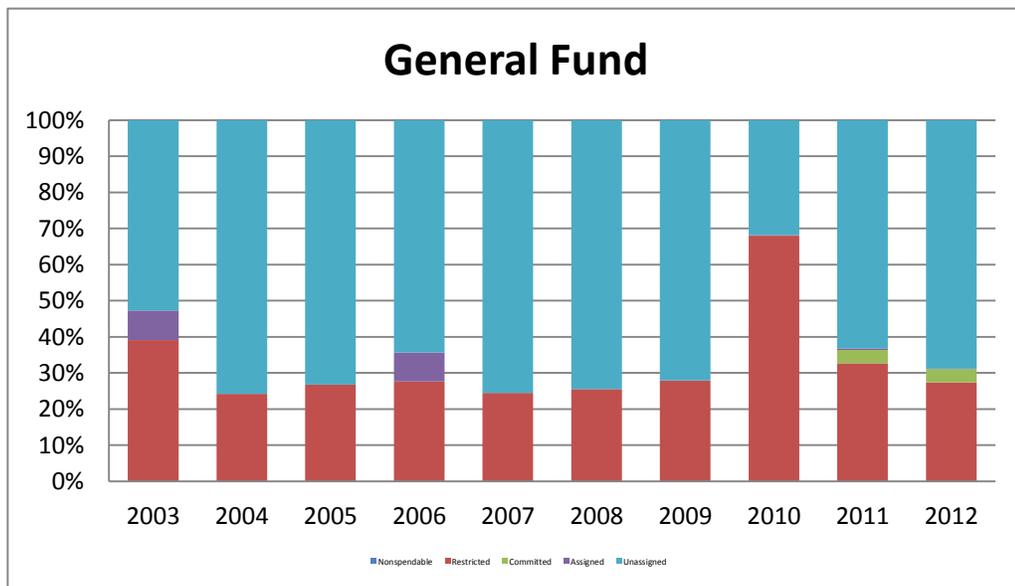
Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Telecommunications Tax
2012	\$ 7,931,632	\$ 2,531,400	\$ 542,253	\$ 70,355	\$ 85,657
2011	7,244,251	2,403,131	576,336	63,171	87,516
2010	7,306,114	2,307,722	544,455	19,540	92,088
2009	7,292,034	2,504,203	512,761	57,970	96,028
2008	7,163,604	2,202,723	445,827	55,857	87,937
2007	5,192,790	2,150,906	397,069	52,346	92,641
2006	4,800,759	1,857,610	351,311	48,052	83,906
2005	4,466,828	1,691,047	296,477	45,348	68,943
2004	4,158,748	1,584,835	296,348	42,565	82,436
2003	3,746,328	1,169,064	383,603	32,381	68,454



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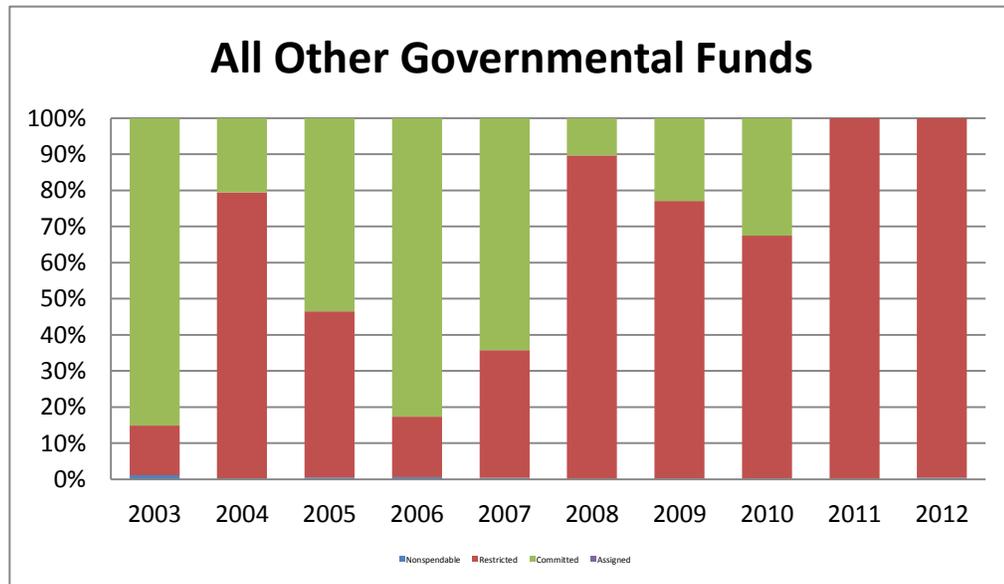
**Town of Clayton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	2012	2011	2010	2009
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	2,309,833	2,497,248	8,007,923	2,226,861
Committed	315,668	286,418	-	-
Assigned	6,061	32,430	21,908	-
Unassigned	5,813,270	4,836,252	3,750,283	5,737,562
Total general fund	\$ 8,444,832	\$ 7,652,348	\$ 11,780,114	\$ 7,964,423
All Other Governmental Funds				
Nonspendable	\$ 3,226	\$ 3,217	\$ 3,198	\$ 3,180
Restricted	750,892	4,038,249	1,196,152	1,876,127
Committed	-	-	577,543	560,211
Assigned	-	-	-	-
Total all other governmental funds	\$ 754,118	\$ 4,041,466	\$ 1,776,893	\$ 2,439,518



Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,999,265	1,340,575	1,654,087	1,402,409	1,152,000	1,630,139
-	-	-	-	-	-
-	-	481,685	-	-	339,292
<u>5,819,819</u>	<u>4,139,225</u>	<u>3,849,188</u>	<u>3,832,377</u>	<u>3,607,751</u>	<u>2,196,948</u>
<u><u>\$ 7,819,084</u></u>	<u><u>\$ 5,479,800</u></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>

\$ 3,160	\$ 3,124	\$ 3,084	\$ 3,052	\$ 3,010	\$ 2,965
3,492,035	241,480	89,925	251,865	932,206	35,101
401,622	439,440	442,314	293,466	241,309	217,841
-	-	-	-	-	-
<u><u>\$ 3,896,817</u></u>	<u><u>\$ 684,044</u></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>



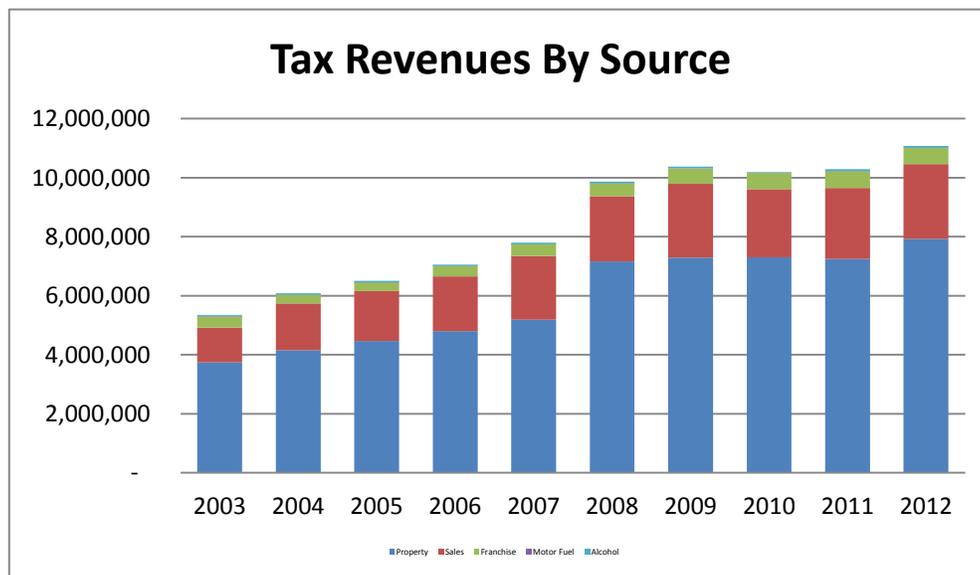
Town of Clayton
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009
Revenues				
Taxes	\$ 7,931,632	\$ 7,244,251	\$ 7,306,114	\$ 7,292,034
Licenses and permits	726,688	575,556	529,748	550,072
Intergovernmental	5,252,125	5,122,366	4,948,652	5,711,754
Charges for services	1,754,815	1,639,842	1,342,543	1,264,805
Investment earnings	15,397	23,932	36,076	138,837
Miscellaneous	97,685	477,846	677,145	1,213,907
Total revenues	<u>15,778,342</u>	<u>15,083,793</u>	<u>14,840,278</u>	<u>16,171,409</u>
Expenditures				
General government	2,470,834	2,586,501	2,994,719	2,638,543
Public safety	5,231,200	5,001,618	5,305,648	5,245,807
Public works	2,660,077	2,608,345	2,805,203	2,895,533
Culture and recreation	1,851,413	1,793,801	1,860,810	1,760,348
Capital outlay	5,912,652	8,563,407	2,072,292	5,208,660
Debt Service				
Principal	1,542,991	1,564,823	1,289,839	1,296,582
Interest and other fees	870,236	645,725	409,069	339,114
Total expenditures	<u>20,539,403</u>	<u>22,764,220</u>	<u>16,737,580</u>	<u>19,384,587</u>
Excess of revenues over (under) expenditures	(4,761,061)	(7,680,427)	(1,897,302)	(3,213,178)
Other financing sources (uses)				
Transfers In (Out)	-	-	-	-
Proceeds from borrowings	-	-	-	-
Bonds issued	2,000,000	-	5,000,000	-
Premium on bonds issued	14,900	-	50,368	-
Capital leases	251,297	6,367,000	-	1,901,218
Funds raised	-	-	-	-
Total other financing sources (uses)	<u>2,266,197</u>	<u>6,367,000</u>	<u>5,050,368</u>	<u>1,901,218</u>
Net change in fund balances	<u>\$ (2,494,864)</u>	<u>\$ (1,313,427)</u>	<u>\$ 3,153,066</u>	<u>\$ (1,311,960)</u>
Fund balances, beginning	11,693,814	13,557,008	10,403,942	11,715,902
Change in accounting principle	-	(549,767)	-	-
Prior period adjustment	-	-	-	-
Fund balances, beginning as restated	<u>11,693,814</u>	<u>13,007,241</u>	<u>10,403,942</u>	<u>11,715,902</u>
Fund balances, ending	<u>\$ 9,198,950</u>	<u>\$ 11,693,814</u>	<u>\$ 13,557,008</u>	<u>\$ 10,403,942</u>
Debt service as a percentage of noncapital expenditures	16.50%	15.57%	11.58%	11.54%

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 7,163,604	\$ 5,192,790	\$ 4,800,759	\$ 4,466,828	\$ 4,158,748	\$ 3,746,328
802,563	687,565	911,983	2,410,388	2,271,703	1,784,696
4,988,377	5,632,979	4,753,203	1,752,754	1,714,912	1,607,045
1,058,166	1,276,933	813,857	714,896	705,931	762,865
249,753	258,677	268,071	115,893	79,462	108,517
414,153	600,132	487,571	419,523	302,706	99,494
<u>14,676,616</u>	<u>13,649,076</u>	<u>12,035,444</u>	<u>9,880,282</u>	<u>9,233,462</u>	<u>8,108,945</u>
1,982,216	1,732,990	1,328,660	2,101,261	675,351	675,657
5,017,638	4,456,901	4,025,678	3,499,216	2,852,049	2,750,284
2,644,920	2,051,952	2,133,482	1,579,432	2,021,927	1,448,808
1,623,764	1,345,211	1,377,071	79,545	975,368	699,544
5,368,997	4,029,868	2,138,087	1,870,298	2,121,572	3,549,926
1,100,701	779,203	747,936	983,429	927,058	827,704
280,458	205,870	206,415	225,282	209,826	334,452
<u>18,018,694</u>	<u>14,601,995</u>	<u>11,957,329</u>	<u>10,338,463</u>	<u>9,783,151</u>	<u>10,286,375</u>
(3,342,078)	(952,919)	78,115	(458,181)	(549,689)	(2,177,430)
(300,000)	300,000	-	91,074	-	390,965
-	-	-	-	1,542,530	233,473
-	-	-	-	-	-
-	-	-	-	-	-
9,194,135	296,480	659,000	214,000	532,027	342,000
-	-	-	-	-	995,000
<u>8,894,135</u>	<u>596,480</u>	<u>659,000</u>	<u>305,074</u>	<u>2,074,557</u>	<u>1,961,438</u>
<u>\$ 5,552,057</u>	<u>\$ (356,439)</u>	<u>\$ 737,115</u>	<u>\$ (153,107)</u>	<u>\$ 1,524,868</u>	<u>\$ (215,992)</u>
6,163,845	6,520,284	5,783,169	5,936,276	4,422,286	4,785,966
-	-	-	-	-	2,916
-	-	-	-	(10,878)	(150,604)
<u>6,163,845</u>	<u>6,520,284</u>	<u>5,783,169</u>	<u>5,936,276</u>	<u>4,411,408</u>	<u>4,638,278</u>
<u>\$ 11,715,902</u>	<u>\$ 6,163,845</u>	<u>\$ 6,520,284</u>	<u>\$ 5,783,169</u>	<u>\$ 5,936,276</u>	<u>\$ 4,422,286</u>
10.92%	9.32%	9.72%	14.27%	14.84%	17.25%

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
2012	\$ 7,931,632	\$ 2,531,400	\$ 542,253	\$ 192	\$ 70,355	\$ 11,075,832
2011	7,244,251	2,403,131	576,336	55	63,171	10,286,944
2010	7,306,114	2,307,722	544,455	13,183	19,540	10,191,014
2009	7,292,034	2,504,203	512,761	6,409	57,970	10,373,377
2008	7,163,604 ²	2,202,723	445,827	236	55,857	9,868,247
2007	5,192,790	2,150,906	397,069	145	52,346	7,793,256
2006	4,800,759	1,857,610	351,311	113	¹ 48,052	7,057,845
2005	4,466,828	1,691,047	296,477	101	¹ 45,348	6,499,801
2004	4,158,748	1,584,835	296,348	64	¹ 42,565	6,082,560
2003	3,746,328	1,169,064	383,603	20,028	32,381	5,351,404

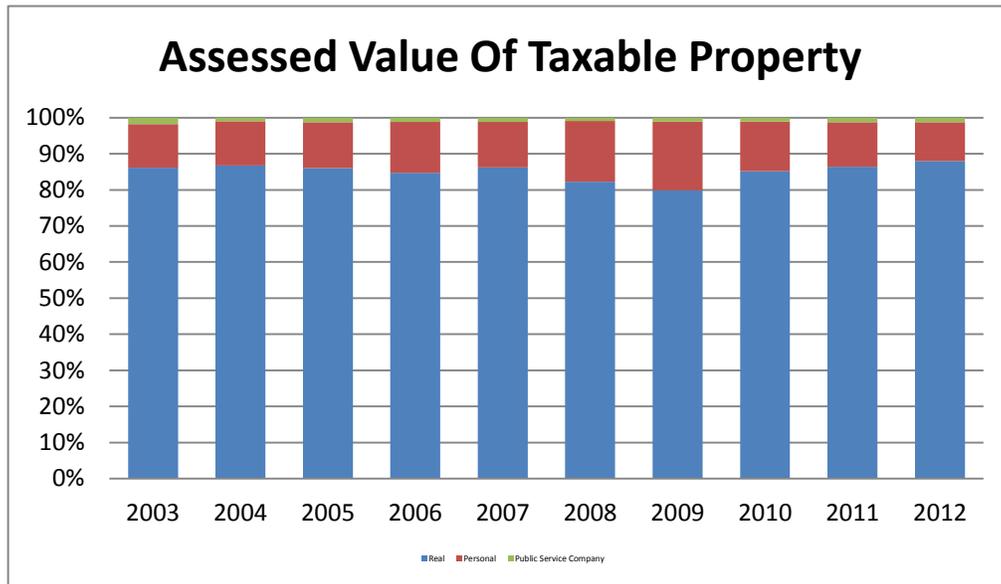


¹ Motor fuel tax repealed in 2003. Subsequent year revenues attributable to retail purchases.

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

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

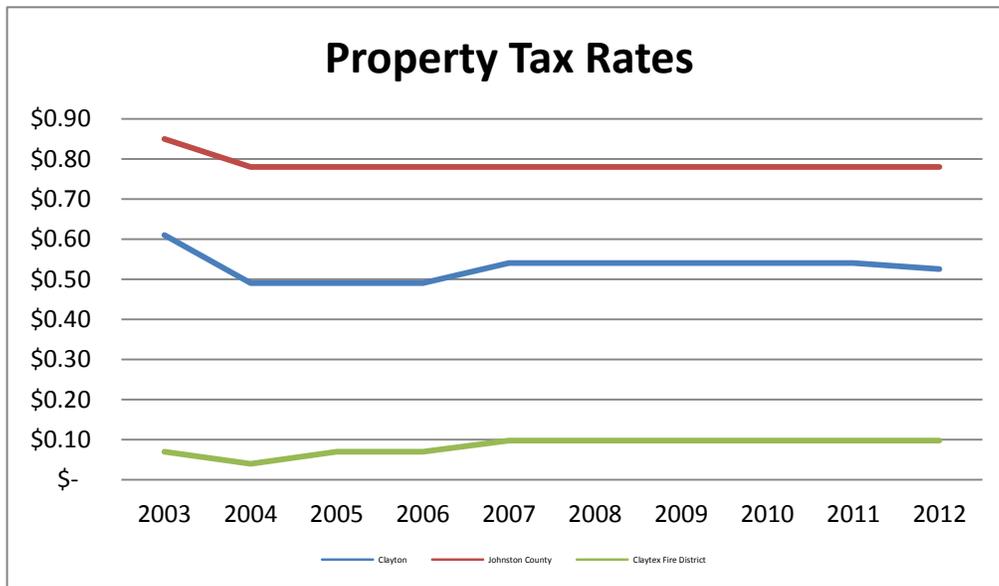
Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Total Assessed Value	Total Direct Tax Rate
2012	1,323,310,338	162,289,692	18,846,856	1,504,446,886	0.525
2011	1,161,772,413	165,179,088	17,569,992	1,344,521,493	0.54
2010	1,167,559,357	188,007,072	14,961,981	1,370,528,410	0.54
2009	1,074,385,562	255,974,599	14,260,653	1,344,620,814	0.54
2008	1,101,258,435	224,430,056	12,796,537	1,338,485,028	0.54
2007	913,332,674	133,350,898	12,211,854	1,058,895,426	0.49
2006	836,998,120	127,357,285	10,413,919	974,769,324	0.49
2005	765,675,878	112,425,227	11,645,411	889,746,516	0.49
2004	706,486,732	99,581,295	8,107,981	814,176,008	0.61
2003	534,242,374	74,740,383	11,098,436	620,081,193	0.61



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

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

Fiscal Year	Tax Year	Town of Clayton	Johnston County	Claytex Fire District
2012	2011	0.525	0.78	0.0975
2011	2010	0.54	0.78	0.0975
2010	2009	0.54	0.78	0.0975
2009	2008	0.54	0.78	0.0975
2008	2007	0.54	0.78	0.0975
2007	2006	0.54	0.78	0.0975
2006	2005	0.49	0.78	0.07
2005	2004	0.49	0.78	0.07
2004	2003	0.49	0.78	0.04
2003	2002	0.61	0.85	0.07



**Town of Clayton
Principal Property Taxpayers
June 30, 2012**

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Crown Raleigh III LLC	46,019,470	1	3.06%			
Fred Smith Companies	34,610,620	2	2.30%			
Wal-Mart	16,407,292	3	1.09%			
Sprint Nextel Corporation	14,688,225	4	0.98%			
3C Packaging & Elphick Properties	13,859,318	5	0.92%			
Amelia Village LLC	13,847,790	6	0.92%			
Walthom Group	13,125,822	7	0.87%			
DDRM Clayton Corners LLC	12,382,610	8	0.82%			
H & H Holding	8,528,810	9	0.57%			
Spinksville III LLC	8,116,320	10	0.54%			
ZSF-WD Clayton LLC				49,009,467	1	7.90%
Amelia Village LLC				14,593,651	2	2.35%
Fred Smith Companies				10,954,970	3	1.77%
Glenwood Clayton Land Co LLC				7,178,130	4	1.16%
Parkside Commercial Associates				6,938,960	5	1.12%
NC Natural Gas Corporation				5,522,215	6	0.89%
Carolina Telephone				3,337,050	7	0.54%
Cobblers Station Partnership				3,082,570	8	0.50%
Clayton Crossings Holdings LLC				2,820,990	9	0.45%
Clubcorp Golf of NC LLC				2,599,213	10	0.42%
Totals	<u>\$ 181,586,277</u>		<u>12.07%</u>	<u>\$ 106,037,216</u>		<u>17.10%</u>
Total Assessed Value	<u>\$ 1,504,446,886</u>			<u>\$ 620,081,193</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 for Prior Years¹	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 7,898,355	\$ 7,789,545	98.6%	\$ 106,635	\$ 7,896,180	100.0%
2011	7,260,417	7,153,560	98.5%	79,643	7,233,203	99.6%
2010	7,401,944	7,316,730	98.8%	74,698	7,391,428	99.9%
2009	7,174,079	7,099,624	99.0%	173,993	7,273,617	101.4%
2008	7,154,864	7,082,517	99.0%	69,305	7,151,822	100.0%
2007	5,190,248	5,122,067	98.7%	54,924	5,176,991	99.7%
2006	4,777,251	4,725,091	98.9%	56,766	4,781,857	100.1%
2005	4,442,200	4,390,193	98.8%	63,250	4,453,443	100.3%
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%

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

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

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

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	
2012	\$6,715,000	\$1,504,446,886	100%	\$288,235,000	\$13,185,634,723	10.24%	\$36,233,845
2011	5,095,000	1,344,521,493	100%	310,125,000	13,091,213,424	9.31%	33,979,551
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

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**

	2012	2011	2010	2009
Debt limit	\$ 120,355,751	\$ 107,561,719	\$ 109,642,273	\$ 107,569,665
Total net debt applicable to limit	<u>23,248,732</u>	<u>22,540,426</u>	<u>17,738,249</u>	<u>14,028,088</u>
Legal debt margin	<u>\$ 97,107,019</u>	<u>\$ 85,021,293</u>	<u>\$ 91,904,024</u>	<u>\$ 93,541,577</u>
Total net debt applicable to the limit as a percentge of debt limit	19.32%	20.96%	16.18%	13.04%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value	\$ 1,504,446,886
Debt limit (8% of total assessed value)	120,355,751
Less general obligation debt	<u>(23,248,732)</u>
Legal debt margin	<u>\$ 97,107,019</u>

Fiscal Year

2008	2007	2006	2005	2004	2003
\$ 107,078,802	\$ 84,711,634	\$ 77,981,546	\$ 71,179,721	\$ 65,134,081	\$ 49,606,495
13,423,453	5,330,019	5,812,742	5,901,678	6,693,480	5,545,981
\$ 93,655,349	\$ 79,381,615	\$ 72,168,804	\$ 65,278,043	\$ 58,440,601	\$ 44,060,514

12.54%

6.29%

7.45%

8.29%

10.28%

11.18%

**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
2012	172,178	N/A	N/A	36.00	33,337	8.6
2011	168,878	N/A	N/A	36.30	32,760	9.9
2010	168,525	N/A	N/A	36.10	32,288	9.9
2009	163,428	N/A	N/A	34.90	31,735	10.2
2008	161,889	N/A	N/A	36.00	30,563	5.7
2007	156,887	N/A	N/A	35.00	29,178	4.3
2006	151,589	4,411,506	29,216	34.57	27,591	4.2
2005	146,222	4,143,096	28,317	34.43	26,292	4.8
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

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	4,100	1	5.51%
Johnston Health	1,400	2	1.88%
Grifols, S.A	1,200	3	1.61%
Johnston County Government	1,000	4	1.34%
Wal-Mart Stores	850	5	1.14%
Caterpillar, Inc.	610	6	0.82%
Novo Nordisk Pharmaceutical Industries	500	7	0.67%
Hospira, Inc.	200	8	0.27%
3C Packaging	190	9	0.26%
Coco-Cola Bottling Company	185	10	0.25%
	10,235		13.75%
 Total County Employment	 74,370 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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government	36	35	42	43	39	40	37	35	34	33
Public safety										
Police										
Officers	42	41	41	41	42	38	36	37	35	32
Civilians	4	4	4	4	4	4	3	6	7	7
Fire										
Firefighters and officers	14	14	14	11	10	10	5	4	4	3
Civilians	1	1	1	1	1	1	1	1	1	0
Public works	22	24	28	26	27	26	23	19	20	21
Culture and recreation	11	12	11	11	9	9	8	8	7	6
Water/Sewer	16	16	16	13	10	11	12	11	12	11
Electric	11	10	10	10	9	10	8	9	11	10
Total	<u>157</u>	<u>157</u>	<u>167</u>	<u>160</u>	<u>151</u>	<u>149</u>	<u>133</u>	<u>130</u>	<u>131</u>	<u>123</u>

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

Function	2012	2011	2010	2009
Police				
Physical arrests	502	547	691	551
Traffic citations	3,283	4,399	3,291	2,978
Fire				
Number of calls answered	661	771	718	700
Inspections	432	290	334	322
Streets				
Street resurfacing (feet)	4,320	17,886	2,380	-
Pavement repairs	64	59	79	82
Sanitation				
Refuse collected (tons)	4,977	4,587	4,518	4,657
Recyclables collected (tons)	962	929	879	815
Culture and recreation				
Athletic field permits issued	43	49	22	19
Cultural arts center rentals ¹	946	1,225	1,110	1,175
Water				
New connections	117	80	121	200
Leak repairs	95	72	150	116
Average daily consumption	2,277,256	2,270,151	2,148,158	2,192,885
Wastewater				
Average daily sewage treatment (in thousands of gallons)	1,581	1,780	1,781	1,619

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

Fiscal Year					
2008	2007	2006	2005	2004	2003
695	761	448	819	806	629
3,110	3,017	1,768	3,334	4,760	2,703
817	904	711	1,068	1,009	695
342	257	183	253	213	162
-	4,190	-	3,197	-	-
35	89	72	89	56	N/A
5,256	4,864	4,515	4,614	4,058	3,936
489	252	228	238	246	226
19	17	18	10	7	7
581	579	371	360	276	156
342	651	601	311	N/A	N/A
81	94	28	164	147	189
2,288,340	2,339,000	1,967,992	1,817,268	1,859,090	1,808,748
1,370	1,387	1,439	1,342	1,636	1,437

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

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	55	42	42	42	42	42	41	40	38	35
K-9 units	1	1	1	1	1	1	1	2	3	3
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	70	68	68	67	67	64	60	57	55	51
Culture and recreation										
Parks	6	5	5	5	5	5	5	5	5	5
Libraries	1	1	1	1	1	1	1	1	1	1
Cultural arts centers	1	1	1	1	1	1	1	1	1	1
Sewer										
Wastewater treatment facilities	1	1	1	1	1	1	1	1	1	1
Electric										
Distribution stations	1	1	1	1	2	2	2	2	2	2
Street lights	1,403	1,390	1,373	1,365	1,350	1,300	1,250	1,200	1,100	850

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	
2012	199	\$ 12,459,728	179	\$22,777,173	378	\$35,236,901	\$ 323,341,000
2011	43	18,279,491	84	13,040,057	127	31,319,548	301,020,000
2010	109	224,729,841 ³	112	14,800,632	221	239,530,473	299,889,000
2009	68	24,999,625	103	15,834,177	171	40,833,802	302,061,000
2008	80	44,463,164 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

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, 2012

Type of Coverage	Details of Coverage	
Health Insurance Blue Cross Blue Shield Blue Options		Employee payments ranging from \$20-\$500 per service with use of provider designated physician/ medical facility. \$1,500 maximum out-of-pocket
Life Insurance	Varied	One times yearly salary per employee up to \$100,000
Workman's Compensation		Bodily injury by accident - Each accident Bodily injury by disease - Each employee Bodily injury by disease - Coverage limit
General Liability	2,000,000 2,500	Each occurrence Deductible
Police Professional Liability	2,000,000 3,000,000 2,500	Each occurrence and annual Annual aggregate Deductible
Public Officials Liability/ Employment Practices Liability	1,000,000 3,000,000 5,000	Each claim and annual Annual aggregate Deductible
Public Employees Blanket Bond	75,000 250	Indemnification Deductible
Public Officials Bond Finance Director Tax Collector	300,000 25,000 0	Liability Liability Deductible
Automobile Liability	2,000,000 2,500	Per occurrence Deductible
Automobile Comprehensive	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	63,400,687 2,500	Cause of loss Deductible per occurrence includes boiler & machinery
Municipal Equipment	782,907 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, 2012

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.	\$2.71	\$.80/kgal	\$3.51/kgal
Over 100,000 gal.	2.70	--	2.70
Out of Town:			
Up to 100,000 gal.	\$4.51	\$.80/kgal	\$5.31/kgal
Over 100,000 gal.	4.47	--	4.47

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 = \$3.64 per 1,000 gallons of usage.

SEWER RATES (MONTHLY):

Sewer only customers - Residential only \$26.89.

Customer charges:

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

Commodity Charges:

	<u>Basic Charge (All Use)</u>	<u>Facility Charge</u>	<u>Total</u>
In Town:			
Up to 100,000 gal.	\$4.22	\$.64/kgal.	\$4.86/kgal.
Over 100,000 gal.	4.22	--	4.22
Out of Town:			
Up to 100,000 gal.	\$5.92	\$.64/kgal.	\$6.56/kgal.
Over 100,000 gal.	5.67	--	5.67

Minimum Monthly Charge:

In Town	\$10.34
Out of Town	\$20.08

ELECTRIC RATES:

Residential

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

Small General Service:

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

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

Medium General Service:

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

Large General Service:

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

Coincident Peak Non-Residential Service:

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

General Service Time of Use

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

Institutional Service

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

Area Lights:

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

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COMPLIANCE SECTION



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

815 South Main Street
Laurinburg, North Carolina 28352
(910) 277-2795

Other Office Locations:

Gastonia, North Carolina
Statesville, North Carolina

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

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, 2012, which collectively comprises the Town of Clayton, North Carolina's basic financial statements, and have issued our report thereon dated September 28, 2012. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



September 28, 2012

**TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012**

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 No

**TOWN OF CLAYTON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2012**

Finding 2011-1

Status: Findings have been corrected.