

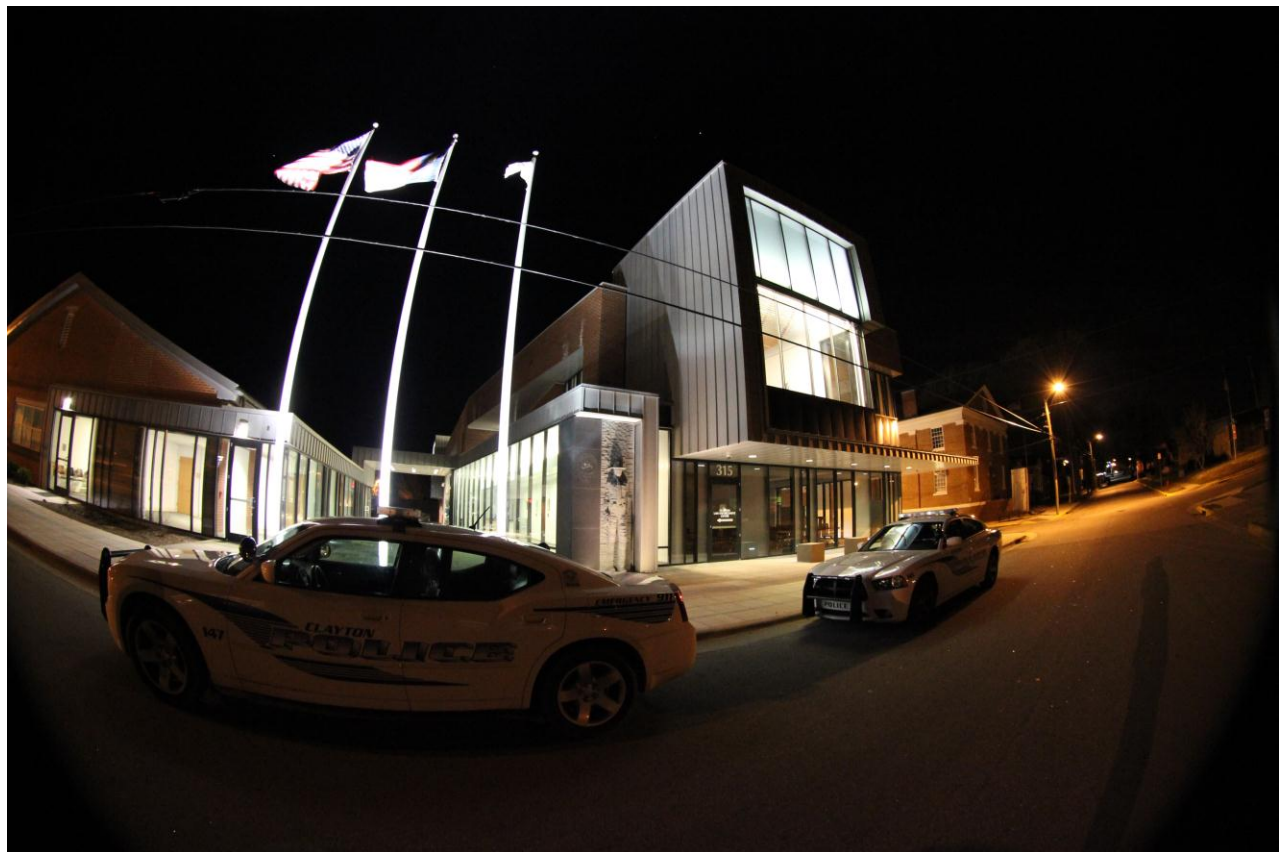
Comprehensive Annual Financial Report



**Town of Clayton, North Carolina
Fiscal Year Ended June 30, 2013**









TOWN OF CLAYTON
North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Prepared by:
Finance Department

Finance Director:
Robert W. McKie, Jr.



TOWN OF CLAYTON
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION



Jody L. McLeod
MAYOR

Bruce Thompson
TOWN ATTORNEY

Steve Biggs
TOWN MANAGER



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

Michael Grannis
MAYOR PRO TEM

November 7, 2013

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, 2013.

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

Anderson Smith & Wike PLLC has issued an unqualified ("clean") opinion on the Town of Clayton's financial statements for the year ended June 30, 2013. 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 76 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 is currently experiencing a substantial resurgence of economic growth in the wake of the national slowdown. The primary underlying factors are expansions in the medical services sector with expansions of the public Johnston Health facility and private medical offices featuring specialty practices and outpatient services. The housing sector has also recovered with particular demand for upscale multi-family housing consisting of both apartments and townhomes. This renewed growth trend is supporting strong tax base growth which has provided financial flexibility for capital spending; an overall strong financial position highlighted by the maintenance of a very favorable unassigned fund balance; and a manageable debt burden with rapid amortization.

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

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

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

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

The largest manufacturing employer is Grifols, S.A. (“Grifols”), formerly Talecris Biotherapeutics, Inc. (“Talecris”), 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 has expanded the scope of the initial expansion plan announced by Talecris in November of 2009, which included 259 new jobs. The current estimated \$280.5 million expansion plan includes a state-of-the-art fractionation facility, a 77,000 square-foot plasma warehouse that contains 17,700 square-feet of refrigerated storage, and a 21,200 square-foot two-story addition for two new filling lines. Additional expansion is expected to occur in the near future. The Clayton Plant places Grifols in a position to maximize its operational efficiencies by utilizing expanded fractionation and purification capacity when and where it is available.

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

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

Caterpillar, Inc., a Fortune 100 company, is another large manufacturing employer. The Building and Construction Products Division of Caterpillar (“CAT”) operates an assembly facility located near the Town that assembles and distributes all CAT rubber tire front-end loaders for North America and the export market, currently employing approximately 600. 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>.

In addition, CAT completed construction of a \$14.5 million, 55,000 square-foot free-standing fully LEED certified two-story office building with testing laboratories that replaced the former temporary modular Core Products Development Center (“Center”). 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. An \$18.5 million expansion to the assembly facility that will add 199 jobs over a five year period has been completed.

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.

As evidence of the substantial growth in Clayton, the Town is rapidly becoming a hub for the medical services industry and related employment. The Town is currently home to facilities operated by WakeMed, Johnston Health Services, and Duke University Medical Center. The Johnston Medical Center-Clayton, which opened in 2009, includes a full service emergency room plus outpatient services and medical offices. The site has been so successful it has been approved for a 50 bed inpatient facility which is currently under construction. New investment in the facility is valued at \$50 million including over 92,000 square feet scheduled for completion in February of 2015 and will increase employment at the site to 250.

The Town is attracting 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. Spring Branch was the initial approved project and is intended to provide support services for the new medical center. The complex will include retail stores, restaurants, a bank, medical offices, and townhouses on a 50-acre parcel adjacent to JMC-Clayton. The first 36,000 square-foot building is anchored by Duke Medicine. As evidence of the potential in this area, please refer to the following summary table of new development activity:

Town of Clayton
New Development July 2012 – June 2013

Project Name	Project Type	Intensity/Density	Status
Johnston Memorial Hospital	Institutional	50 Inpatient Bed Addition	Groundbreaking 9-2013
Cleveland Draft House	Restaurant	11,022 SF	Approved 2013
Pep Boys Auto Service Center	Retail	3,082 SF	Opened 2013
CAT Product Development Center	Industrial / R&D	55,000 SF Research and Development Facility	Opened 2013
42 West Medical Office	Medical / Office	5 Buildings 70,000 SF	Approved 2012
Sheetz @ Amelia Station	Retail	6,558 SF + 12 Fueling Positions	Construction Planned 10-2013
Apartments @ Amelia Station	Residential	216 Apartments	Construction Planned 2014
Retail @ Amelia Station	Retail	3,000 SF	Approved 2012
Deep River Brewery	Brewery	Micro Brewery	Opened 2013
Realo Pharmacy @ Riverwood	Retail	7,100 SF	Opened 2013
Clayton Community Center Pedestrian Connector	Greenway	1.1 miles	Design Complete / Construction 2014
Sam's Branch Greenway	Greenway	1.2 miles	Phase 1 Complete Phase 2 in Design
East Clayton Community Park	Park	Community Park	Opened 2013
Front Street Extension	Roadway	New Road	Under Construction
The Arbors at East Village	Residential	192 Apartments	Under Construction
Char-Grill	Restaurant		Opening 10-2013
Britthaven @ Spring Branch	Residential	100 Bed Nursing Home	Approved 2013
Gabriel Manor @ Spring Branch	Residential	77 bed assisted living facility	Opened 2013
Lot 8 at Spring Branch	Medical / Office	36,000 SF	Approved 2012
KASR Plaza	Retail	12,250 SF	Approved 2013
East Village Residential	Residential	151 Single Family / 51 Townhomes	Approved 2012
Source Recycling	Industrial	31,000 SF Scrap Metal Facility	Under Construction
Wendy's	Restaurant	3,082 SF Prototype	Open 2012
Riverwood Haven	Residential	60 Apartments (Age 55+)	Approved 2013
Grifols Plasma Warehouse	Industrial / R&D	77,000 SF Addition	Approved 2012
Novo Nordisk	Industrial / R&D	92,344 SF Addition	Approved 2013
Stallings Station	Residential	42 Apartments (Age 55+)	Approved 2013
Bristol @ Cobblestone	Residential	260 Single Family	Approved 2013
Pizza Hut Remodel	Restaurant	2,576 SF	Approved 2013

The Town of Clayton's downtown area experienced a net gain of 5 businesses and 21 jobs. Approximately \$0.5 million and \$0.1 million of private investment and public improvements, respectively, were completed. During the course of the past seven years, approximately \$9.1 million of private investment has occurred, including 104 new businesses and 57 business closures, 31 façade improvements, including 22 assisted by the Town's grant program, 11 building expansions, 4 renovations, and a net gain of 172 jobs.

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

Financial Planning

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

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

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

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

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

comprehensive financial policy, which contains updated performance expectations and standards, including separate benchmarks for the two enterprise funds.

Priorities that were established by the Mayor and Town Council during a planning session in March of 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
- Artist in Residence Program
- Program Design for River Property and Brownfields Designation
- Employee Wellness Program

Major Initiatives

The 1.25-mile Sam’s Branch Greenway (“Greenway”) along the Neuse River is a 10-foot wide multiuse paved trail that connects to Clayton River Walk on the Neuse, a recently completed section of the Mountains-to-Sea Trail (“MTS”). Clayton River Walk on the Neuse is a 4-mile, 10-foot wide multiuse paved trail that also connects at the common boundary with the Wake County section of the MTS. 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 MTS and is currently the subject of a master plan project.

The Greenway and Clayton River Walk on the Neuse will become part of the East Coast Greenway, which is a developing trail system beginning at the Canadian border in Calais, ME that will link 15 states and numerous municipalities with Key West, FL at the southernmost point. The 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”.

The completion and opening of East Clayton Community Park, a 60-acre tract that features 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 \$1.2 million Phase 3 work of the Bond Streets Project was recently completed. This phase of the project resulted in the replacement of over 3,500 linear feet of 6-inch water line and more than 1,000 linear feet of 8-inch sewer line, 4,370 linear feet

of street resurfacing, 4,018 linear feet of new sidewalks, and 1,985 linear feet of curb and gutter replacement, including an extensive rebuild of John Street. Highlights of the previously completed Phase 1 and 2 improvements are the resurfacing of approximately 41,200 linear feet of streets and the installation of more than 25,700 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 Town's total investment is \$4.3 million after completion of Phase 3, which was the final phase of massive Bond Streets Project.

A hosted desktop solution (cloud computing) was implemented to reduce communication and information management costs while improving efficiency. The Town will no longer need to upgrade, maintain and replace computer equipment and software and will benefit from more sophisticated back-up and security systems.

The Clayton Fire Department achieved improved fire ratings from the North Carolina Department of Insurance's Office of the State Fire Marshal. The fire insurance rating is the primary benchmark utilized by the majority of insurance companies to determine policy premiums for homeowners and businesses. Fire insurance classifications range from 1 to 10. A Class 4 rating was achieved for inside town limits and a straight Class 5 rating was assigned for outside town limits. The ratings improvement is expected to result in annual premium savings of \$300 on a \$200,000 homeowners policy. In addition, the Fire Department has added a second full time staffed engine company for improved readiness and response to emergency service calls.

Construction of a new \$2.5 million, 1.0 million gallon elevated water storage tank was completed. The tank is operational and was 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.

Other noteworthy items include: 1) construction of the \$1.6 million Front Street extension is underway; 2) planning and design of a \$1.1 million pedestrian walkway connecting several area schools and residential neighborhoods to the Clayton Community Center; 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) complete update to the Town's website; 5) comprehensive street condition assessment and improvements plan.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Clayton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently

organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

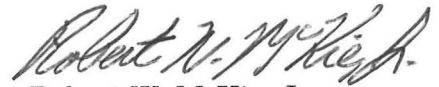
Respectfully submitted,



R. Steven Biggs
Town Manager



Nancy T. Medlin
Deputy Town Manager



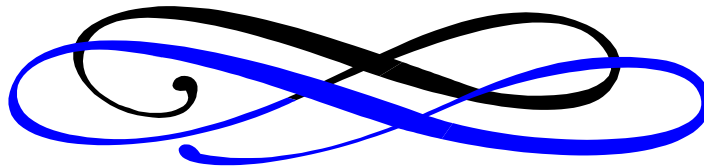
Robert W. McKie, Jr.
Finance Director

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Town of Clayton

MISSION STATEMENT:

Premier Community for Active Families



2012 – 2017 Goals:

Grow the Local Economy

***Financially Responsible Town Government Providing
Quality Service***

Manage Growth Producing Quality Developments

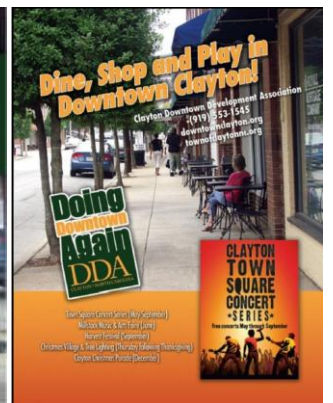
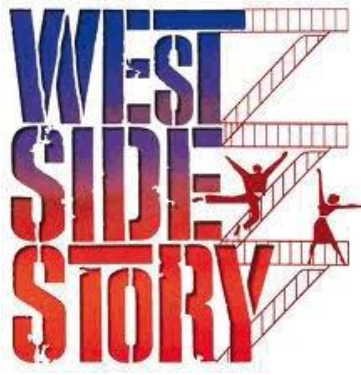
Expand Leisure Opportunities and Arts Community

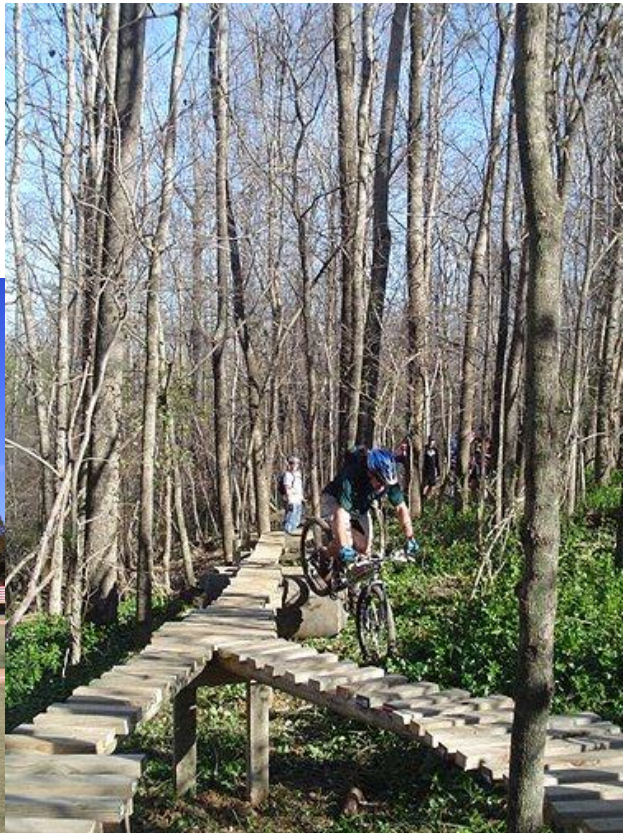
***Beautify the Town of Clayton and Create an Arts
Community***

Think Downtown

Think CLAYTON. Think Art.

UNPLUGGED:
Clayton Music & Art







Government Finance Officers Association

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

Presented to

**Town of Clayton
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Area Map and History of the Town of Clayton

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

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

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

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

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



Town of Clayton Members of Town Council And Related Support Personnel



Pictured above:

Front Row: Councilman 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

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

Sherry Scoggins

Town Clerk

Dale Medlin

Electric System Director

Tim Simpson

Public Works Director

Lee Barbee

Fire Chief

R.W. Bridges

Police Chief

Christie Starnes

Library Director

**Catherine Whitley
Human Resources
Director**

**Ann Game
Customer Service
Director**

Larry Bailey

Recreation Director

Scotty Henley

Cultural Arts Director

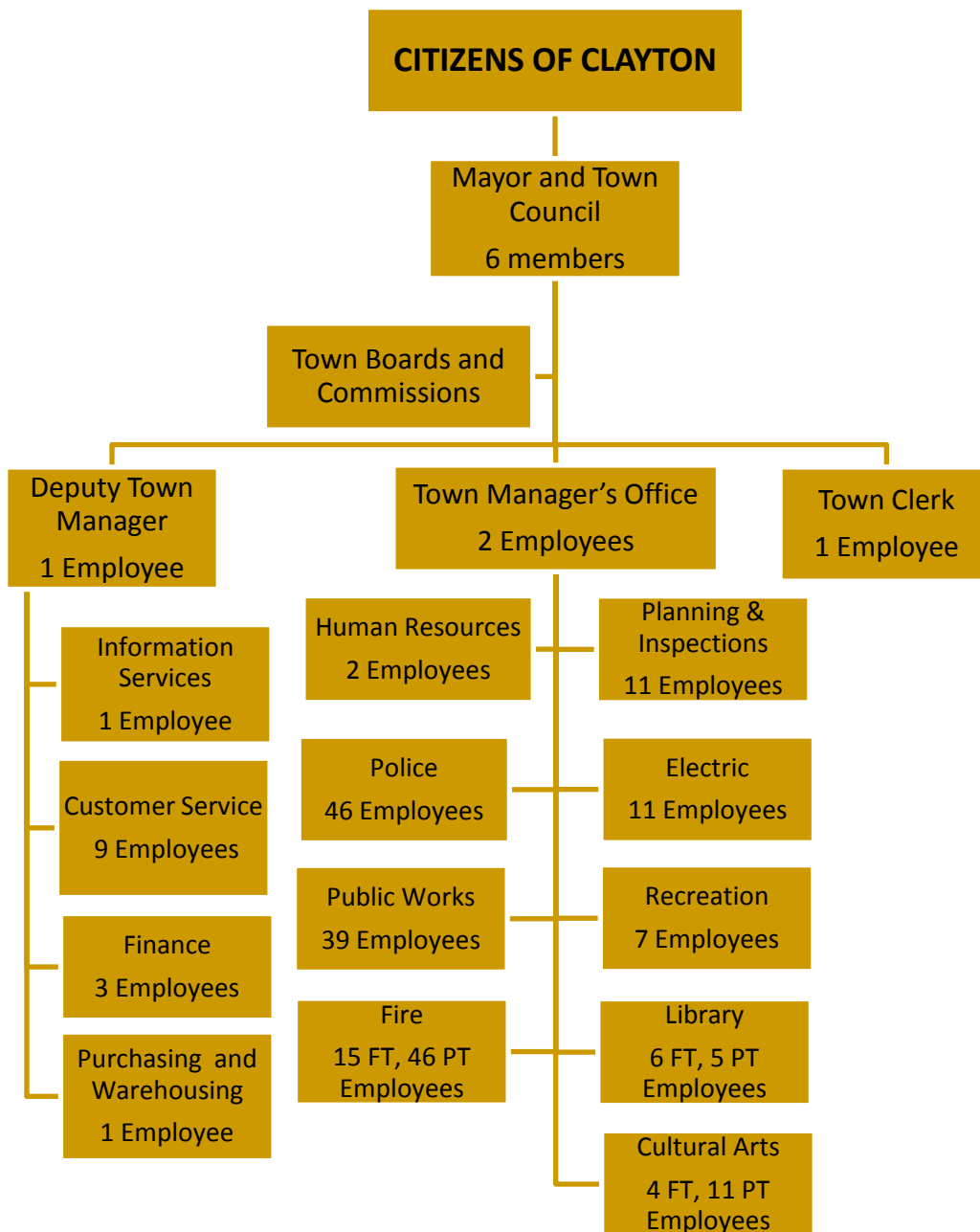
David DeYoung

Planning Director

Town of Clayton Boards and Committees



Town of Clayton Organizational Chart



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FINANCIAL SECTION



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

Other Office Locations:

Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clayton Downtown Development Association. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clayton Downtown Development Association, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Clayton Downtown Development Association were not audited in accordance with Government Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund

information of the Town of Clayton, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 3 through 14 and 52 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

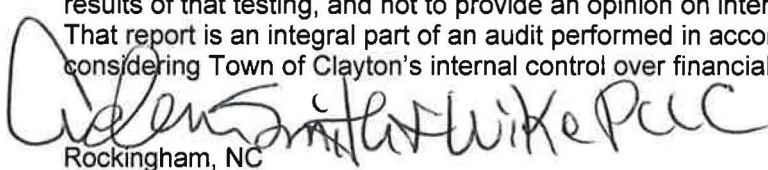
Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2013 on our consideration of Town of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Clayton's internal control over financial reporting and compliance.


Rockingham, NC
September 27, 2013

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, 2013. 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.

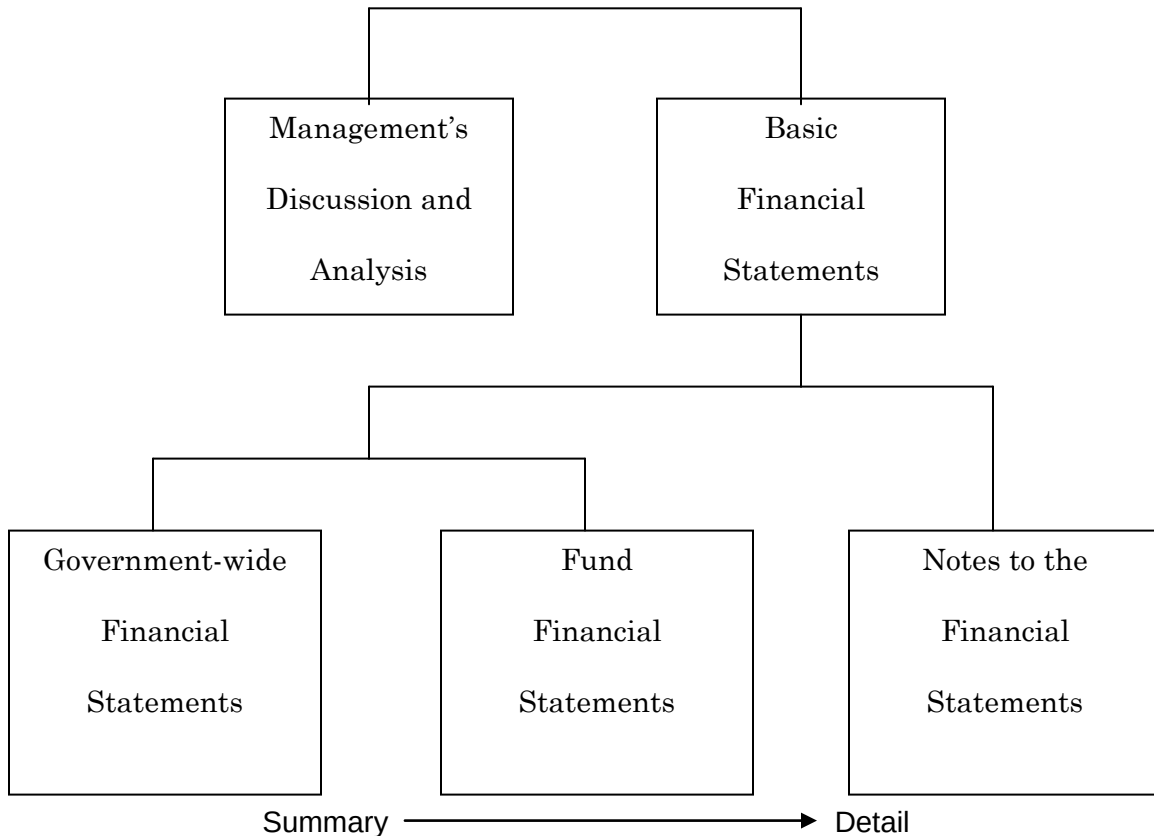
Financial Highlights

- The assets and deferred outflows of resources of the Town of Clayton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$72,710,499 (*net position*). Of this amount \$15,477,729 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$6,558,078, primarily due to increases in the net position of both governmental and business-type activities.
- As of the close of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$9,152,591, a decrease of \$46,359 in comparison with the prior year. Approximately 22.04% of the ending fund balance, or \$2,016,917 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,378,452, or 38.97% 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 decreased by \$2,502,907 (7.43%) during the current fiscal year. Total General Fund debt decreased by \$1,157,151 (4.98%). The key factor attributable to this decrease was rapid amortization of the existing debt burden.

Overview of the Financial Statement

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Town of Clayton's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,475,598	\$ 10,709,449	\$ 12,422,609	\$ 11,871,222	\$ 22,898,207	\$ 22,580,671
Capital assets	46,464,380	43,793,552	39,528,746	38,169,335	85,993,126	81,962,887
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	56,939,978	54,503,001	51,951,355	50,040,557	108,891,333	104,543,558
Long-term liabilities	21,618,259	22,805,647	6,250,982	8,800,832	27,869,241	31,606,479
Other liabilities	2,729,976	2,772,993	5,114,783	3,568,196	7,844,759	6,341,189
Deferred inflows of resources	309,516	286,151	157,318	157,318	466,834	443,469
Total liabilities and deferred inflows of resources	24,657,751	25,864,791	11,523,083	12,526,346	36,180,834	38,391,137
Net position:						
Net investment in capital assets	24,372,799	21,281,487	30,650,069	29,101,137	55,022,868	50,382,624
Restricted	2,001,009	2,628,727	208,893	1,365,128	2,209,902	3,993,855
Unrestricted	5,908,419	4,727,996	9,569,310	7,047,946	15,477,729	11,775,942
Total net position	\$ 32,282,227	\$ 28,638,210	\$ 40,428,272	\$ 37,514,211	\$ 72,710,499	\$ 66,152,421

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town of Clayton exceeded liabilities and deferred inflows by \$72,710,499 as of June 30, 2013. The Town's net position increased by \$6,558,078 for the fiscal year ended June 30, 2013, primarily due to increases in both governmental and business-type activities.

By far the largest portion of the Town of Clayton's net position (75.67%) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Clayton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clayton's net investment in capital assets is reported net of related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Clayton's net position, \$2,209,902, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,477,729 is unrestricted, which may be used to meet the government's ongoing obligations to citizens and creditors.

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

There were decreases of \$627,718 and \$1,156,235 in restricted net position reported in connection with the Town of Clayton's governmental activities and business-type activities, respectively, primarily due to the utilization of Powel Bill monies to complete major street projects and ongoing construction related to the Elevated Water Storage Tank project.

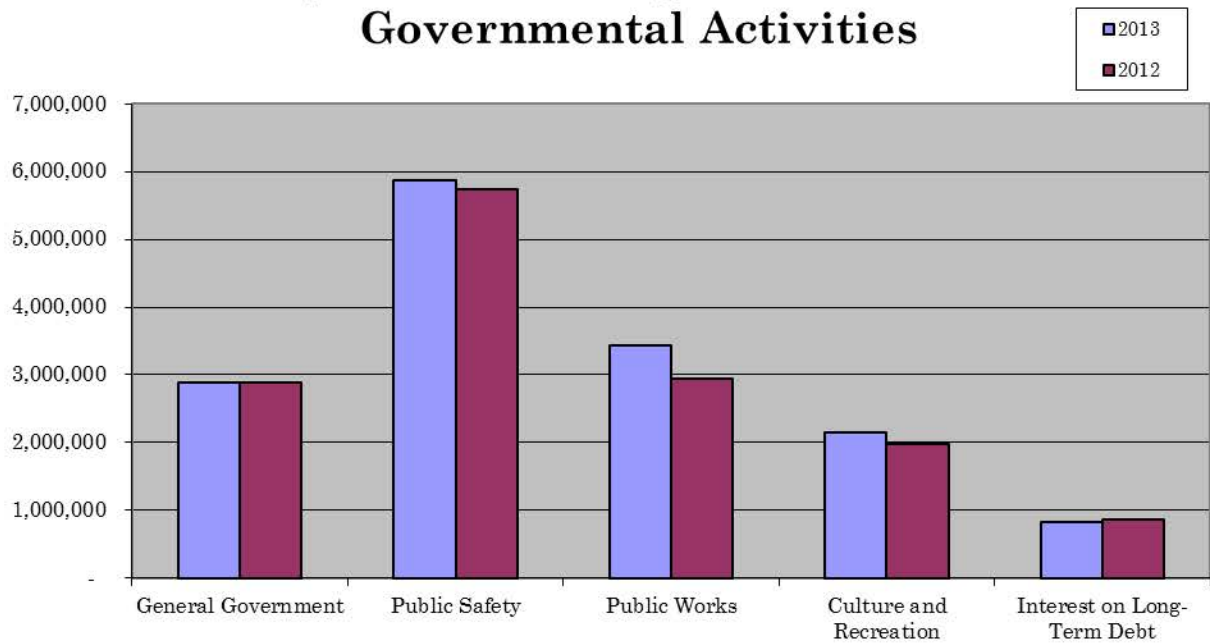
Town of Clayton Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 2,737,903	\$ 2,298,148	\$ 19,902,046	\$ 19,606,478	\$ 22,639,949	\$ 21,904,626
Operating grants and contributions	1,023,369	980,116	335,072	291,277	1,358,441	1,271,393
Capital grants and contributions	1,588,744	433,306	479,412	220,907	2,068,156	654,213
General revenues:						
Property taxes	7,990,139	7,931,296	-	-	7,990,139	7,931,296
Other taxes	1,534,436	1,385,536	-	-	1,534,436	1,385,536
Grants and contributions not restricted to specific programs	2,718,488	2,636,522	-	-	2,718,488	2,636,522
Unrestricted investment earnings	22,805	15,397	10,761	11,659	33,566	27,056
Miscellaneous	520,956	97,685	2,421,613	915,727	2,942,569	1,013,412
Total revenue	18,136,840	15,778,006	23,148,904	21,046,048	41,285,744	36,824,054
Expenses:						
General government	2,889,392	2,891,649	-	-	2,889,392	2,891,649
Public safety	5,870,952	5,749,306	-	-	5,870,952	5,749,306
Public works	3,438,151	2,945,050	-	-	3,438,151	2,945,050
Culture and recreation	2,147,576	1,979,108	-	-	2,147,576	1,979,108
Interest on long-term debt	832,444	870,236	-	-	832,444	870,236
Water and Sewer	-	-	7,121,581	6,656,327	7,121,581	6,656,327
Electric	-	-	12,427,570	12,052,462	12,427,570	12,052,462
Total expenses	15,178,515	14,435,349	19,549,151	18,708,789	34,727,666	33,144,138
Increase in net position before transfers	2,958,325	1,342,657	3,599,753	2,337,259	6,558,078	3,679,916
Transfers	685,692	-	(685,692)	-	-	-
Increase in net position	3,644,017	1,342,657	2,914,061	2,337,259	6,558,078	3,679,916
Net position, July 1 (consolidated)	28,638,210	27,295,553	37,514,211	35,176,952	66,152,421	62,472,505
Net position, June 30	\$ 32,282,227	\$ 28,638,210	\$ 40,428,272	\$ 37,514,211	\$ 72,710,499	\$ 66,152,421

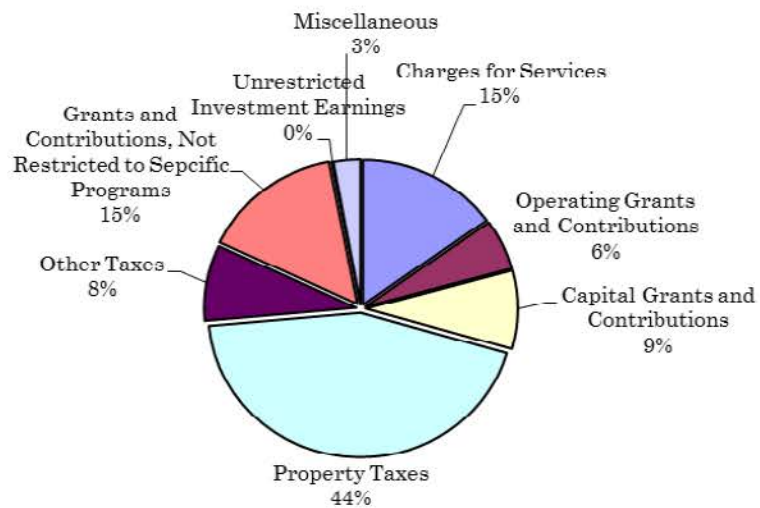
Governmental activities. Governmental activities increased the Town's net position by \$3,644,017, thereby accounting for 55.57% of the total growth in the net position of the Town of Clayton. Key elements of this increase are as follows:

- Charges for services increased 19.14%, or \$439,755, primarily due to an increase in building permits and inspection and rezoning fees, and higher revenues from refuse collection fees and recreation fees in lieu.
- Grants and contributions revenues increased by \$1,280,657, primarily due to State funding received for the Sam's Branch Greenway, Nuese River, and East Front Street capital projects.
- Expenses increased 5.15%, or \$743,166, primarily for public works, public safety, and culture and recreation due to the organizational realignment of the inspections department, full-time operation and maintenance of newly completed capital projects, and higher operating costs associated with the establishment of 24/7/365 full engine company status at both fire stations. The Town continues to monitor revenues and expenses closely.

Expenses and Program Revenues - Governmental Activities



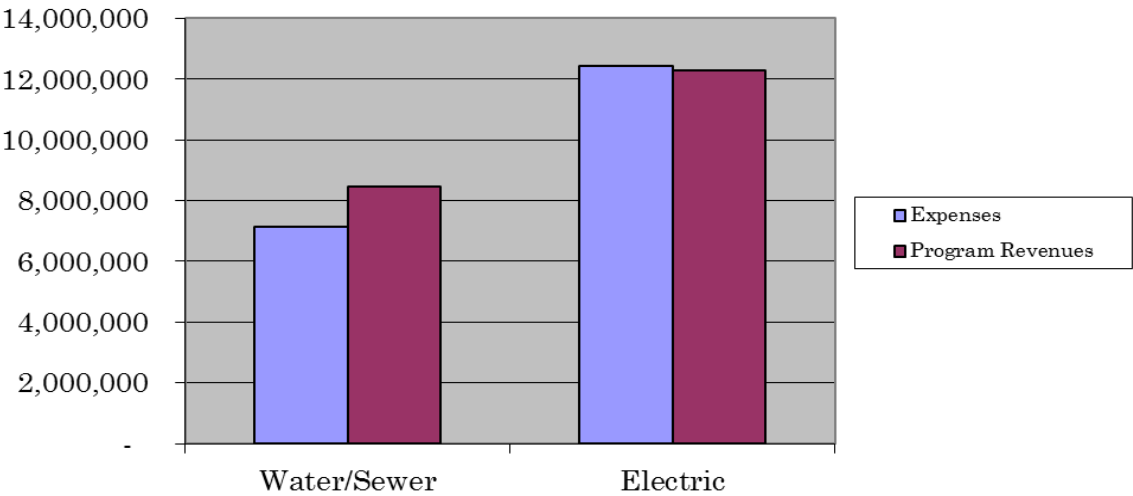
Revenues by Source - Governmental Activities



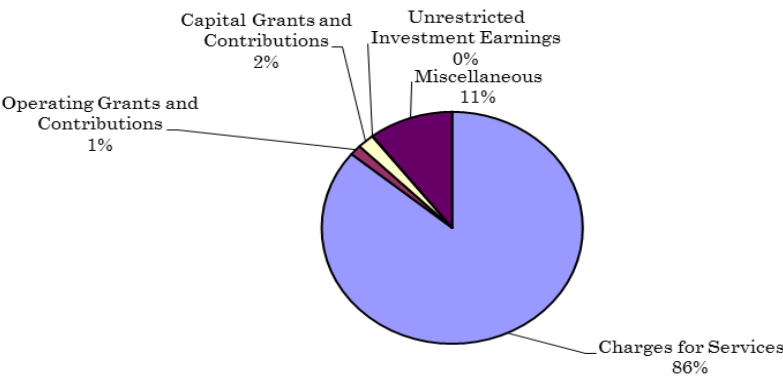
Business-type activities. Business-type activities increased the Town of Clayton's net position by \$2,914,061, accounting for a 44.43% increase in the government's net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased 1.51%, or \$295,568, primarily due to higher revenues generated by the wastewater treatment and electric distribution operations.
- Grants and contributions increased by \$302,300, primarily due to construction of the U.S. Economic Development Administration funded Elevated Water Storage Tank project.
- Capacity fees increased by \$1,372,484, primarily due to the Grifols expansion in conjunction with an increase in new development activity.
- Expenses increased 4.49%, or \$840,362, primarily due to higher contract services costs for waste water treatment, and increased power purchases and higher system repairs and maintenance costs incurred in the electric distribution operation.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's 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 usable resources. Such information is useful in assessing the Town of Clayton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$9,152,591 with a net decrease in fund balance of \$46,359. Included in this change in fund balance are the increases in the General Fund, Greenway Development Project, and Clayton Parks and Recreation Capital Project in conjunction with the decreases in the capital project funds, which resulted from ongoing construction and completed projects, for the 2012 GO Bonds East Clayton Community Park Fund and Clayton Law Enforcement Center Fund.

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 \$7,141,234, while total fund balance reached \$8,495,393. 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 42.39% 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 38.97% of total general fund expenditures, while total fund balance represents 51.91% of that same amount. Fund balance of the Town of Clayton's General Fund increased by \$50,561 during the current fiscal year. Key components of this change are as follows:

- Intergovernmental revenues increased \$567,485, primarily due to higher grant revenues by \$291,540, increased franchise tax distributions by \$131,958, and higher sales tax revenue by \$62,716.
- Permits and fees revenues increased by \$316,239, primarily due to increased activity for building permits.
- Investment income was 74.57% higher, or \$9,229, primarily due to a change in investment strategy related to the historically low short-term interest rates implemented by the Federal Reserve.
- Street expenditures for Powell Bill disbursements increased by \$1,220,420, primarily due to the utilization of these funds to complete paving and resurfacing projects.
- Debt service decreased by \$87,555, primarily due to the rapid amortization of the existing debt burden.
- Total expenditures were 2.85% lower than budgeted.

General Fund Budgetary Highlights

During the year there was a \$1,466,934 increase in appropriations between the original and final amended budget, which resulted from a transfer to capital project funds. Of this amount, \$1,220,420 was related to the utilization of Powell Bill funds.

Proprietary Funds. The Town of Clayton's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,497,997, and for the Electric Fund, \$4,071,313. The total change in net position for the Water and Sewer and the Electric Funds was \$2,903,455 and \$10,606, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Clayton's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Clayton's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$85,993,126 (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 4.92% (a 66.3% increase for governmental activities and an 33.7% increase for business-type activities).

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

- Construction in progress of \$473,516 in governmental-type activities primarily for public improvement construction projects.
- Completion of Phase 3 of the GO Bonds Streets and East Clayton Community Park capital projects.
- Construction in progress of \$2,971,935 in business-type activities primarily for the Elevated Water Storage Tank project in the Water and Sewer Fund.
- No major demolitions were recorded this year.

	Town of Clayton's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,534,925	\$ 5,533,839	\$ 138,600	\$ 138,600	\$ 5,673,525	\$ 5,672,439
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	473,516	1,535,798	2,971,935	911,081	3,445,451	2,446,879
Total non-depreciable assets	6,008,441	7,069,637	5,743,648	3,682,794	11,752,089	10,752,431
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	29,891,725	27,489,453	3,096,846	3,096,846	32,988,571	30,586,299
Plant, machinery, and equipment	2,878,289	2,792,780	41,733,341	41,623,529	44,611,630	44,416,309
Vehicles	5,860,908	5,731,562	1,626,475	1,329,222	7,487,383	7,060,784
Infrastructure	13,917,598	11,902,449	-	-	13,917,598	11,902,449
Total depreciable assets	52,548,520	47,916,244	50,056,662	49,649,597	102,605,182	97,565,841
Accumulated depreciation	(12,092,581)	(11,192,329)	(16,271,564)	(15,163,056)	(28,364,145)	(26,355,385)
Total depreciable assets, net	40,455,939	36,723,915	33,785,098	34,486,541	74,241,037	71,210,456
Total	\$ 46,464,380	\$ 43,793,552	\$ 39,528,746	\$ 38,169,335	\$ 85,993,126	\$ 81,962,887

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

Long-term Debt. At the end of the current fiscal year, the Town of Clayton had total bonded debt outstanding of \$7,794,000. Of this amount, \$6,190,000 comprises debt backed by the full faith and credit of the Town of Clayton and \$1,604,000 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 Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 6,110,000	\$ 6,500,000	\$ 80,000	\$ 215,000	\$ 6,190,000	\$ 6,715,000
Revenue bonds	-	-	1,604,000	1,844,000	1,604,000	1,844,000
Other debt	15,981,581	16,748,732	7,403,570	8,374,326	23,385,151	25,123,058
Total	<u>\$ 22,091,581</u>	<u>\$ 23,248,732</u>	<u>\$ 9,087,510</u>	<u>\$ 10,433,326</u>	<u>\$ 31,179,151</u>	<u>\$ 33,682,058</u>

The Town's total debt decreased \$2,502,907, or 7.43%, during the current fiscal year primarily due a moderate debt burden with rapid amortization.

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 \$101,959,576, 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, 2014

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

- The unemployment rate for Johnston County is approximately 8.0%, which is a welcome reduction from a rate of 8.7% a year ago. The State average is 8.8% compared to 9.6% a year ago.
- Higher median household income. Median household income within a five mile radius of the Town was \$56,414 compared to \$49,888 for Johnston County and \$46,291 for the State.
- An improved local economy at an accelerated rate is driving revenues. The growth is facilitating the implementation of previous deferred maintenance and repair projects in conjunction with moderate service expansions. Funding for a 1.5% cost-of-living adjustment (COLA) and a 1% pool to restore the merit compensation program are included.

All of these factors were considered in preparing the Town of Clayton's budget for the 2014 fiscal year. The budget incorporates the goals and policies adopted by Council.

During the current fiscal year, the unassigned fund balance in the General Fund increased to \$6,378,452, or 9.7%. The Town of Clayton appropriated \$259,949 for spending in the 2014 fiscal year budget.

The 2014 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 all the related debt service is included in the 2014 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 POSITION
June 30, 2013

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	\$ 8,013,010	\$ 8,568,242	16,581,252	\$ 11,353
Taxes receivables (net)	155,934	-	155,934	-
Accounts receivable (net)	563,734	2,706,968	3,270,702	-
Due from/to other governments	774,517	-	774,517	-
Inventories	15,908	938,506	954,414	-
Restricted cash and cash equivalents	952,495	\$ 208,893	1,161,388	-
Total current assets	<u>10,475,598</u>	<u>12,422,609</u>	<u>22,898,207</u>	<u>11,353</u>
Non-current assets				
Capital assets (Note 3)				
Land, non-depreciable improvements and construction in progress	6,008,441	5,743,648	11,752,089	-
Other capital assets, net of depreciation	<u>40,455,939</u>	<u>33,785,098</u>	<u>74,241,037</u>	-
Total capital assets	<u>46,464,380</u>	<u>39,528,746</u>	<u>85,993,126</u>	-
Total assets	<u>\$56,939,978</u>	<u>\$51,951,355</u>	<u>\$ 108,891,333</u>	<u>\$ 11,353</u>

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

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	\$ 857,557	\$ 1,679,078	\$ 2,536,635	\$ -
Customer deposits	-	443,197	443,197	-
Current portion of long-term liabilities	1,872,419	2,992,508	4,864,927	-
Total current liabilities	2,729,976	5,114,783	7,844,759	-
Long-term liabilities				
Due in more than one year	21,618,259	6,250,982	27,869,241	-
Total liabilities	24,348,235	11,365,765	35,714,000	-
DEFERRED INFLOWS OF RESOURCES				
Assessments	268,740	157,318	426,058	-
Prepaid taxes	40,776	-	40,776	-
Total deferred inflows of resources	309,516	157,318	466,834	-
NET POSITION				
Net investment of capital assets	24,372,799	30,650,069	55,022,868	-
Restricted for:				
Other functions - Powell Bill	3,251	-	3,251	-
Public Improvements	653,964	208,893	862,857	-
Public Safety	2,309	-	2,309	-
Stabilization by State Statute	1,338,251	-	1,338,251	-
Cemetery perpetual care	3,234	-	3,234	-
Unrestricted	5,908,419	9,569,310	15,477,729	11,353
Total net position	32,282,227	40,428,272	72,710,499	11,353
Total liabilities, deferred inflows of resources and net position	\$56,939,978	\$51,951,355	\$ 108,891,333	\$ 11,353

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Clayton Downtown Development
Primary government								
Governmental activities								
General government operations	\$ 2,889,392	\$ 670,300	\$ 85,534	\$ -	\$ (2,133,558)	\$ -	\$ (2,133,558)	\$ -
Public safety	5,870,952	28,944	937,835	813	(4,903,360)	-	(4,903,360)	-
Public works	3,438,151	1,374,227	-	739,800	(1,324,124)	-	(1,324,124)	-
Cultural and recreational	2,147,576	664,432	-	848,131	(635,013)	-	(635,013)	-
Interest on long-term debt	832,444	-	-	-	(832,444)	-	(832,444)	-
Total governmental activities	15,178,515	2,737,903	1,023,369	1,588,744	(9,828,499)	-	(9,828,499)	-
Business-type activities								
Water and sewer	7,121,581	7,716,133	251,100	479,412	-	1,325,064	1,325,064	-
Electric	12,427,570	12,185,913	83,972	-	-	(157,685)	(157,685)	-
Total business-type activities	19,549,151	19,902,046	335,072	479,412	-	1,167,379	1,167,379	-
Total primary government	\$ 34,727,666	\$ 22,639,949	\$ 1,358,441	\$ 2,068,156	\$ (9,828,499)	\$ 1,167,379	\$ (8,661,120)	\$ -
Component unit								
Clayton Downtown Development Association, Inc	\$ 43,137	\$ -	\$ -	\$ -	-	-	-	(43,137)
General revenues								
Property taxes, levied for general purposes					8,049,338	-	8,049,338	-
Sales taxes					2,594,116	-	2,594,116	-
Franchise taxes					1,387,679	-	1,387,679	-
Alcoholic beverage taxes					66,364	-	66,364	-
Other taxes					21,194	-	21,194	-
Grants and contributions, not restricted to specific programs					124,372	-	124,372	-
Unrestricted investment earnings					22,805	10,761	33,566	-
Miscellaneous					520,956	2,421,613	2,942,569	45,347
Transfers					685,692	(685,692)	-	-
Total general revenues and transfers					13,472,516	1,746,682	15,219,198	45,347
Change in net position					3,644,017	2,914,061	6,558,078	2,210
Net position, beginning					28,638,210	37,514,211	66,152,421	9,143
Net position, ending					\$ 32,282,227	\$ 40,428,272	\$ 72,710,499	\$ 11,353

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

	Major Funds							Total	Total
	General	Greenway Development Project	2012 GO Bonds East Clayton Park Project	Law Enforcement Center	2009A GO Bonds Recreation Project	2009A GO Bonds Streets Project	Parks & Rec. Capital Project	Non-Major Fund	Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 8,009,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,234	\$ 8,013,010
Restricted cash	120,691	224,377	4,368	122,683	40,045	201,859	238,472	-	952,495
Receivables, net									
Taxes	155,934	-	-	-	-	-	-	-	155,934
Accounts	563,734	-	-	-	-	-	-	-	563,734
Due from other governments	774,517	-	-	-	-	-	-	-	774,517
Due from other funds	-	-	-	-	-	-	-	-	-
Inventories	15,908	-	-	-	-	-	-	-	15,908
Total assets	\$ 9,640,560	\$ 224,377	\$ 4,368	\$ 122,683	\$ 40,045	\$ 201,859	\$ 238,472	\$ 3,234	\$ 10,475,598
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued liabilities	\$ 679,717	\$ -	\$ -	\$ -	\$ -	\$ 177,840	\$ -	\$ -	\$ 857,557
Total liabilities	679,717	-	-	-	-	177,840	-	-	\$ 857,557
Deferred Inflows of Resources									
Assessments	268,740	-	-	-	-	-	-	-	268,740
Property tax receivable	155,934	-	-	-	-	-	-	-	155,934
Prepaid taxes	40,776	-	-	-	-	-	-	-	40,776
Total Deferred Inflows of Resources	465,450	-	-	-	-	-	-	-	465,450
Fund balances									
Non Spendable									
Inventories	15,908	-	-	-	-	-	-	-	15,908
Perpetual maintenance	-	-	-	-	-	-	-	3,234	3,234
Restricted									
Stabilization by State Statute	1,338,251	-	-	-	-	-	-	-	1,338,251
Streets - Powell Bill	3,251	-	-	-	-	-	-	-	3,251
Public Improvements	-	224,377	4,368	122,683	40,045	24,019	238,472	-	653,964
Public Safety-Police	2,309	-	-	-	-	-	-	-	2,309
Committed									
Public Improvements	494,918	-	-	-	-	-	-	-	494,918
Public Safety-Fire	-	-	-	-	-	-	-	-	-
Assigned									
Public Safety-Fire	2,355	-	-	-	-	-	-	-	2,355
Subsequent year's expenditures	259,949	-	-	-	-	-	-	-	259,949
Unassigned	6,378,452	-	-	-	-	-	-	-	6,378,452
Total fund balances	8,495,393	224,377	4,368	122,683	40,045	24,019	238,472	3,234	9,152,591
Total liabilities, deferred inflows of of resources and fund balances	\$ 9,640,560	\$ 224,377	\$ 4,368	\$ 122,683	\$ 40,045	\$ 201,859	\$ 238,472	\$ 3,234	\$ 10,475,598
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:									
Fund balance as reported in the balance sheet - governmental funds									\$ 9,152,591
Amounts reported for governmental activities in the statement of net position are different because									
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds									46,464,380
Liabilities for earned revenues considered deferred inflows of resources in fund statements									155,934
Compensated absences not expected to be materially liquidated with expendable available resources									(489,357)
Net pension obligation									(480,734)
Other postemployment benefits									(429,006)
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									(22,091,581)
Net position of governmental activities									\$ 32,282,227

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 4

	Major Funds								Total Governmental Funds
	General Fund	Greenway Development Project	2012 GO Bonds East Clayton Park Project	Law Enforcement Center	2009A GO Bond Rec. Project	2009A GO Bond Street Project	Parks & Rec. Capital Project	Total Non-Major Fund	
REVENUES									
Ad valorem taxes	\$ 7,984,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,984,694
Other taxes and licenses	193,864	-	-	-	-	-	-	-	193,864
Unrestricted intergovernmental	4,970,691	-	-	-	-	-	-	-	4,970,691
Restricted intergovernmental	848,919	548,131	-	-	300,000	-	-	-	1,697,050
Permits and fees	867,000	-	-	-	-	-	-	-	867,000
Sales and services	1,874,335	-	-	-	-	-	-	-	1,874,335
Investment earnings	21,605	-	1,060	132	-	-	-	8	22,805
Miscellaneous	520,956	-	-	-	-	-	-	-	520,956
Total revenues	17,282,064	548,131	1,060	132	300,000	-	-	8	18,131,395
EXPENDITURES									
Current									
General government operations	2,558,246	-	-	-	-	-	-	-	2,558,246
Public safety	5,637,109	-	-	-	-	-	-	-	5,637,109
Public works	3,841,470	-	-	-	-	-	-	-	3,841,470
Cultural and recreational	2,003,313	-	-	-	-	-	-	-	2,003,313
Debt service									
Principal retirement	1,493,228	-	-	-	-	-	-	-	1,493,228
Interest and other charges	832,444	-	-	-	-	-	-	-	832,444
Capital outlay	-	87,379	678,510	31,368	1,085	1,973,843	61,528	-	2,833,713
Total expenditures	16,365,810	87,379	678,510	31,368	1,085	1,973,843	61,528	-	19,199,523
Excess (deficiency) of revenues over expenditures	916,254	460,752	(677,450)	(31,236)	298,915	(1,973,843)	(61,528)	8	(1,068,128)
OTHER FINANCING SOURCES (USES)									
Debt Issued	336,077	-	-	-	-	-	-	-	336,077
Transfers from (to) other funds	(1,201,770)	(250,600)	140,200	-	(300,000)	1,997,862	300,000	-	685,692
Total other financing sources (uses)	(865,693)	(250,600)	140,200	-	(300,000)	1,997,862	300,000	-	1,021,769
Net change in fund balances	50,561	210,152	(537,250)	(31,236)	(1,085)	24,019	238,472	8	(46,359)
Fund balance, beginning	8,444,832	14,225	541,618	153,919	41,130	-	-	3,226	9,198,950
Fund balances, ending	\$ 8,495,393	\$ 224,377	\$ 4,368	\$ 122,683	\$ 40,045	\$ 24,019	\$ 238,472	\$ 3,234	\$ 9,152,591

**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, 2013**

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

Net changes in fund balances - total governmental funds	\$ (46,359)
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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	4,021,172
Depreciation	(1,350,344)

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	5,445
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	(22,254)
Current pension cost	(50,826)
Other postemployment benefits	(69,968)

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

Debt proceeds	(336,077)	
Debt principle paid	<u>1,493,228</u>	<u>1,157,151</u>

Total changes in net position of governmental activities	<u>\$ 3,644,017</u>
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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, 2013

Exhibit 6

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 8,179,433	\$ 8,179,433	\$ 7,984,694	\$ (194,739)
Other taxes and licenses	159,500	159,500	193,864	34,364
Unrestricted intergovernmental	4,972,937	5,028,321	4,970,691	(57,630)
Restricted intergovernmental	460,997	460,997	848,919	387,922
Permits and fees	374,840	374,840	867,000	492,160
Sales and services	1,872,541	1,872,541	1,874,335	1,794
Investment earnings	17,700	17,700	21,605	3,905
Miscellaneous	54,215	390,602	520,956	130,354
Total revenues	16,092,163	16,483,934	17,282,064	798,130
EXPENDITURES				
Current				
General government operations	1,857,955	2,514,397	2,558,246	(43,849)
Public safety	5,902,594	5,917,158	5,637,109	280,049
Public works	4,091,774	3,819,276	3,841,470	(22,194)
Cultural and recreational	2,270,156	2,270,156	2,003,313	266,843
Debt service				
Principal retirement	1,472,458	1,493,228	1,493,228	-
Interest and other charges	845,387	832,444	832,444	-
Total expenditures	16,440,324	16,846,659	16,365,810	480,849
Revenues over (under) expenditures	(348,161)	(362,725)	916,254	1,278,979
OTHER FINANCING SOURCES (USES)				
Debt proceeds	342,100	342,100	336,077	(6,023)
Transfer from (to) other funds	-	(1,452,370)	(1,201,770)	250,600
Total other financing sources (uses)	342,100	(1,110,270)	(865,693)	244,577
Fund balance appropriated	6,061	1,472,995	-	(1,472,995)
Net change in fund balance	\$ -	\$ -	50,561	\$ 50,561
Fund balances, beginning			8,444,832	
Fund balances, ending			\$ 8,495,393	

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Exhibit 7

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,311,476	\$ 3,256,766	\$ 8,568,242
Accounts receivable (net) - billed	800,465	637,170	1,437,635
Accounts receivable (net) - unbilled	492,470	776,863	1,269,333
Inventories	98,745	839,761	938,506
Restricted cash and cash equivalents	208,893	-	208,893
Total current assets	<u>6,912,049</u>	<u>5,510,560</u>	<u>12,422,609</u>
Non-current assets			
Capital assets			
Land, improvements and construction in progress	5,651,282	92,366	5,743,648
Other capital assets, net of depreciation	<u>27,846,610</u>	<u>5,938,488</u>	<u>33,785,098</u>
Capital assets, net	<u>33,497,892</u>	<u>6,030,854</u>	<u>39,528,746</u>
Total non-current assets	<u>33,497,892</u>	<u>6,030,854</u>	<u>39,528,746</u>
Total assets	<u>\$ 40,409,941</u>	<u>\$ 11,541,414</u>	<u>\$ 51,951,355</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 674,988	\$ 1,004,090	\$ 1,679,078
Customer deposits	75,372	367,825	443,197
Compensated absences - current	24,995	21,780	46,775
General obligation bonds payable - current	80,000	-	80,000
Revenue bond anticipation note payable - current	1,604,000	-	1,604,000
Installment purchases payable - current	<u>1,184,755</u>	<u>76,978</u>	<u>1,261,733</u>
Total current liabilities	<u>3,644,110</u>	<u>1,470,673</u>	<u>5,114,783</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	38,598	23,772	62,370
Compensated absences	24,995	21,780	46,775
General obligation bonds payable - noncurrent	-	-	-
Installment purchases payable - noncurrent	<u>5,851,414</u>	<u>290,423</u>	<u>6,141,837</u>
Total noncurrent liabilities	<u>5,915,007</u>	<u>335,975</u>	<u>6,250,982</u>
Total liabilities	<u>9,559,117</u>	<u>1,806,648</u>	<u>11,365,765</u>
Deferred Inflows of Resources			
Assessments	<u>157,318</u>	<u>-</u>	<u>157,318</u>
Total deferred inflows of resources	<u>157,318</u>	<u>-</u>	<u>157,318</u>
NET POSITION			
Net investments in capital assets	24,986,616	5,663,453	30,650,069
Restricted for public improvements	208,893	-	208,893
Unrestricted	<u>5,497,997</u>	<u>4,071,313</u>	<u>9,569,310</u>
Total net position	<u>30,693,506</u>	<u>9,734,766</u>	<u>40,428,272</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 40,409,941</u>	<u>\$ 11,541,414</u>	<u>\$ 51,951,355</u>

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TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

Exhibit 8

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 7,674,907	\$ 12,185,913	\$ 19,860,820
Water and sewer taps	41,226	-	41,226
Other operating revenues	251,100	83,972	335,072
Total operating revenues	7,967,233	12,269,885	20,237,118
OPERATING EXPENSES			
Electric operations	-	11,154,588	11,154,588
Water distribution	2,650,227	-	2,650,227
Water preventive maintenance	737,259	-	737,259
Waste collection and treatment	1,461,191	-	1,461,191
Tax reimbursements - General Fund	-	367,850	367,850
Support services - General Fund	1,145,044	602,462	1,747,506
Depreciation and amortization	923,624	295,371	1,218,995
Total operating expenses	6,917,345	12,420,271	19,337,616
Operating income (loss)	1,049,888	(150,386)	899,502
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,752	7,009	10,761
Interest and other charges	(204,236)	(7,299)	(211,535)
Capacity fees	2,014,504	-	2,014,504
Nutrient offset fees	221,875	-	221,875
Miscellaneous	23,952	161,282	185,234
Total nonoperating revenue (expenses)	2,059,847	160,992	2,220,839
Income before contributions	3,109,735	10,606	3,120,341
Capital contributions	479,412	-	479,412
Transfer to Capital Project Fund	(685,692)	-	(685,692)
Change in net position	2,903,455	10,606	2,914,061
Total net position, beginning	27,790,051	9,724,160	37,514,211
Total net position, ending	\$ 30,693,506	\$ 9,734,766	40,428,272

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

Exhibit 9
Page 1 of 2

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,737,005	\$ 12,164,653	\$ 19,901,658
Cash paid for goods and services	(4,802,108)	(11,691,252)	(16,493,360)
Cash paid to or on behalf of employees for services	(883,110)	(718,720)	(1,601,830)
Customer deposits received	-	-	-
Customer deposits returned	-	-	-
Other operating revenues	251,100	83,972	335,072
Miscellaneous revenue	23,953	161,282	185,235
Net cash provided (used) by operating activities	2,326,840	(65)	2,326,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Capacity fees	2,012,795	-	2,012,795
Nutrient offset fees	223,584	-	223,584
Total cash flows from noncapital financing activities	2,236,379	-	2,236,379
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,113,200)	(465,206)	(2,578,406)
Principal paid on bond maturities and equipment contracts	(1,452,990)	(279,265)	(1,732,255)
Proceeds from debt issuance	-	386,499	386,499
Interest paid on bond maturities and equipment contracts	(204,237)	(7,299)	(211,536)
Capital contributions	479,412	-	479,412
Transfer to General Fund	(685,692)	-	(685,692)
Net cash (used) by capital and related financing activities	(3,976,707)	(365,271)	(4,341,978)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	3,752	7,009	10,761
Net increase (decrease) in cash and cash equivalents	590,264	(358,327)	231,937
Balances, beginning	4,930,105	3,615,093	8,545,198
Balances, ending	\$ 5,520,369	\$ 3,256,766	\$ 8,777,135

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

Exhibit 9
Page 2 of 2

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 1,049,888	\$ (150,386)	\$ 899,502
Adjustments to reconcile operating income to net cash provided by operating activities			
Miscellaneous revenue	23,953	161,282	185,235
Depreciation & amortization	923,624	295,371	1,218,995
Changes in assets and liabilities:			
(Increase) in accounts receivable	20,872	(21,260)	(388)
(Increase) decrease in inventory	(24,413)	(294,648)	(319,061)
Increase (decrease) in accounts payable and accrued liabilities	332,626	(114,977)	217,649
(Decrease) in customer deposits	(16,575)	111,987	95,412
Increase in postemployment benefits	16,699	10,833	27,532
Increase (decrease) in accrued vacation pay	166	1,733	1,899
Total adjustments	1,276,952	150,321	1,427,273
Net cash provided (used) by operating activities	\$ 2,326,840	\$ (65)	\$ 2,326,775

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2013

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 1,409,219
Taxes receivable	<u>38,662</u>
Total assets	<u>\$ 1,447,881</u>
Liabilities	
Liabilities:	
Intergovernmental payable	<u>1,447,881</u>
Total liabilities	<u>\$ 1,447,881</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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Clayton Downtown Development Association, Inc.

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

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

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

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgetary Data

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

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

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Restricted Assets

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

constructing, reconstructing or widening of local streets per state law (G.S. 136-41.1 through G.S. 136-41.4). The unexpended bond proceeds of the 2012 Revenue Bond Anticipation Note in the Water and Sewer Fund are restricted assets for the enterprise fund because their use is completed restricted for the purpose for which the bonds were originally issued (construction of an elevated water storage tank).

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

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

Due To/From Other Funds

Amounts reported at June 30, 2013 as internal balances generally represent short-term advances between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resource.

Inventories

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

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

Capital Assets

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Deferred outflows/inflows of resources

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

Long-Term Obligations

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

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

The Town of Clayton has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that 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.

F. Other

Use of Estimates

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, the Town's deposits had a carrying amount of \$6,956,978 and a bank balance of \$7,224,895. 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 \$11,353. At June 30, 2013, the Town's petty cash fund totaled \$2,200.

Investments

At June 30, 2013, the Town of Clayton had \$1,489,401 and \$10,719,189 invested with the North Carolina Capital Management Trust's Cash Portfolio and Term Portfolio, respectively. The Cash Portfolio carries a credit rating of AAAm by Standard and Poor's. The Town and the Association have no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ 35,000
Accounts receivable	<u>3,824</u>
	38,824
Enterprise funds	<u>59,914</u>
Total	<u>\$ 98,738</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Due from Other Governmental Agencies

At June 30, 2013, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 442,570	\$ -	\$ 442,570	\$ -
Franchise Tax	149,155	-	149,155	-
Telecommunication Tax	20,485	-	20,485	-
Video Programming Fees	43,929	-	43,929	-
Solid Waste Disposal Fees	1,504	-	1,504	-
Vehicle & Property taxes	91,426	-	91,426	-
ABC Revenues	9,774	-	9,774	-
PEG Channel	15,674	-	15,674	-
	<u>\$ 774,517</u>	<u>\$ -</u>	<u>\$ 774,517</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,533,839	\$ 1,086	\$ -	\$ 5,534,925
Construction in progress	1,535,798	458,566	1,520,848	473,516
Total capital assets not being depreciated	<u>7,069,637</u>	<u>459,652</u>	<u>1,520,848</u>	<u>6,008,441</u>
Capital assets being depreciated				
Buildings and improvements	27,489,453	2,402,272	-	29,891,725
Equipment	2,792,780	85,509	-	2,878,289
Vehicles and motorized equipment	5,731,562	579,438	450,092	5,860,908
Infrastructure	11,902,449	2,015,149	-	13,917,598
Total capital assets being depreciated	<u>47,916,244</u>	<u>5,082,368</u>	<u>450,092</u>	<u>52,548,520</u>
Less accumulated depreciation				
Buildings	2,590,807	459,969	-	3,050,776
Equipment	2,157,278	256,128	-	2,413,406
Vehicles and motorized equipment	4,667,112	387,935	450,092	4,604,955
Infrastructure	1,777,132	246,312	-	2,023,444
Total accumulated depreciation	<u>11,192,329</u>	<u>1,350,344</u>	<u>450,092</u>	<u>12,092,581</u>
Total capital assets being depreciated, net	<u>36,723,915</u>	<u>3,732,024</u>	<u>-</u>	<u>40,455,939</u>
Governmental activity capital assets, net	<u>\$ 43,793,552</u>	<u>\$ 4,191,676</u>	<u>\$ 1,520,848</u>	<u>\$ 46,464,380</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

At June 30, 2013, construction in progress was comprised primarily of the public improvement construction projects.

General government	\$ 354,503
Public safety	462,566
Public works	348,213
Cultural and recreational	<u>185,062</u>
Total depreciation expense	<u>\$ 1,350,344</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>911,081</u>	<u>1,988,488</u>	-	<u>2,899,569</u>
Total capital assets not being depreciated	<u>3,662,794</u>	<u>1,988,488</u>	-	<u>5,651,282</u>
Capital assets being depreciated				
Wastewater capacity allocation rights	3,600,000	-	-	3,600,000
Buildings	1,953,615	-	-	1,953,615
Plant and distribution system	32,353,744	74,000	-	32,427,744
Furniture and maintenance equipment	658,708	35,812	-	694,520
Vehicles	<u>515,174</u>	<u>14,900</u>	<u>14,053</u>	<u>516,021</u>
Total capital assets being depreciated	<u>39,081,241</u>	<u>124,712</u>	<u>14,053</u>	<u>39,191,900</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	1,215,000	180,000	-	1,395,000
Buildings	373,970	27,811	-	401,781
Plant and distribution system	7,802,321	663,683	-	8,466,004
Furniture and maintenance equipment	553,562	36,334	-	589,896
Vehicles	<u>490,866</u>	<u>15,796</u>	<u>14,053</u>	<u>492,609</u>
Total accumulated depreciation	<u>10,435,719</u>	<u>923,624</u>	<u>14,053</u>	<u>11,345,290</u>
Total Capital assets being depreciated, net	<u>28,645,522</u>	<u>(798,912)</u>	-	<u>27,846,610</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 32,308,316</u>	<u>\$ 1,189,576</u>	<u>\$ -</u>	<u>\$ 33,497,892</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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	-	72,366	-	72,366
Total capital assets not being depreciated	<u>20,000</u>	<u>72,366</u>	<u>-</u>	<u>92,366</u>
Capital assets being depreciated				
Buildings	1,143,231	-	-	1,143,231
Plant and distribution system	8,396,465	-	-	8,396,465
Furniture and maintenance	214,612	-	-	214,612
Vehicles	<u>814,048</u>	<u>392,840</u>	<u>96,434</u>	<u>1,110,454</u>
Total capital assets being depreciated	<u>10,568,356</u>	<u>392,840</u>	<u>96,434</u>	<u>10,864,762</u>
Less accumulated depreciation for				
Buildings	212,385	19,061	-	231,446
Plant and distribution system	3,539,638	220,283	-	3,759,921
Furniture and maintenance equipment	209,173	4,607	-	213,780
Vehicles	<u>766,141</u>	<u>49,867</u>	<u>94,881</u>	<u>721,127</u>
Total accumulated depreciation	<u>4,727,337</u>	<u>293,818</u>	<u>94,881</u>	<u>4,926,274</u>
Total capital assets being depreciation, net	<u>5,841,019</u>	<u>99,022</u>	<u>1,553</u>	<u>5,938,488</u>
Electric Fund				
Capital Assets – net	<u>\$ 5,861,019</u>	<u>\$ 171,388</u>	<u>\$ 1,553</u>	<u>\$ 6,030,854</u>
Business-type activities capital assets, net	<u>\$ 38,169,335</u>			<u>\$ 39,528,746</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$497,937, \$508,164, and \$465,525, 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>43</u>
Total	<u>46</u>

A separate report was not issued for the plan.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The unfunded actuarial accrued liability is being amortized as level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 93,242
Interest on net pension obligation	21,495
Adjustment to annual required contribution	<u>(26,754)</u>
Annual pension cost	87,983
Contributions made	<u>37,157</u>
Increase in net pension obligation	50,826
Net pension obligation beginning of year	<u>429,908</u>
Net pension obligation end of year	<u>\$ 480,734</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 June 30	Three Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
2011	\$ 94,741	13.63%	\$ 370,729
2012	\$ 78,782	24.88%	\$ 429,908
2013	\$ 87,983	42.23%	\$ 480,734

Funded Status and Funding Progress

As of December 31 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$911,025. The covered payroll (annual payroll of active employees covered by the plan) was \$2,075,282, and the ratio of the UAAL to the covered payroll was 43.90 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 State's 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, 2013 were \$516,215, which consisted of \$317,488 from the Town and \$198,727 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, 2013

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 a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$34,685 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, 2013. Under State law the local board of trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their departments.

e. Other Postemployment Benefit

Healthcare Benefits

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

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

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

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

The current ARC rate is 1.48% of annual covered payroll. For the current year, the Town contributed \$8,498 for retirees. The Town obtains healthcare coverage through private insurers. Retirees made contributions in the amount of \$8,498. No dependent coverage was purchased.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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	\$ 103,836
Interest on net OPEB obligation	15,755
Adjustment to annual required contribution	<u>(13,593)</u>
Annual OPEB cost (expense)	105,998
Contributions made	<u>(8,498)</u>
Increase (decrease) in net OPEB obligation	97,500
Net OPEB obligation, beginning of year	<u>393,876</u>
Net OPEB obligation, end of year	<u>\$ 491,376</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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>
2011	\$ 97,645	11.58%	\$301,311
2012	98,119	5.66%	393,876
2013	105,998	8.02%	491,376

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

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

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

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

2. Other Employment Benefit

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

3. Deferred Outflows and Inflows of Resources

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

<u>Governmental Activities</u>	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (Net)	\$ 155,934	\$ -
Community Development Assessments	-	268,740
Prepaid taxes	-	40,776
	<u>\$ 155,934</u>	<u>\$ 309,516</u>
 <u>Business-type Activities</u>		
Special Assessment (water)		<u>\$ 157,318</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS *Continued*

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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 \$64.9 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.

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

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Debt

Long-term debt obligations of the Town at June 30, 2013 consist of the following:

	<u>Served 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%	\$ 4,250,000	\$ -
\$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%	1,860,000	-
\$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%.	\$ -	\$ 80,000

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Long-Term Debt (Continued)

	Serviced by	
	Governmental Activities	Business-type Activities
Total general obligation bonds	\$ 6,110,000	\$ 80,000
Revenue Bonds		
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	\$ -	\$ 1,604,000
<u>Installment Purchases</u>		
2009 Clayton Community Center; contract of \$1,500,000; due in monthly installments of \$8,333 for principal; interest at 3.57%	\$ 1,066,667	\$ -
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%	1,471,318	-
2012 Rolling Stock vehicle purchase; contract of \$251,297; due in monthly Installments of \$7,151, interest at 1.57%	168,842	-
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%	582,733	-
2007 Park Land Purchase; contract for \$2,073,435; due in monthly installments of \$11,519 plus interest at 3.94%.	1,278,618	-
2008 Fire Truck; contract of \$ 410,000; due in monthly installments of \$3,980; interest at 3.11%	207,204	-
2007 Municipal Building; contract of \$5,000,000; due in monthly installments of variable principal; interest at 2.975%	4,726,992	-
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%	100,776	-
2012 Rolling Stock; contract of \$336,077; due in monthly installments of \$9,471; interest at 0.94%	308,431	-
2008 Sanitary Sewer Revolving Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	2,700,000

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Long-Term Debt (Continued)

	Serviced by	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Installment Purchases (Continued)		
2007 Sanitary Sewer Revolving Loan; contract for \$3,921,798; due in annual installments of \$257,117 plus interest at 2.205%.	-	2,314,054
1996 Revolving Loan Fund; contract of \$4.3 million; due in annual installments of \$220,511; interest at 2.89%	-	661,534
1998 Sanitary Sewer Project; contract for \$1,007,888; due in annual installments of \$50,394; interest at 2.91%	-	312,104
1995 Clean Water Bond; contract of \$354,000; annual installments of \$17,700; interest at 5.3%	-	70,800
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%	-	544,724
2008 Sams Branch Outfall Project; contract of \$1,120,000; due in monthly installments of \$9,333; plus interest at 3.48%	-	149,119
2009 ARM Project; contract of \$579,000; due in monthly installments of \$10,557; including interest at 2.96%	-	114,427
2009 WWTP Generator; contract of \$250,000; due in monthly installments of \$4,558; including interest at 2.96%	-	49,407
2012 Rolling Stock; contract of \$386,499; due in monthly installments of \$6,753; interest at 1.22%	-	367,401
Total installment purchases	<u>15,981,581</u>	<u>7,403,570</u>
Total outstanding	22,091,581	9,087,570
Less current portion	<u>1,627,740</u>	<u>2,945,733</u>
	<u>\$ 20,463,841</u>	<u>\$ 6,141,837</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Long-Term Debt (Continued)

At June 30, 2013, the Town of Clayton had a legal debt margin of \$101,959,576

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, 2013:

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 6,500,000	\$ -	\$ 390,000	\$ 6,110,000	\$ 390,000
Installment purchases	16,748,732	336,077	1,103,228	15,981,581	1,237,740
Compensated absences	467,103	371,671	349,417	489,357	244,679
Other postemployment benefits	359,038	69,968	-	429,006	-
Net pension obligation	429,908	50,826	-	480,734	-
Governmental activity long-term liabilities	<u>\$ 24,504,781</u>	<u>\$ 828,542</u>	<u>\$ 1,842,645</u>	<u>\$ 23,490,678</u>	<u>\$ 1,872,419</u>
Business-type activities:					
General obligation bonds	\$ 215,000	\$ -	\$ 135,000	\$ 80,000	\$ 80,000
Revenue bonds	1,844,000	-	240,000	1,604,000	1,604,000
Installment purchases	8,374,326	367,401	1,338,157	7,403,570	1,261,733
Other postemployment benefits	34,838	27,532	-	62,370	-
Compensated absences	91,652	77,199	75,301	93,550	46,775
Business-type activity long-term liabilities	<u>\$ 10,559,816</u>	<u>\$ 472,132</u>	<u>\$ 1,788,458</u>	<u>\$ 9,243,490</u>	<u>\$ 2,992,508</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, 2013, including interest, are as follows:

	Bond obligation		Installment purchases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities						
2014	\$ 390,000	\$ 186,825	\$1,237,740	\$ 519,168	\$1,627,740	\$ 705,993
2015	390,000	178,695	1,094,723	490,640	1,484,723	669,335
2016	390,000	170,425	1,032,837	465,275	1,422,837	635,700
2017	390,000	161,875	953,764	439,481	1,343,764	601,356
2018	390,000	152,819	943,826	413,885	1,333,826	566,704
2019-2023	1,930,000	585,625	3,551,959	1,713,263	5,481,959	2,298,888
Thereafter	<u>2,230,000</u>	<u>287,824</u>	<u>7,166,732</u>	<u>2,031,841</u>	<u>9,396,732</u>	<u>2,319,665</u>
Total	<u>6,110,000</u>	<u>1,724,088</u>	<u>15,981,581</u>	<u>6,073,553</u>	<u>22,091,581</u>	<u>7,797,641</u>

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

6. Long-Term Debt (Continued)

	Bond obligation		Installment purchases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Business-type activities						
2014	\$1,684,000	\$ 37,161	\$ 1,261,733	\$ 167,258	\$ 2,945,733	\$ 204,419
2015	-	-	1,023,962	135,320	1,023,962	135,320
2016	-	-	987,799	108,672	987,799	108,672
2017	-	-	586,681	85,710	586,681	85,710
2018	-	-	542,909	73,201	542,909	73,201
2019-2023	-	-	1,980,486	209,408	1,980,486	209,408
Thereafter	-	-	1,020,000	56,700	1,020,000	56,700
	<u>1,684,000</u>	<u>37,161</u>	<u>7,403,570</u>	<u>836,269</u>	<u>9,087,570</u>	<u>873,430</u>
Total	<u>\$7,794,000</u>	<u>\$1,761,249</u>	<u>\$23,385,151</u>	<u>\$6,909,822</u>	<u>\$31,179,151</u>	<u>\$ 8,671,071</u>

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2013, consist of the following:

From the Greenway Development Project to the General Fund – financing sources	\$ 250,600
From the General Fund to the 2009A GO Bonds Street Project fund - financing sources	1,312,170
From the General Fund to the 2012 GO Bonds East Clayton Park Project – financing sources	140,200
From the Water/Sewer Fund to the 2009 A GO Bonds Street Project fund – financing sources	685,692

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$21,033 for the 57 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 \$13,652 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, 2013. 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.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, the Town reported revenues and expenditures for the payments of \$13,652 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, 2013. 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 - 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, 2013 were \$9,537,027.

TOWN OF CLAYTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 6 – FUND BALANCE

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

Total fund balance – General Fund	<u>\$ 8,495,393</u>
Less:	
Inventories	15,908
Stabilization by State Statute	1,338,251
Streets-Powell Bill	3,251
Public Improvements	494,918
Public Safety	4,664
Appropriate Fund/Balance in 2014 Budget	259,949
Working Capital/Fund Balance Policy-Operating Standard	5,672,699
Remaining Fund/Balance	705,753

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Position is now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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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 (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a % of Covered Payroll ((b-a)/c)
12/31/2012	\$ -	\$ 911,025	\$ 911,025	0.00%	\$ 2,075,282	43.90%
12/31/2011	-	769,822	769,822	0.00%	2,105,132	36.57%
12/31/2010	-	672,393	672,393	0.00%	2,020,788	33.27%
12/31/2009	-	796,120	796,120	0.00%	2,131,334	37.35%
12/31/2008	-	545,290	545,290	0.00%	2,044,877	26.67%
12/31/2007	-	463,434	463,434	0.00%	1,756,428	26.39%

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>
6/30/2013	93,242	39.85%
6/30/2012	82,362	23.80%
6/30/2011	95,763	13.49%
6/30/2010	68,383	18.89%
6/30/2009	57,076	28.47%
6/30/2008	46,550	38.50%
6/30/2007	32,475	41.92%

NOTES TO THE REQUIRED SCHEDULES:

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

Valuation date	12/31/2011
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)
12/31/2012	\$ -	\$ 736,319	\$ 736,319	0%	\$ 6,968,937	10.57%
12/31/2009	-	837,653	837,653	0%	7,599,455	11.02%
12/31/2008	-	1,005,859	1,005,859	0%	7,268,327	13.84%

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	103,836	8.18%
2012	96,465	5.76%
2011	96,465	11.73%

Notes to the Required Schedules:

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

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

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**



MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

TOWN OF CLAYTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

Exhibit A-1
Page 1 of 6

	2013		Variance
	Budget	Actual	Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ -	\$ 7,947,386	\$ -
Penalties and interest	-	37,308	-
Total	<u>8,179,433</u>	<u>7,984,694</u>	<u>(194,739)</u>
Other taxes and licenses:			
Motor vehicle licenses	-	59,199	-
Payments in lieu of taxes	-	10,293	-
Privilege licenses	-	124,372	-
Total	<u>159,500</u>	<u>193,864</u>	<u>34,364</u>
Unrestricted intergovernmental:			
Local option sales tax	-	2,594,116	-
ABC profit distribution	-	85,534	-
Gasoline tax refunds	-	97	-
Franchise tax	-	674,211	-
Telecommunications tax	-	78,472	-
Video programming fees	-	204,329	-
Beer and wine tax	-	66,364	-
Tax Reimbursements	-	367,850	-
Reimbursement from rural fire department	-	899,718	-
Total	<u>5,028,321</u>	<u>4,970,691</u>	<u>(57,630)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	448,464	-
State grants	-	291,336	-
Federal grants	-	813	-
Controlled substance tax	-	1,545	-
PEG channel support	-	62,817	-
On-behalf of payments - Fire	-	34,685	-
Solid waste disposal tax	-	9,259	-
Total	<u>460,997</u>	<u>848,919</u>	<u>387,922</u>
Permits and fees:			
Alarm response fees	-	17,450	-
Recreation fees in lieu	-	179,250	-
Building permits	-	556,735	-
Inspection and rezoning fees	-	113,565	-
Total	<u>374,840</u>	<u>867,000</u>	<u>492,160</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, 2013

	2013		Variance
	Budget	Actual	Positive (Negative)
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	11,494	-
Refuse collection fees	-	1,212,563	-
Cemetery lots and fees	-	58,240	-
General Government Contributions	-	103,424	-
Public safety contributions	-	3,432	-
Recreation fees and contributions	-	234,343	-
Clayton Center Cultural Arts	-	234,237	-
Library fees and contributions	-	16,602	-
Total	<u>1,872,541</u>	<u>1,874,335</u>	<u>1,794</u>
Investment earnings	<u>17,700</u>	<u>21,605</u>	<u>3,905</u>
Miscellaneous:			
Miscellaneous	-	26,333	-
Sale of surplus property	-	55,368	-
Lease revenue	-	22,257	-
Reimbursable projects	-	411,512	-
Damage and insurance reimbursement	-	5,486	-
Total	<u>390,602</u>	<u>520,956</u>	<u>130,354</u>
Total Revenues	<u>16,483,934</u>	<u>17,282,064</u>	<u>798,130</u>
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	72,584	-
Other operating expenditures	-	32,935	-
Reimbursement - proprietary funds	-	(34,391)	-
Total	<u>-</u>	<u>71,128</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	487,215	-
Other operating expenditures	-	438,714	-
Reimbursement - proprietary funds	-	(410,795)	-
Total	<u>-</u>	<u>515,134</u>	<u>-</u>
Human Resources:			
Salaries and employee benefits	-	144,398	-
Other operating expenditures	-	183,793	-
Reimbursement - proprietary funds	-	(51,736)	-
Total	<u>-</u>	<u>276,455</u>	<u>-</u>
Special Appropriations:			
Miscellaneous	-	70,220	-
Reimbursement - proprietary funds	-	(13,040)	-
Total	<u>-</u>	<u>57,180</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, 2013

Exhibit A-1
Page 3 of 6

	2013		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Other operating expenditures	-	93,510	-
Reimbursement - proprietary funds	-	(27,530)	-
Total	-	65,980	-
Total General Government	936,026	985,877	(49,851)
Financial Services:			
Administration:			
Salaries and employee benefits	-	286,437	-
Other operating expenditures	-	295,562	-
Reimbursement - proprietary funds	-	(152,263)	-
Total	-	429,736	-
Customer Services:			
Salaries and employee benefits	-	405,236	-
Other operating expenditures	-	97,069	-
Capital outlay	-	17,130	-
Reimbursement - proprietary funds	-	(485,710)	-
Total	-	33,725	-
Information Services:			
Salaries and employee benefits	-	51,727	-
Other operating expenditures	-	525,816	-
Reimbursement - proprietary funds	-	(91,707)	-
Total	-	485,836	-
Total Financial Services	969,486	949,297	20,189
Community Development Services:			
Planning and Zoning:			
Salaries and employee benefits	-	324,430	-
Other operating expenditures	-	45,541	-
Capital outlay	-	98,448	-
Total	-	468,419	-
Downtown and Economic Development			
Salaried and employee benefits	-	74,310	-
Other operating expenditures	-	80,343	-
Total	-	154,653	-
Total Community Development Services	608,885	623,072	(14,187)
Total General Government Operations	2,514,397	2,558,246	(43,849)

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, 2013

Exhibit A-1
Page 4 of 6

	2013		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	279,586	-
Vehicle maintenance and fuel	-	1,717	-
Other operating expenditures	-	168,371	-
Capital outlay	-	7,950	-
Total	-	457,624	-
Police Investigation:			
Salaries and employee benefits	-	546,914	-
Vehicle maintenance and fuel	-	21,712	-
Other operating expenditures	-	69,618	-
Total	-	638,244	-
Police Patrol:			
Salaries and employee benefits	-	1,546,934	-
Vehicle maintenance and fuel	-	89,481	-
Other operating expenditures	-	105,145	-
Capital outlay	-	194,252	-
Total	-	1,935,812	-
Police Special Operations			
Salaries and employee benefits	-	613,820	-
Vehicle maintenance and fuel	-	31,598	-
Other operating expenditures	-	74,740	-
Capital outlay	-	38,065	-
Total	-	758,223	-
Total Law Enforcement	3,906,884	3,789,903	116,981
Fire Protection:			
Salaries and employee benefits	-	1,313,762	-
Vehicle maintenance and fuel	-	62,930	-
Other operating expenditures	-	396,548	-
Capital outlay	-	39,281	-
On Behalf of Payments-Fire	-	34,685	-
Total	-	1,847,206	-
Total Fire Protection	2,010,274	1,847,206	163,068
Total Public Safety	5,917,158	5,637,109	280,049
Public Works:			
Administration:			
Salaries and employee benefits	-	286,467	-
Other operating expenditures	-	87,525	-
Capital outlay	-	29,097	-
Reimbursement - proprietary funds	-	(212,305)	-
Total	-	190,784	-

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, 2013

Exhibit A-1
Page 5 of 6

	2013		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
Public Works: (Continued)			
Inspections:			
Salaries and employee benefits	-	294,907	-
Vehicle maintenance and fuel	-	3,126	-
Other operating expenditures	-	19,545	-
Total	-	317,578	-
Engineering:			
Salaries and employee benefits	-	200,354	-
Other operating expenditures	-	8,713	-
Reimbursement - proprietary funds	-	(87,807)	-
Total	-	121,260	-
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	176,945	-
Other operating expenditures	-	24,504	-
Reimbursement - proprietary funds	-	(43,823)	-
Total	-	157,626	-
Streets:			
Salaries and employee benefits	-	312,950	-
Vehicle maintenance and fuel	-	32,100	-
Street lights	-	83,025	-
Other operating expenditures	-	157,158	-
Capital outlay	-	621,520	-
Reimbursement - proprietary funds	-	(24,807)	-
Total	-	1,181,946	-
Property Maintenance:			
Salaries and employee benefits	-	374,873	-
Vehicle maintenance and fuel	-	15,906	-
Other operating expenditures	-	233,222	-
Capital outlay	-	100,915	-
Reimbursement - proprietary funds	-	(102,238)	-
Total	-	622,678	-
Sanitation:			
Trash hauling fee	-	500,821	-
Landfill fees	-	228,064	-
Recycling efforts	-	290,218	-
Miscellaneous activities	-	230,495	-
Total	-	1,249,598	-
Total Public Works	3,819,276	3,841,470	(22,194)

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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	687,201	-
Vehicle maintenance and fuel	-	10,525	-
Other operating expenditures	-	395,795	-
Capital outlay	-	40,799	-
Total Parks & Recreation	1,360,348	1,134,320	226,028
Cultural & Performing Arts:			
Salaries and employee benefits	-	277,298	-
Other operating expenditures	-	210,429	-
Total Cultural & Performing Arts	523,746	487,727	36,019
Library Operations:			
Salaries and employee benefits	-	308,672	-
Other operating expenditures	-	72,594	-
Total Library Operations	386,062	381,266	4,796
Total Cultural and Recreational	2,270,156	2,003,313	266,843
Debt Service:			
Principal retirement	-	1,493,228	-
Interest and fees	-	832,444	-
Total Debt Service	2,325,672	2,325,672	-
Total Expenditures	16,846,659	16,365,810	480,849
REVENUES OVER (UNDER) EXPENDITURES	(362,725)	916,254	1,278,979
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Debt Issuance	342,100	336,077	(6,023)
2009A GO Bonds Streets Project	(1,312,170)	(1,312,170)	-
2012 GO Bonds ECCP	(140,200)	(140,200)	-
Greenway Development Project	-	250,600	250,600
Total other financing sources (uses)	(1,110,270)	(865,693)	244,577
Fund balance appropriated	1,472,995	-	1,472,995
Net change in fund balance	\$ -	50,561	\$ 50,561
Fund balance, beginning		8,444,832	
Fund balance, ending		\$ 8,495,393	

**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, 2013

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES:					
Grant revenue	\$ 1,479,000	\$ 61,889	\$ 548,131	\$ 610,020	\$ (868,980)
Miscellaneous	96,354	96,354	-	96,354	-
Total Revenues	<u>1,575,354</u>	<u>158,243</u>	<u>548,131</u>	<u>706,374</u>	<u>(868,980)</u>
EXPENDITURES:					
Capital outlay:					
Technical services	240,000	224,380	12,893	237,273	2,727
Construction	1,728,400	577,929	74,486	652,415	1,075,985
Easement	27,327	26,927	-	26,927	400
Total expenditures	<u>1,995,727</u>	<u>829,236</u>	<u>87,379</u>	<u>916,615</u>	<u>1,079,112</u>
REVENUES OVER (UNDER) EXPENDITURES	(420,373)	(670,993)	460,752	(210,241)	210,132
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	420,373	685,218	(250,600)	434,618	14,245
Total other financing sources:	<u>420,373</u>	<u>685,218</u>	<u>(250,600)</u>	<u>434,618</u>	<u>14,245</u>
Net change in Fund balance	\$ -	\$ 14,225	210,152	\$ 224,377	224,377
Fund balance, beginning			14,225		
Fund balance, ending			<u>\$ 224,377</u>		

CAPITAL PROJECTS FUND

2012 GO BOND EAST CLAYTON PARK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Interest revenue	\$ 2,800	\$ 1,260	\$ 1,060	\$ 2,320	\$ 480
Total Revenues	<u>2,800</u>	<u>1,260</u>	<u>1,060</u>	<u>2,320</u>	<u>480</u>
EXPENDITURES:					
Capital outlay:					
Professional services	153,000	150,421	2,319	152,740	260
Construction	2,002,900	1,322,385	676,191	1,998,576	4,324
Site improvements	<u>2,000</u>	<u>1,736</u>	<u>-</u>	<u>1,736</u>	<u>264</u>
Total expenditures	<u>2,157,900</u>	<u>1,474,542</u>	<u>678,510</u>	<u>2,153,052</u>	<u>4,848</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,155,100)	(1,473,282)	(677,450)	(2,150,732)	4,368
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	140,200	-	140,200	140,200	-
Bonds issued	2,000,000	2,000,000	-	2,000,000	-
Premium on bonds issued	<u>14,900</u>	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>-</u>
Total other financing sources:	<u>2,155,100</u>	<u>2,014,900</u>	<u>140,200</u>	<u>2,155,100</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 541,618</u>	<u>(537,250)</u>	<u>\$ 4,368</u>	<u>\$ 4,368</u>
Fund balance, beginning			<u>541,618</u>		
Fund balance, ending			<u>\$ 4,368</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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Interest revenue	5,000	3,088	132	3,220	(1,780)
Total Revenues	5,000	3,088	132	3,220	(1,780)
EXPENDITURES:					
Capital outlay:					
Professional services	85,000	66,467	8,750	75,217	9,783
Construction	4,890,774	4,777,220	22,618	4,799,838	90,936
Furniture, Fixtures & Equipment	480,000	479,125	-	479,125	875
Administrative	220,600	220,600	-	220,600	-
Geotechnical investigation	60,000	50,558	-	50,558	9,442
Contingency	332,476	319,049	-	319,049	13,427
Preservation expense	6,150	6,150	-	6,150	-
Total expenditures	6,075,000	5,919,169	31,368	5,950,537	124,463
REVENUES OVER (UNDER) EXPENDITURES	(6,070,000)	(5,916,081)	(31,236)	(5,947,317)	122,683
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	\$ -	\$ 153,919	(31,236)	\$ 122,683	\$ 122,683
Fund balance, beginning			153,919		
Fund balance, ending			\$ 122,683		

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CAPITAL PROJECTS FUND

2009A GO BONDS RECREATION PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenues	\$ 300,000	\$ -	\$ 300,000	300,000	\$ -
Interest revenue	4,500	4,475	-	4,475	(25)
Miscellaneous	-	15,000	-	15,000	15,000
Total Revenues	<u>304,500</u>	<u>19,475</u>	<u>300,000</u>	<u>319,475</u>	<u>14,975</u>
EXPENDITURES:					
Capital outlay:					
Professional services	81,547	56,536	1,059	57,595	23,952
Construction	65,100	65,092	-	65,092	8
Land acquisition	2,010,000	2,009,180	26	2,009,206	794
Site improvements	168,000	167,684	-	167,684	316
Total expenditures	<u>2,324,647</u>	<u>2,298,492</u>	<u>1,085</u>	<u>2,299,577</u>	<u>25,070</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,020,147)	(2,279,017)	298,915	(1,980,102)	40,045
OTHER FINANCING SOURCES:					
Special revenue fund	-	300,000	(300,000)	-	-
Bonds issued	2,000,000	2,000,000	-	2,000,000	-
Premium on bonds issued	20,147	20,147	-	20,147	-
Total other financing sources:	<u>2,020,147</u>	<u>2,320,147</u>	<u>(300,000)</u>	<u>2,020,147</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 41,130</u>	(1,085)	<u>\$ 40,045</u>	<u>\$ 40,045</u>
Fund balance, beginning			<u>41,130</u>		
Fund balance, ending			<u>\$ 40,045</u>		

CAPITAL PROJECTS FUND

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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenues	\$ 78,000	\$ -	\$ -	\$ -	\$ (78,000)
Interest revenue	9,400	9,315	-	9,315	(85)
Total Revenues	87,400	9,315	-	9,315	(78,085)
EXPENDITURES:					
Capital outlay:					
Professional services	85,000	74,555	-	74,555	10,445
Construction	4,850,500	2,877,097	1,962,440	4,839,537	10,963
System maintenance	85,000	181,738	11,403	193,141	(108,141)
Mitigation Projects	89,983	-	-	-	89,983
Contingency	5,000	12,080	-	12,080	(7,080)
Total expenditures	5,115,483	3,145,470	1,973,843	5,119,313	(3,830)
REVENUES OVER (UNDER) EXPENDITURES					
	(5,028,083)	(3,136,155)	(1,973,843)	(5,109,998)	(81,915)
OTHER FINANCING SOURCES:					
Debt proceeds	3,000,000	3,000,000	-	3,000,000	-
Premium on bonds issued	30,221	30,221	-	30,221	-
Transfer from General Fund	1,312,170	105,934	1,312,170	1,418,104	105,934
Transfer from Water/Sewer Fund	685,692	-	685,692	685,692	-
Total other financing sources:	5,028,083	3,136,155	1,997,862	5,134,017	105,934
Net change in fund balance	\$ -	\$ -	24,019	\$ 24,019	\$ 24,019
Fund balance, beginning			-		
Fund balance, ending			\$ 24,019		

CAPITAL PROJECTS FUND

PARKS & RECREATION CAPITAL PROJECT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2013

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

NONMAJOR GOVERNMENTAL FUND

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

TOWN OF CLAYTON, NORTH CAROLINA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

Exhibit B-1

	Special Revenue Fund Horne Cemetery Fund	Total Non-Major Governmental Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,234	\$ 3,234
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,234</u>	<u>\$ 3,234</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>3,234</u>	<u>3,234</u>
Total fund balances	<u>3,234</u>	<u>3,234</u>
Total liabilities and fund balances	<u>\$ 3,234</u>	<u>\$ 3,234</u>

HORNE CEMETERY FUND

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

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 8	\$ 8
EXPENDITURES			
Cemetery Care	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>
Fund balance, beginning		<u>3,226</u>	
Fund balance, ending		<u>\$ 3,234</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.

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

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

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

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

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

	2013		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Water sales	\$ -	\$ 4,078,295	\$ -
Sewer charges	-	3,596,612	-
Connection and tap fees	-	41,226	-
Total	<u>7,787,768</u>	<u>7,716,133</u>	<u>(71,635)</u>
Other operating revenues	<u>288,933</u>	<u>251,100</u>	<u>(37,833)</u>
Total operating revenues	<u>8,076,701</u>	<u>7,967,233</u>	<u>(109,468)</u>
Nonoperating revenues:			
Investment earnings	-	2,683	-
Capacity fees	-	2,014,504	-
Nutrient offset fees	-	221,875	-
Miscellaneous	-	23,952	-
Total nonoperating revenues	<u>1,410,895</u>	<u>2,263,014</u>	<u>852,119</u>
Total revenues	<u>9,487,596</u>	<u>10,230,247</u>	<u>742,651</u>
EXPENDITURES:			
Water Distribution Operations:			
Water purchases	-	1,670,059	-
Salaries and employee benefits	-	340,676	-
Meter replacements	-	77,170	-
Bad debt expense	-	32,234	-
Other operating expenditures	-	513,224	-
Total water distribution	<u>-</u>	<u>2,633,363</u>	<u>-</u>
Preventative Maintenance:			
Salaries and employee benefits	-	207,009	-
Chemicals	-	88,140	-
Supplies	-	2,782	-
Other operating expenditures	-	439,328	-
Total preventative maintenance	<u>-</u>	<u>737,259</u>	<u>-</u>
Water Treatment:			
Salaries and employee benefits	-	321,559	-
Chemicals	-	25,905	-
Supplies	-	22,106	-
Other operating expenditures	-	1,091,621	-
Total water treatment	<u>-</u>	<u>1,461,191</u>	<u>-</u>
Total water distribution and treatment	<u>4,763,423</u>	<u>4,831,813</u>	<u>(68,390)</u>

	2013		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 1,452,990	\$ -
Interest	-	204,236	-
Total debt service	<u>1,882,525</u>	<u>1,657,226</u>	<u>225,299</u>
Capital outlay:			
Water distribution	-	51,046	-
Water treatment	-	70,150	-
Total capital outlay	<u>939,673</u>	<u>121,196</u>	<u>818,477</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>1,216,275</u>	<u>1,145,044</u>	<u>71,231</u>
Transfer to Capital Project fund	<u>685,700</u>	<u>685,692</u>	<u>8</u>
Total expenditures	<u>9,487,596</u>	<u>8,440,971</u>	<u>1,046,625</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,789,276</u>	<u>1,789,276</u>

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

REVENUES AND OTHER SOURCES
OVER EXPENDITURES AND
OTHER USES

\$ 1,789,276

Reconciling items:

Principal retirement	1,452,990
Capital outlay	121,196
Other postemployment benefits	(16,699)
Vacation accrual	(165)
Depreciation & Amortization	(923,624)
Capital contribution	479,412
Interest revenue-capital project	<u>1,069</u>
Total Reconciling items	<u>1,114,179</u>

Change in net assets

\$ 2,903,455

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

Exhibit C-2

RALEIGH/CLAYTON SEWER PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Miscellaneous	\$ 3,850,000	\$ 255,000	\$ -	\$ 255,000	\$ (3,595,000)
EXPENDITURES:					
Clayton capacity charges	807,400	807,366	-	807,366	34
Construction	5,159,200	243,652	710	244,362	4,914,838
Design services	275,000	243,357	22,285	265,642	9,358
Easements	250,000	166,926	46,293	213,219	36,781
Construction inspection	87,000	-	-	-	87,000
Geotechnical investigation	13,200	13,200	-	13,200	-
Contingency	500,000	264	-	264	499,736
Total expenditures	7,091,800	1,474,765	69,288	1,544,053	5,547,747
REVENUES OVER (UNDER)					
EXPENDITURES	(3,241,800)	(1,219,765)	(69,288)	(1,289,053)	1,952,747
OTHER FINANCING SOURCES:					
Proceeds from loan	3,241,800	-	-	-	(3,241,800)
Total other financing sources	3,241,800	-	-	-	(3,241,800)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)					
EXPENDITURES	\$ -	\$ (1,219,765)	(69,288)	\$ (1,289,053)	\$ (1,289,053)
Fund balance, beginning			(1,219,765)		
Fund balance, ending			\$ (1,289,053)		

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, 2013

Exhibit C-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Grant Revenue	\$ 1,562,200	\$ -	\$ 479,416	\$ 479,416	\$ (1,082,784)
Interest earnings	-	635	1,069	1,704	1,704
Total revenues	<u>1,562,200</u>	<u>635</u>	<u>480,485</u>	<u>481,120</u>	<u>(1,081,080)</u>
EXPENDITURES:					
Professional services	276,400	186,335	76,042	262,377	14,023
Construction	2,650,000	57,347	1,842,825	1,900,172	749,828
Contingency	<u>265,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,000</u>
Total expenditures	<u>3,191,400</u>	<u>243,682</u>	<u>1,918,867</u>	<u>2,162,549</u>	<u>1,028,851</u>
REVENUES OVER (UNDER)					
EXPENDITURES	<u>(1,629,200)</u>	<u>(243,047)</u>	<u>(1,438,382)</u>	<u>(1,681,429)</u>	<u>(52,229)</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>1,604,000</u>	<u>-</u>	<u>1,604,000</u>	<u>(25,200)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)					
EXPENDITURES	<u>\$ -</u>	<u>\$ 1,360,953</u>	<u>(1,438,382)</u>	<u>\$ (77,429)</u>	<u>\$ (77,429)</u>
Fund balance, beginning			<u>1,360,953</u>		
Fund balance, ending			<u>\$ (77,429)</u>		

AUTOMATIC ROLLS CDBG
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
CDBG Grant	\$ 700,000	\$ 700,000	\$ -	\$ 700,000	\$ -
Developer contributions	234,000	234,000	-	234,000	-
Total revenues	934,000	934,000	-	934,000	-
EXPENDITURES:					
Construction	674,000	669,639	3,000	672,639	1,361
Administrative	400	351	-	351	49
Construction inspection	4,000	-	500	500	3,500
Street repairs & improvements	131,000	130,954	-	130,954	46
Design	97,000	96,616	350	96,966	34
Nitrogen capacity	25,100	21,547	-	21,547	3,553
Contingency	2,500	-	-	-	2,500
Total expenditures	934,000	919,107	3,850	922,957	11,043
REVENUES OVER (UNDER)					
EXPENDITURES	\$ -	\$ 14,893	(3,850)	\$ 11,043	\$ 11,043
Fund balance, beginning			14,893		
Fund balance, ending			\$ 11,043		

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	2013		Variance
	Budget	Actual	Positive (Negative)
REVENUES:			
Operating revenues:			
Electricity sales	\$ -	\$ 11,959,691	\$ -
Connection fees	-	21,235	-
Penalties	-	204,987	-
Total	<u>12,619,486</u>	<u>12,185,913</u>	<u>(433,573)</u>
Other operating revenues	<u>27,700</u>	<u>83,972</u>	<u>56,272</u>
Total operating revenues	<u>12,647,186</u>	<u>12,269,885</u>	<u>(377,301)</u>
Nonoperating revenues:			
Investment earnings	-	7,009	-
Damage reimbursement	-	14,835	-
Miscellaneous	-	146,447	-
Total nonoperating revenues	<u>1,039,631</u>	<u>168,291</u>	<u>(871,340)</u>
Total revenues	<u>13,686,817</u>	<u>12,438,176</u>	<u>(1,248,641)</u>
EXPENDITURES:			
Electric operations:			
Electric power purchased	-	9,537,027	-
Salaries and employee benefits	-	706,154	-
Contracted maintenance	-	87,352	-
Vehicle maintenance	-	28,295	-
Bad Debt expense	-	97,362	-
Other operating expenditures	-	685,832	-
Total electric operations	<u>11,537,198</u>	<u>11,142,022</u>	<u>395,176</u>
Debt service:			
Principal	-	279,265	-
Interest	-	7,299	-
Total debt service	<u>330,169</u>	<u>286,564</u>	<u>43,605</u>
Capital outlay	<u>801,825</u>	<u>465,206</u>	<u>336,619</u>
Reimbursement - General Fund:			
Taxes	377,850	367,850	-
Support services	<u>639,775</u>	<u>602,462</u>	<u>-</u>
Total reimbursement	<u>1,017,625</u>	<u>970,312</u>	<u>47,313</u>

	2013		Variance
	Budget	Actual	Positive (Negative)
Total expenditures	<u>13,686,817</u>	<u>12,864,104</u>	<u>822,713</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (425,928)</u>	<u>\$ (425,928)</u>
Other financing sources			
Debt proceeds	<u>-</u>	<u>386,499</u>	<u>386,499</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>(39,429)</u>	<u>(39,429)</u>

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

REVENUES OVER EXPENDITURES	\$ (39,429)
Reconciling items:	
Capital outlay	465,206
Principal retirement	279,265
Debt proceeds	(386,499)
Other postemployment benefits	(10,833)
Vacation accrual	(1,733)
Depreciation	<u>(295,371)</u>
Total Reconciling items	<u>50,035</u>
Change in net assets	<u>\$ 10,606</u>

TOWN OF CLAYTON, NORTH CAROLINA
ELECTRIC CAPITAL PROJECTS FUND -
ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

Exhibit C-6

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

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, 2013

Exhibit D-1

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 1,040,852	\$ 1,268,086	\$ 899,719	\$ 1,409,219
Taxes receivable	<u>9,956</u>	<u>38,662</u>	<u>9,956</u>	<u>38,662</u>
Total assets	<u>\$ 1,050,808</u>	<u>\$ 1,306,748</u>	<u>\$ 909,675</u>	<u>\$ 1,447,881</u>
LIABILITIES				
Intergovernmental payable	<u>1,050,808</u>	<u>1,306,748</u>	<u>909,675</u>	<u>1,447,881</u>
Total liabilities	<u>\$ 1,050,808</u>	<u>\$ 1,306,748</u>	<u>\$ 909,675</u>	<u>\$ 1,447,881</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, 2013

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 8,141,032	\$ 8,050,222	90,810
2011-2012	108,810	120	96,033	12,897
2010-2011	11,779	-	3,044	8,735
2009-2010	15,165	-	776	14,389
2008-2009	7,302	-	343	6,959
2007-2008	7,495	-	814	6,681
2006-2007	4,655	-	4,590	65
2005-2006	4,817	-	4,513	304
2004-2005	4,108	-	3,862	246
2003-2004	4,814	-	4,639	175
2002-2003	<u>5,438</u>	<u>-</u>	<u>5,438</u>	<u>-</u>
	<u>\$ 174,383</u>	<u>\$ 8,141,152</u>	<u>\$ 8,174,274</u>	<u>\$ 141,261</u>
Plus: Uncollected 2012-2013 ad valorem taxes receivable on annually registered vehicles				49,673
Less: Allowance for uncollectible accounts General Fund				<u>35,000</u>
Ad valorem taxes receivable - net				<u>\$ 155,934</u>
Reconciliation with revenues				
Ad valorem taxes - General Fund				<u>\$ 7,984,694</u>
Reconciling items:				
Interest collected				(37,308)
Prior year prepayments				-
EDIG Rebate				191,101
State interest - Tax & Tag system				12,665
Releases/adjustments				34
Taxes written off				<u>23,088</u>
Subtotal				<u>189,580</u>
Total collections and credits				<u>\$ 8,174,274</u>

TOWN OF CLAYTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2013

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	\$ 1,545,354,943	\$0.525	\$ 8,113,122	\$ 7,398,001	\$ 715,121
Penalties	-		-	-	-
Total	<u>1,545,354,943</u>		<u>8,113,122</u>	<u>7,398,001</u>	<u>715,121</u>
Discoveries:					
Current years taxes	25,036,120	0.525	131,440	127,304	4,136
Prior year taxes	<u>1,810,322</u>	0.525	<u>9,670</u>	<u>9,670</u>	-
Total	<u>26,846,442</u>		<u>141,110</u>	<u>136,974</u>	<u>4,136</u>
Abatements:					
Current years taxes	<u>(21,561,920)</u>		<u>(113,200)</u>	<u>(37,218)</u>	<u>(75,982)</u>
Total	<u>(21,561,920)</u>		<u>(113,200)</u>	<u>(37,218)</u>	<u>(75,982)</u>
Total property valuation	<u>\$ 1,550,639,465</u>				
Net levy			8,141,032	7,497,757	643,275
Uncollected taxes at June 30, 2013			<u>90,810</u>	<u>22,740</u>	<u>68,070</u>
Current year's taxes collected			<u>\$ 8,050,222</u>	<u>\$ 7,475,017</u>	<u>\$ 575,205</u>
Current levy collection percentage			<u>98.88%</u>	<u>99.70%</u>	<u>89.42%</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>	81
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	90
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	94
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	99
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	101

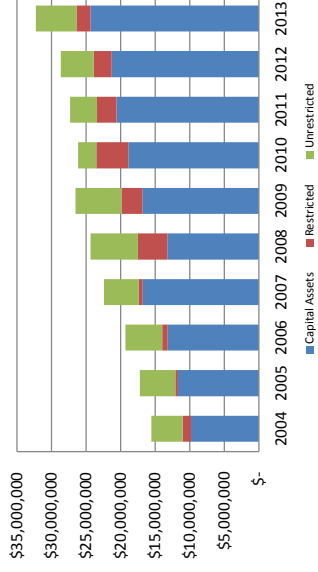
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



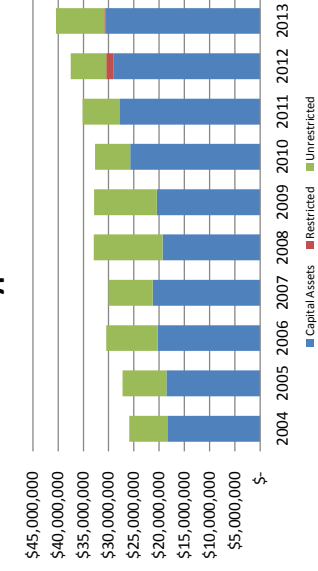
Town of Clayton
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 24,372,799	\$ 21,281,487	\$ 20,619,008	\$ 18,906,564	\$ 16,847,632	\$ 13,240,544	\$ 16,782,361	\$ 13,168,311	\$ 11,712,266	\$ 9,815,878
Restricted	2,001,009	2,628,727	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525
Unrestricted	5,908,419	4,727,996	3,889,662	2,634,837	6,644,625	6,825,392	4,991,394	5,300,590	5,131,828	4,555,705
Total governmental activities net position	\$ 32,282,227	\$ 28,638,210	\$ 27,295,553	\$ 26,164,242	\$ 26,508,116	\$ 24,345,079	\$ 22,416,024	\$ 19,290,314	\$ 17,205,404	\$ 15,548,108
Business-type activities										
Net investment in capital assets	\$ 30,650,069	\$ 29,101,137	\$ 27,772,311	\$ 25,730,425	\$ 20,498,064	\$ 19,349,968	\$ 21,288,769	\$ 20,259,381	\$ 18,587,533	\$ 18,221,968
Restricted	208,893	1,365,128	-	-	-	-	-	-	-	-
Unrestricted	9,569,310	7,047,946	7,404,641	6,941,780	12,378,126	13,604,433	8,754,446	10,191,517	8,680,360	7,707,347
Total business-type activities net position	\$ 40,428,272	\$ 37,514,211	\$ 35,176,952	\$ 32,672,205	\$ 32,876,190	\$ 32,954,401	\$ 30,043,215	\$ 30,450,898	\$ 27,267,893	\$ 25,929,315
Primary government										
Net investment in capital assets	\$ 55,022,868	\$ 50,382,624	\$ 48,391,319	\$ 44,636,989	\$ 37,345,696	\$ 32,590,512	\$ 38,071,130	\$ 33,427,692	\$ 30,299,799	\$ 28,037,846
Restricted	2,209,902	3,983,855	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310	1,176,525
Unrestricted	15,477,729	11,775,942	11,294,303	9,576,617	19,022,751	20,429,825	13,745,840	15,492,107	13,812,188	12,263,052
Total primary government net position	\$ 72,710,499	\$ 66,152,421	\$ 62,472,505	\$ 58,836,447	\$ 59,384,306	\$ 57,299,480	\$ 52,459,239	\$ 49,741,212	\$ 44,473,297	\$ 41,477,423

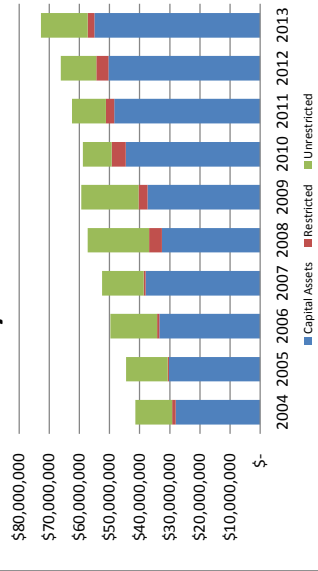
Governmental Activities



Business-Type Activities



Primary Government

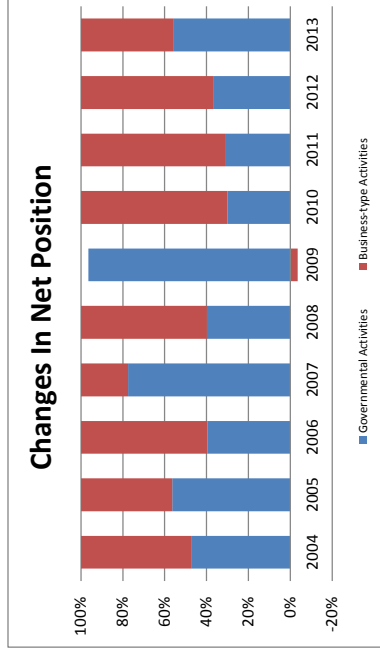


Note: Prior to the fiscal year ended June 30, 2003, the Statement of Net Assets was not included in the Town's audit report. Net asset data prior to that date is unavailable.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities										
General government										
Public safety	\$ 2,889,392	\$ 2,891,649	\$ 3,022,085	\$ 3,405,756	\$ 3,297,244	\$ 2,411,424	\$ 2,147,952	\$ 1,888,907	\$ 1,612,371	\$ 1,154,640
Public works	5,870,952	5,749,306	5,595,345	5,914,190	5,761,209	5,445,651	5,016,359	4,454,301	3,930,276	3,603,498
Culture and recreation	3,438,151	2,945,050	2,828,337	3,012,842	2,998,564	2,765,683	2,156,441	2,228,115	1,642,534	1,648,341
Interest on long-term debt	2,147,576	1,979,108	1,836,914	1,894,227	1,808,121	1,689,214	1,420,344	1,440,071	1,195,694	999,836
Total governmental activities expenses	832,444	870,236	645,725	409,069	339,114	280,458	205,870	206,415	225,282	(77,902)
Business-type activities:										
Water and sewer	15,178,515	14,435,349	13,928,406	14,636,084	14,204,252	12,592,430	10,946,966	10,217,809	8,606,157	7,328,413
Electric	7,121,581	6,656,327	6,292,272	6,618,852	6,826,222	7,060,870	6,749,392	5,786,091	4,960,273	4,742,804
Total business-type activities expenses	12,427,570	12,052,462	12,721,049	12,342,639	12,376,728	10,861,342	10,209,665	9,876,152	8,738,470	8,514,079
Total primary government expenses	19,549,151	18,708,789	19,013,321	18,961,491	19,202,950	17,922,212	16,959,057	15,662,243	13,698,743	13,253,883
	<u>\$ 34,727,666</u>	<u>\$ 33,144,138</u>	<u>\$ 32,941,727</u>	<u>\$ 33,597,575</u>	<u>\$ 33,407,202</u>	<u>\$ 30,514,642</u>	<u>\$ 27,906,023</u>	<u>\$ 25,880,052</u>	<u>\$ 22,304,900</u>	<u>\$ 20,583,296</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 670,300	\$ 524,188	\$ 388,093	\$ 413,241	\$ -	\$ -	\$ -	\$ 105,065	\$ 95,414	\$ 77,702
Public safety	28,944	20,404	32,961	24,982	695	4,416	1,929	2,525	6,115	7,916
Public works	1,374,227	1,212,288	1,172,643	1,139,204	1,582,738	1,613,008	1,394,727	1,428,315	1,177,278	1,105,545
Culture and recreation	664,432	541,268	446,947	163,769	130,574	127,244	457,328	84,227	70,494	87,967
Operating grants and contributions	1,023,369	980,116	946,535	904,069	971,218	1,104,690	840,492	810,890	672,703	668,316
Capital grants and contributions	1,588,744	433,306	447,724	873,513	1,043,361	580,065	1,636,529	1,288,210	380,073	349,817
Total governmental activities program revenues	5,350,016	3,711,570	3,434,903	3,518,778	3,728,586	3,429,423	4,331,005	3,719,232	2,402,077	2,297,263
Business-type activities:										
Charges for services:										
Water and sewer	7,716,133	7,567,633	7,328,079	6,389,227	6,178,248	6,277,889	6,137,038	5,834,540	4,681,591	4,695,178
Electric	12,185,913	12,038,845	12,780,001	12,479,719	11,910,902	11,167,778	10,427,747	9,948,367	9,297,442	9,130,777
Operating grants and contributions	335,072	291,277	196,755	202,311	151,061	180,306	164,488	131,058	210,431	124,166
Capital grants and contributions	479,412	220,907	837,258	-	79,160	1,196,576	-	1,649,832	-	-
Total business-type activities program revenues	20,716,530	20,118,662	21,142,093	19,071,257	18,319,371	18,822,549	16,729,273	17,563,797	14,189,464	13,950,121
Total primary government program revenues	<u>\$ 26,066,546</u>	<u>\$ 23,830,232</u>	<u>\$ 24,576,996</u>	<u>\$ 22,590,035</u>	<u>\$ 22,047,957</u>	<u>\$ 22,251,972</u>	<u>\$ 21,060,278</u>	<u>\$ 21,283,029</u>	<u>\$ 16,591,541</u>	<u>\$ 16,247,384</u>

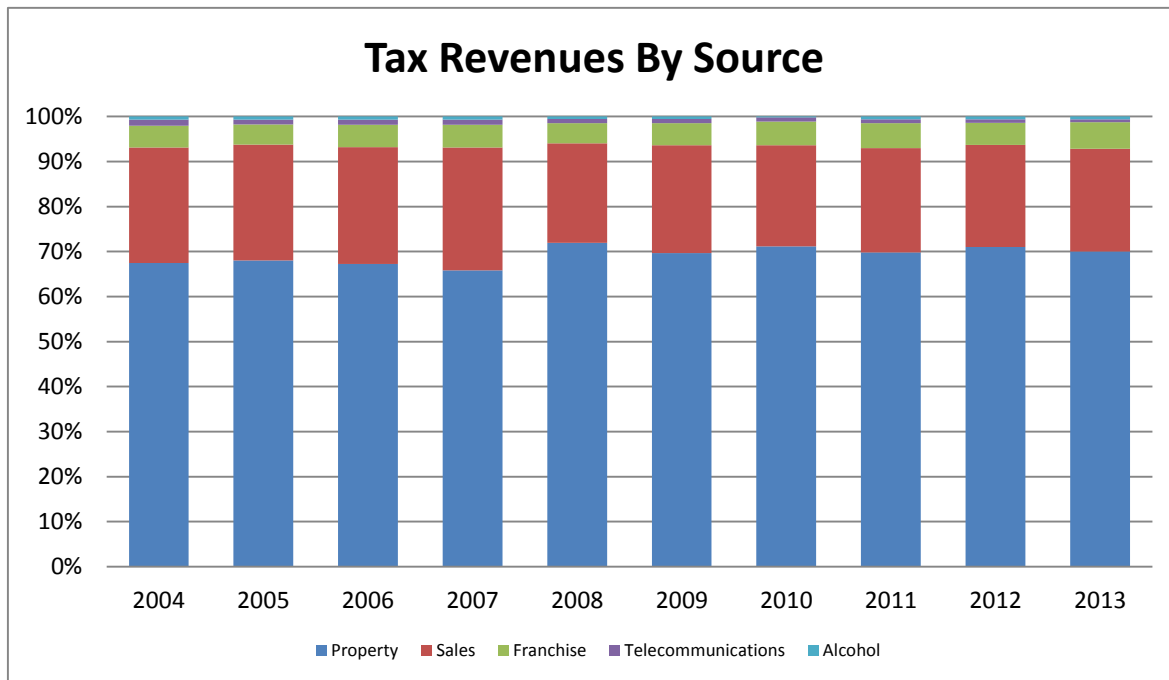
	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue										
Governmental activities	\$ (9,828,499)	\$ (10,723,779)	\$ (10,493,503)	\$ (11,117,306)	\$ (10,475,666)	\$ (9,163,007)	\$ (6,615,961)	\$ (6,498,577)	\$ (6,204,080)	\$ (5,031,150)
Business-type activities	1,167,379	1,409,873	2,128,772	109,766	(883,579)	900,337	(229,784)	1,901,554	490,721	693,238
Total primary government net (expense) revenue	\$ (8,661,120)	\$ (9,313,906)	\$ (8,364,731)	\$ (11,007,540)	\$ (11,359,245)	\$ (8,262,670)	\$ (6,845,745)	\$ (4,597,023)	\$ (5,713,359)	\$ (4,337,912)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 7,990,139	\$ 7,931,296	\$ 7,249,558	\$ 7,307,811	\$ 7,303,733	\$ 7,164,272	\$ 5,194,264	\$ 4,803,277	\$ 4,451,336	\$ 4,140,169
Other taxes	1,534,436	1,385,536	1,398,420	962,382	1,254,282	1,176,015	1,073,219	863,651	745,804	776,702
Unrestricted grants and contributions	2,718,488	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
Investment earnings	22,805	15,397	23,932	36,076	138,837	249,753	258,677	268,071	115,893	79,462
Miscellaneous	520,956	97,685	448,463	677,145	1,398,090	558,354	722,258	752,328	704,741	302,706
Transfers	685,692	-	-	-	-	(300,000)	300,000	-	91,074	-
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-
Total governmental activities	13,472,516	12,066,436	11,624,814	11,323,199	12,638,703	11,092,062	9,741,671	8,583,487	7,839,003	6,917,620
Business-type activities										
Investment earnings	10,761	11,659	16,644	13,540	88,252	217,901	260,343	200,062	174,177	35,285
Miscellaneous	2,421,613	915,727	359,331	358,923	717,116	1,492,948	1,174,026	1,081,389	691,223	1,369,035
Transfers	(685,692)	-	-	-	-	300,000	(300,000)	-	(91,074)	-
Total business-type activities	1,746,682	927,386	375,975	372,463	805,368	2,010,849	1,134,369	1,281,451	774,326	1,404,320
Total primary government	\$ 15,219,198	\$ 12,993,822	\$ 12,000,789	\$ 11,695,662	\$ 13,444,071	\$ 13,102,911	\$ 10,876,040	\$ 9,864,938	\$ 8,613,329	\$ 8,321,940
Changes in Net Position										
Governmental activities	\$ 3,644,017	\$ 1,342,657	\$ 1,131,311	\$ 205,893	\$ 2,163,037	\$ 1,929,055	\$ 3,125,710	\$ 2,084,910	\$ 1,634,923	\$ 1,886,470
Business-type activities	2,914,061	2,337,259	2,504,747	482,229	(78,211)	2,911,186	904,585	3,183,005	1,265,047	2,097,558
Total primary government	\$ 6,558,078	\$ 3,679,916	\$ 3,636,058	\$ 688,122	\$ 2,084,826	\$ 4,840,241	\$ 4,030,295	\$ 5,267,915	\$ 2,899,970	\$ 3,984,028



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)

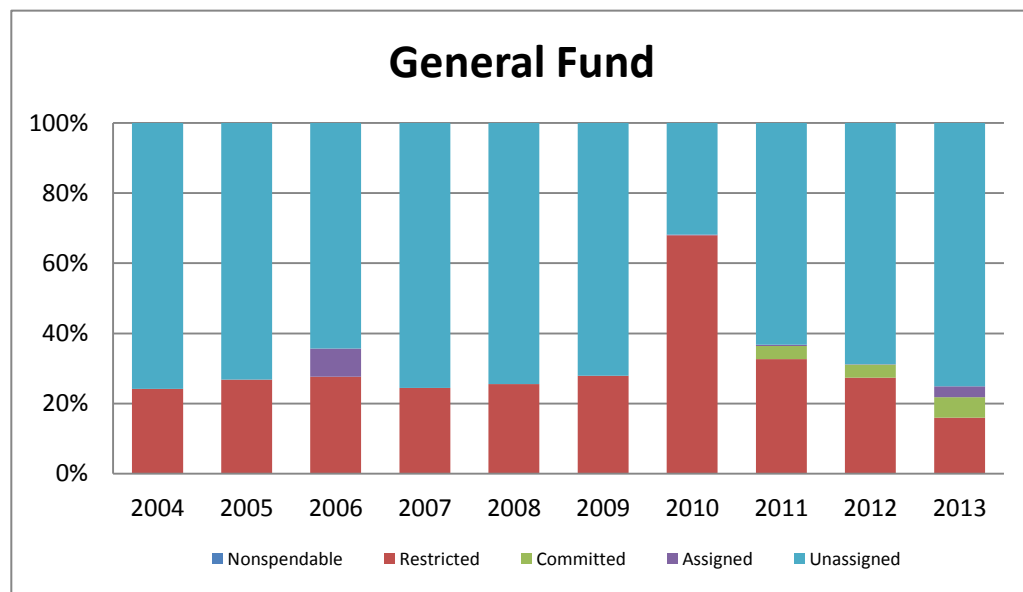
Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Telecommunications Tax
2013	\$ 7,984,694	\$ 2,594,116	\$ 674,211	\$ 66,364	\$ 78,472
2012	7,931,632	2,531,400	542,253	70,355	87,516
2011	7,244,251	2,403,131	576,336	63,171	87,516
2010	7,306,114	2,307,722	544,455	19,540	92,088
2009	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



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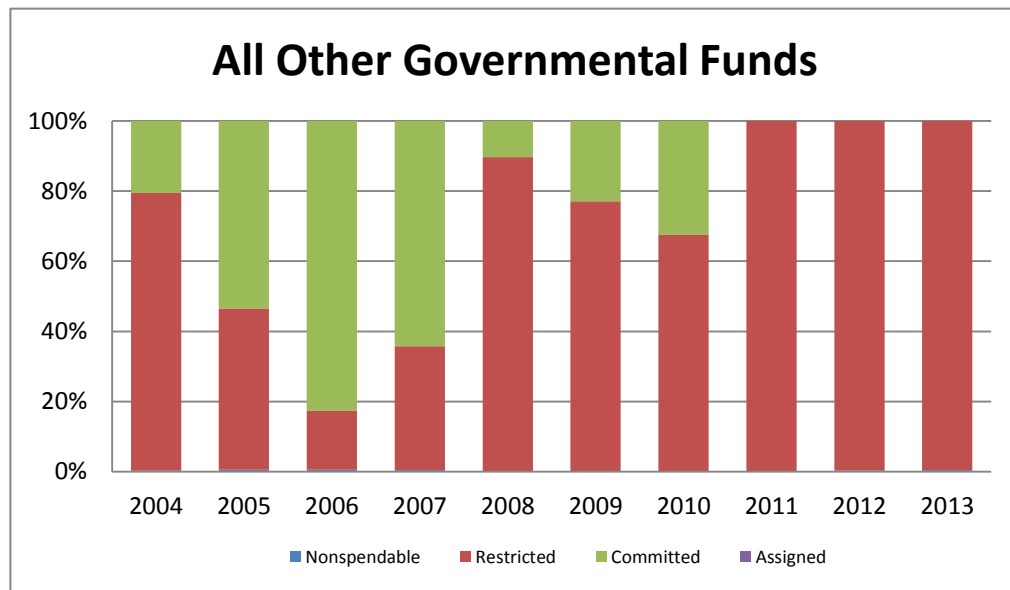
Town of Clayton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2012	2011	2010
General Fund				
Nonspendable	\$ 15,908	\$ -	\$ -	\$ -
Restricted	1,343,811	2,309,833	2,497,248	8,007,923
Committed	494,918	315,668	286,418	-
Assigned	262,304	6,061	32,430	21,908
Unassigned	6,378,452	5,813,270	4,836,252	3,750,283
Total general fund	<u>\$ 8,495,393</u>	<u>\$ 8,444,832</u>	<u>\$ 7,652,348</u>	<u>\$ 11,780,114</u>
All Other Governmental Funds				
Nonspendable	\$ 3,234	\$ 3,226	\$ 3,217	\$ 3,198
Restricted	653,964	750,892	4,038,249	1,196,152
Committed	-	-	-	577,543
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 657,198</u>	<u>\$ 754,118</u>	<u>\$ 4,041,466</u>	<u>\$ 1,776,893</u>



Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,226,861	1,999,265	1,340,575	1,654,087	1,402,409	1,152,000
-	-	-	-	-	-
-	-	-	481,685	-	-
5,737,562	5,819,819	4,139,225	3,849,188	3,832,377	3,607,751
<u>\$ 7,964,423</u>	<u>\$ 7,819,084</u>	<u>\$ 5,479,800</u>	<u>\$ 5,984,960</u>	<u>\$ 5,234,786</u>	<u>\$ 4,759,751</u>

\$ 3,180	\$ 3,160	\$ 3,124	\$ 3,084	\$ 3,052	\$ 3,010
1,876,127	3,492,035	241,480	89,925	251,865	932,206
560,211	401,622	439,440	442,314	293,466	241,309
-	-	-	-	-	-
<u>\$ 2,439,518</u>	<u>\$ 3,896,817</u>	<u>\$ 684,044</u>	<u>\$ 535,323</u>	<u>\$ 548,383</u>	<u>\$ 1,176,525</u>



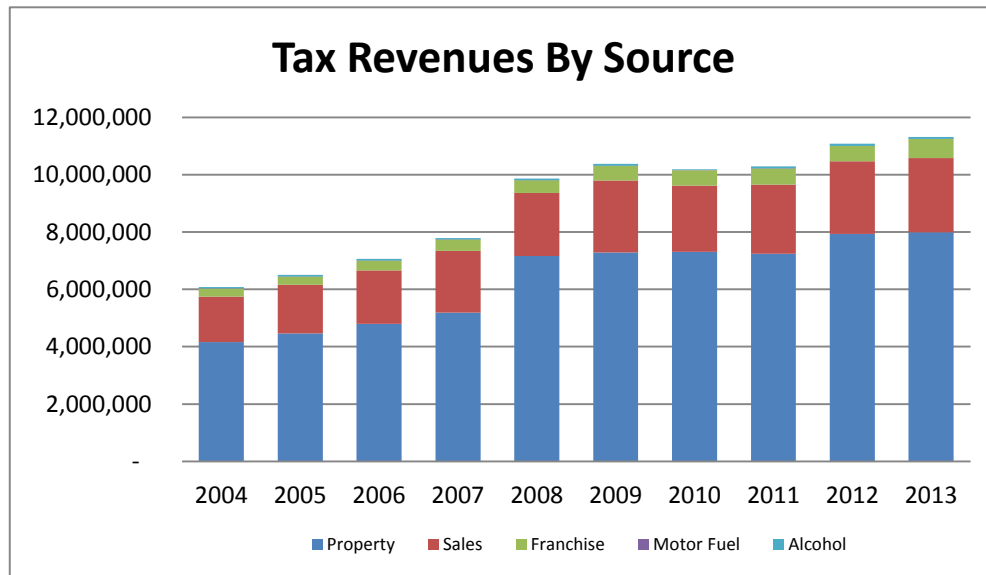
Town of Clayton
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2012	2011	2010
Revenues				
Taxes	\$ 7,984,694	\$ 7,931,632	\$ 7,244,251	\$ 7,306,114
Licenses and permits	1,060,864	726,688	575,556	529,748
Intergovernmental	6,667,741	5,252,125	5,122,366	4,948,652
Charges for services	1,874,335	1,754,815	1,639,842	1,342,543
Investment earnings	22,805	15,397	23,932	36,076
Miscellaneous	520,956	97,685	477,846	677,145
Total revenues	<u>18,131,395</u>	<u>15,778,342</u>	<u>15,083,793</u>	<u>14,840,278</u>
Expenditures				
General government	2,442,668	2,470,834	2,586,501	2,994,719
Public safety	5,357,560	5,231,200	5,001,618	5,305,648
Public works	3,089,937	2,660,077	2,608,345	2,805,203
Culture and recreation	1,962,514	1,851,413	1,793,801	1,860,810
Capital outlay	4,021,172	5,912,652	8,563,407	2,072,292
Debt Service				
Principal	1,493,228	1,542,991	1,564,823	1,289,839
Interest and other fees	832,444	870,236	645,725	409,069
Total expenditures	<u>19,199,523</u>	<u>20,539,403</u>	<u>22,764,220</u>	<u>16,737,580</u>
Excess of revenues over (under) expenditures	(1,068,128)	(4,761,061)	(7,680,427)	(1,897,302)
Other financing sources (uses)				
Transfers In (Out)	685,692	-	-	-
Proceeds from borrowings	-	-	-	-
Bonds issued	-	2,000,000	-	5,000,000
Premium on bonds issued	-	14,900	-	50,368
Capital leases	336,077	251,297	6,367,000	-
Funds raised	-	-	-	-
Total other financing sources (uses)	<u>1,021,769</u>	<u>2,266,197</u>	<u>6,367,000</u>	<u>5,050,368</u>
Net changes in fund balances	<u>\$ (46,359)</u>	<u>\$ (2,494,864)</u>	<u>\$ (1,313,427)</u>	<u>\$ 3,153,066</u>
Fund balances, beginning	9,198,950	11,693,814	13,557,008	10,403,942
Change in accounting principle	-	-	(549,767)	-
Prior period adjustment	-	-	-	-
Fund balances, beginning as restated	<u>9,198,950</u>	<u>11,693,814</u>	<u>13,007,241</u>	<u>10,403,942</u>
Fund balances, ending	<u>\$ 9,152,591</u>	<u>\$ 9,198,950</u>	<u>\$ 11,693,814</u>	<u>\$ 13,557,008</u>
Debt service as a percentage of noncapital expenditures	15.32%	16.50%	15.57%	11.58%

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 7,292,034	\$ 7,163,604	\$ 5,192,790	\$ 4,800,759	\$ 4,466,828	\$ 4,158,748
550,072	802,563	687,565	911,983	2,410,388	2,271,703
5,711,754	4,988,377	5,632,979	4,753,203	1,752,754	1,714,912
1,264,805	1,058,166	1,276,933	813,857	714,896	705,931
138,837	249,753	258,677	268,071	115,893	79,462
1,213,907	414,153	600,132	487,571	419,523	302,706
<u>16,171,409</u>	<u>14,676,616</u>	<u>13,649,076</u>	<u>12,035,444</u>	<u>9,880,282</u>	<u>9,233,462</u>
2,638,543	1,982,216	1,732,990	1,328,660	2,101,261	675,351
5,245,807	5,017,638	4,456,901	4,025,678	3,499,216	2,852,049
2,895,533	2,644,920	2,051,952	2,133,482	1,579,432	2,021,927
1,760,348	1,623,764	1,345,211	1,377,071	79,545	975,368
5,208,660	5,368,997	4,029,868	2,138,087	1,870,298	2,121,572
1,296,582	1,100,701	779,203	747,936	983,429	927,058
339,114	280,458	205,870	206,415	225,282	209,826
<u>19,384,587</u>	<u>18,018,694</u>	<u>14,601,995</u>	<u>11,957,329</u>	<u>10,338,463</u>	<u>9,783,151</u>
(3,213,178)	(3,342,078)	(952,919)	78,115	(458,181)	(549,689)
-	(300,000)	300,000	-	91,074	-
-	-	-	-	-	1,542,530
-	-	-	-	-	-
-	-	-	-	-	-
1,901,218	9,194,135	296,480	659,000	214,000	532,027
-	-	-	-	-	-
<u>1,901,218</u>	<u>8,894,135</u>	<u>596,480</u>	<u>659,000</u>	<u>305,074</u>	<u>2,074,557</u>
<u>\$ (1,311,960)</u>	<u>\$ 5,552,057</u>	<u>\$ (356,439)</u>	<u>\$ 737,115</u>	<u>\$ (153,107)</u>	<u>\$ 1,524,868</u>
11,715,902	6,163,845	6,520,284	5,783,169	5,936,276	4,422,286
-	-	-	-	-	-
-	-	-	-	-	(10,878)
<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>4,411,408</u>
<u><u>\$ 10,403,942</u></u>	<u><u>\$ 11,715,902</u></u>	<u><u>\$ 6,163,845</u></u>	<u><u>\$ 6,520,284</u></u>	<u><u>\$ 5,783,169</u></u>	<u><u>\$ 5,936,276</u></u>
11.54%	10.92%	9.32%	9.72%	14.27%	14.84%

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
2013	\$ 7,984,694	\$ 2,594,116	\$ 674,211	\$ 97	\$ 66,364	\$ 11,319,482
2012	7,931,632	2,531,400	542,253	192	70,355	11,075,832
2011	7,244,251	2,403,131	576,336	55	63,171	10,286,944
2010	7,306,114	2,307,722	544,455	13,183	19,540	10,191,014
2009	7,292,034	2,504,203	512,761	6,409	57,970	10,373,377
2008	7,163,604 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

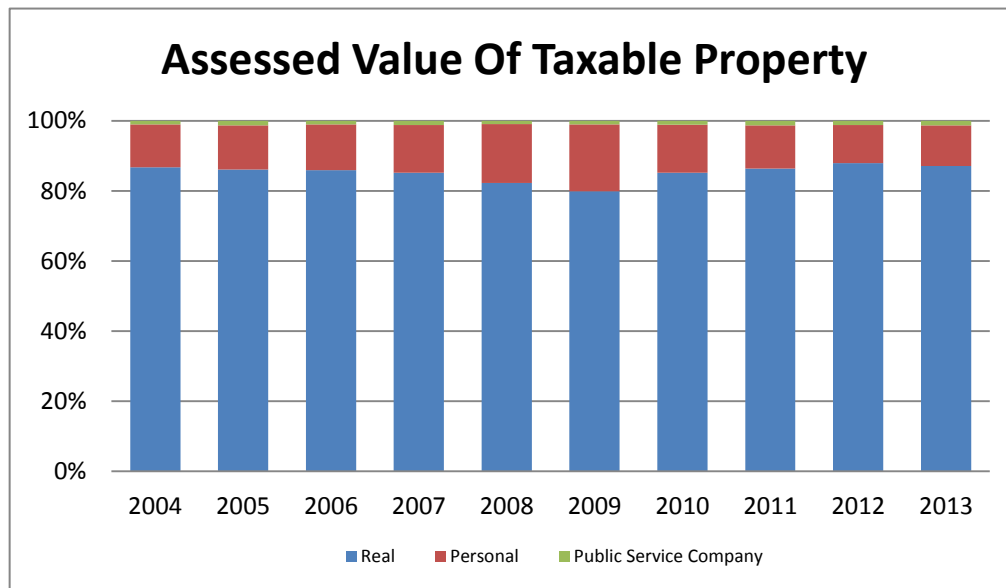


¹ Motor fuel tax repealed in 2003. Subsequent year revenues attributable to retail purchases.

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

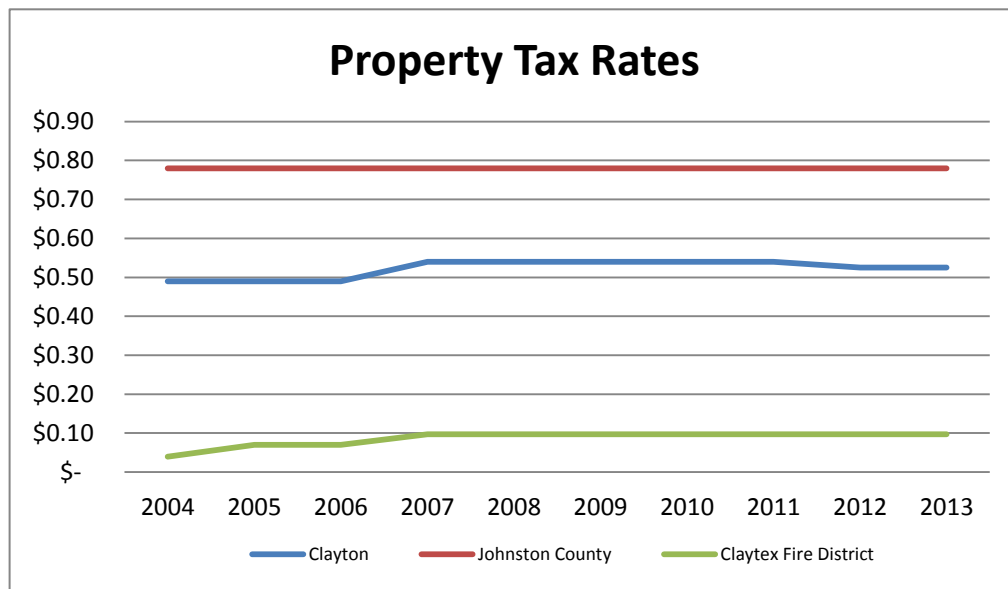
Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Total Assessed Value	Total Direct Tax Rate
2013	1,350,711,655	180,096,314	19,831,496	1,550,639,465	0.525
2012	1,323,310,338	162,289,692	18,846,856	1,504,446,886	0.525
2011	1,161,772,413	165,179,088	17,569,992	1,344,521,493	0.54
2010	1,167,559,357	188,007,072	14,961,981	1,370,528,410	0.54
2009	1,074,385,562	255,974,599	14,260,653	1,344,620,814	0.54
2008	1,101,258,435	224,430,056	12,796,537	1,338,485,028	0.54
2007	913,332,674	133,350,898	12,211,854	1,058,895,426	0.49
2006	836,998,120	127,357,285	10,413,919	974,769,324	0.49
2005	765,675,878	112,425,227	11,645,411	889,746,516	0.49
2004	706,486,732	99,581,295	8,107,981	814,176,008	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
2013	2012	0.525	0.78	0.0975
2012	2011	0.525	0.78	0.0975
2011	2010	0.54	0.78	0.0975
2010	2009	0.54	0.78	0.0975
2009	2008	0.54	0.78	0.0975
2008	2007	0.54	0.78	0.0975
2007	2006	0.54	0.78	0.0975
2006	2005	0.49	0.78	0.07
2005	2004	0.49	0.78	0.07
2004	2003	0.49	0.78	0.04



**Town of Clayton
Principal Property Taxpayers
June 30, 2013**

Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Crown Raleigh III LLC	47,237,597	1	3.05%			
Automatic Rolls of NC LLC	36,400,232	2	2.35%			
Fred Smith Companies	34,906,220	3	2.25%			
Wal-Mart	16,032,301	4	1.03%			
Amelia Village LLC	13,932,327	5	0.90%			
3C Packaging & Elphick Properties	13,687,177	6	0.88%			
DDRM Clayton Corners LLC	12,380,430	7	0.80%			
Walthom Group	8,466,740	8	0.55%			
Piedmont Natural Gas Company Inc	8,444,632	9	0.54%			
Spinksville III LLC	8,116,320	10	0.52%			
ZSF-WD Clayton LLC				48,698,990	1	5.98%
Amelia Village LLC				29,959,884	2	3.68%
Fred Smith Companies				23,558,240	3	2.89%
Parkside Village Associates				15,888,040	4	1.95%
Inland Southeast Clayton LLC				11,318,030	5	1.39%
Sunbelt-Dix Inc				9,970,732	6	1.22%
Clayton Summit Properties LLC				5,900,940	7	0.72%
Walthom Group				5,693,870	8	0.70%
Glen Laurel LTD Partnership				4,530,440	9	0.56%
Clubcorp Golf of NC LLC				4,169,920	10	0.51%
Totals	<u><u>\$ 199,603,976</u></u>		<u><u>12.87%</u></u>	<u><u>\$ 159,689,086</u></u>		<u><u>19.60%</u></u>
Total Assessed Value	<u><u>\$ 1,550,639,465</u></u>			<u><u>\$ 814,176,008</u></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
2013	\$ 8,141,032	\$ 8,050,222	98.9%	\$ 124,052	\$ 8,174,274	100.4%
2012	7,898,355	7,789,545	98.6%	106,635	7,896,180	100.0%
2011	7,260,417	7,153,560	98.5%	79,643	7,233,203	99.6%
2010	7,401,944	7,316,730	98.8%	74,698	7,391,428	99.9%
2009	7,174,079	7,099,624	99.0%	173,993	7,273,617	101.4%
2008	7,154,864	7,082,517	99.0%	69,305	7,151,822	100.0%
2007	5,190,248	5,122,067	98.7%	54,924	5,176,991	99.7%
2006	4,777,251	4,725,091	98.9%	56,766	4,781,857	100.1%
2005	4,442,200	4,390,193	98.8%	63,250	4,453,443	100.3%
2004	4,073,291	4,009,858	98.4%	83,905	4,093,763	100.5%

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

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

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2013	\$6,110,000	\$15,981,581	\$ 80,000	\$1,604,000	\$ 7,403,570	\$ 31,179,151	N/A	180.21
2012	6,500,000	16,748,732	215,000	1,844,000	8,374,326	33,682,058	N/A	195.62
2011	4,750,000	17,790,426	345,000	480,000	10,314,470	33,679,896	N/A	199.43
2010	5,000,000	12,738,249	475,000	720,000	11,788,487	30,721,736	N/A	182.30
2009	-	14,028,088	580,000	960,000	13,376,674	28,944,762	N/A	177.11
2008	-	13,423,453	690,000	1,200,000	12,736,056	28,049,509	N/A	173.26
2007	-	5,330,019	790,000	-	8,612,461	14,732,480	N/A	93.91
2006	-	5,812,742	885,000	-	5,662,227	12,359,969	0.28%	81.54
2005	-	5,901,678	975,000	-	4,211,009	11,087,687	0.27%	75.83
2004	-	6,693,480	1,060,000	-	4,862,285	12,615,765	0.33%	89.21

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
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Assessed Valuation ¹	Percent of Taxable Property	Per Capita ²
2013	\$6,110,000	\$1,550,639,465	0.39%	\$ 35.31
2012	6,500,900	1,504,446,886	0.43%	37.76
2011	4,750,000	1,344,521,493	0.35%	28.13
2010	5,000,000	1,370,528,410	0.36%	29.67
2009	-	1,344,620,814	0.00%	-
2008	-	1,338,485,028	0.00%	-
2007	-	1,058,895,426	0.00%	-
2006	-	974,769,324	0.00%	-
2005	-	889,746,516	0.00%	-
2004	-	814,176,008	0.00%	-

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

¹ See Assessed Value of Taxable Property on page 89.

² See Demographic and Economic Statistics on page 98.

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

Fiscal Year	Clayton			Johnston County			Town's Share of Debt
	Governmental Activities Debt Outstanding	Assessed Valuation	Percent Applicable to Town	General Obligation Bonds Outstanding ¹	Assessed Valuation ¹	Percentage Applicable to Town ²	
2013	\$22,091,581	\$1,550,639,465	100%	\$271,075,000	\$13,648,061,592	10.20%	\$49,747,865
2012	23,248,732	1,504,446,886	100%	288,235,000	13,185,634,723	10.24%	52,767,577
2011	22,540,426	1,344,521,493	100%	310,125,000	13,091,213,424	9.31%	51,424,977
2010	17,738,249	1,370,528,410	100%	325,995,000	11,725,441,791	10.47%	51,854,500
2009	14,028,088	1,344,620,814	100%	340,645,000	11,472,157,697	10.49%	49,765,489
2008	13,423,453	1,338,485,028	100%	273,695,000	10,974,674,669	10.87%	43,175,090
2007	5,330,019	1,058,895,426	100%	232,485,000	10,182,659,636	9.42%	27,228,885
2006	5,812,742	974,769,324	100%	204,890,000	9,625,784,993	9.20%	24,653,312
2005	5,901,678	889,746,516	100%	177,845,000	9,066,737,779	8.94%	21,794,534
2004	6,693,480	814,176,008	100%	185,550,000	8,684,784,796	8.57%	22,597,363

¹ Provided by Johnston County Finance Department.

² Determined by ratio of assessed value of property subject to taxation in Johnston County.

Town of Clayton
Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2012	2011	2010
Debt limit	\$ 124,051,157	\$ 120,355,751	\$ 107,561,719	\$ 109,642,273
Total net debt applicable to limit	<u>22,091,581</u>	<u>23,248,732</u>	<u>22,540,426</u>	<u>17,738,249</u>
Legal debt margin	<u>\$ 101,959,576</u>	<u>\$ 97,107,019</u>	<u>\$ 85,021,293</u>	<u>\$ 91,904,024</u>
Total net debt applicable to the limit as a percentge of debt limit	17.81%	19.32%	20.96%	16.18%

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	\$ 1,550,639,465
Debt limit (8% of total assessed value)	124,051,157
Less general obligation debt	<u>(22,091,581)</u>
Legal debt margin	<u><u>\$ 101,959,576</u></u>

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 107,569,665	\$ 107,078,802	\$ 84,711,634	\$ 77,981,546	\$ 71,179,721	\$ 65,134,081
14,028,088	13,423,453	5,330,019	5,812,742	5,901,678	6,693,480
\$ 93,541,577	\$ 93,655,349	\$ 79,381,615	\$ 72,168,804	\$ 65,278,043	\$ 58,440,601
13.04%	12.54%	6.29%	7.45%	8.29%	10.28%

**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
2013	173,016	N/A	N/A	36.00	33,175	8.0
2012	172,178	N/A	N/A	36.00	32,821	8.6
2011	168,878	N/A	N/A	36.30	32,274	9.9
2010	168,525	N/A	N/A	36.10	31,665	9.9
2009	163,428	N/A	N/A	34.90	31,366	10.2
2008	161,889	N/A	N/A	36.00	30,563	5.7
2007	156,887	N/A	N/A	35.00	29,178	4.3
2006	151,589	4,411,506	29,216	34.57	27,591	4.2
2005	146,222	4,143,096	28,317	34.43	26,292	4.8
2004	141,422	3,814,399	26,907	34.29	24,766	4.8

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	3,700	1	4.91%
Johnston Health	1,400	2	1.86%
Grifols, S.A	1,200	3	1.59%
Johnston County Government	1,000	4	1.33%
Wal-Mart Stores	850	5	1.13%
Caterpillar, Inc.	600	6	0.80%
Novo Nordisk Pharmaceutical Industries	500	7	0.66%
Hospira, Inc.	200	8	0.27%
3C Packaging	190	9	0.25%
Coco-Cola Bottling Company	185	10	0.25%
	<u>9,825</u>		<u>13.05%</u>

Total County Employment	75,393 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	37	35	35	42	43	39	40	37	35	34
Public safety										
Police										
Officers	42	41	41	41	41	42	38	36	37	35
Civilians	4	4	4	4	4	4	4	3	6	7
Fire										
Firefighters and officers	14	14	14	14	11	10	10	5	4	4
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	23	24	24	28	26	27	26	23	19	20
Culture and recreation	11	12	12	11	11	9	9	8	8	7
Water/Sewer	16	16	16	16	13	10	11	12	11	12
Electric	11	10	10	10	10	9	10	8	9	11
Total	<u>159</u>	<u>157</u>	<u>157</u>	<u>167</u>	<u>160</u>	<u>151</u>	<u>149</u>	<u>133</u>	<u>130</u>	<u>131</u>

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Town of Clayton
Operating Indicators by Function
Last Ten Fiscal Years

	2013	2012	2011	2010
Function				
Police				
Physical arrests	424	502	547	691
Traffic citations	3,070	3,283	4,399	3,291
Fire				
Number of calls answered	769	661	771	718
Inspections	388	432	290	334
Streets				
Street resurfacing (feet)	2,632	4,320	17,886	2,380
Pavement repairs	67	64	59	79
Sanitation				
Refuse collected (tons)	4,729	4,977	4,587	4,518
Recyclables collected (tons)	1,016	962	929	879
Culture and recreation				
Athletic field permits issued	79	43	49	22
Cultural arts center rentals ¹	1,010	946	1,225	1,110
Water				
New connections	191	117	80	121
Leak repairs	126	95	72	150
Average daily consumption	2,259,806	2,277,256	2,270,151	2,148,158
Wastewater				
Average daily sewage treatment (in thousands of gallons)	1,605	1,581	1,780	1,781

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

Fiscal Year					
2009	2008	2007	2006	2005	2004
551	695	761	448	819	806
2,978	3,110	3,017	1,768	3,334	4,760
700	817	904	711	1,068	1,009
322	342	257	183	253	213
-	-	4,190	-	3,197	-
82	35	89	72	89	56
4,657	5,256	4,864	4,515	4,614	4,058
815	489	252	228	238	246
19	19	17	18	10	7
1,175	581	579	371	360	276
200	342	651	601	311	N/A
116	81	94	28	164	147
2,192,885	2,288,340	2,339,000	1,967,992	1,817,268	1,859,090
1,619	1,370	1,387	1,439	1,342	1,636

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

Function	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	55	55	42	42	42	42	42	41	40	38
K-9 units	1	1	1	1	1	1	1	1	2	3
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	71	70	68	68	67	67	64	60	57	55
Culture and recreation										
Parks	7	6	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	1	2	2	2	2	2
Street lights	1,425	1,403	1,390	1,373	1,365	1,350	1,300	1,250	1,200	1,100

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 <u>June 30</u>	Commercial Construction ¹		Residential Construction ¹		Total		Bank Deposits ²
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
2013	55	\$ 16,528,032	231	\$31,936,424	286	\$48,464,456	\$ 321,239,000
2012	199	12,459,728	179	22,777,173	378	35,236,901	323,341,000
2011	43	18,279,491	84	13,040,057	127	31,319,548	301,020,000
2010	109	224,729,841 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

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, 2013

Type of Coverage		Details of Coverage
Health Insurance		Employee payments ranging from \$20-\$500 per service with use of provider designated physician/ medical facility. \$1,500 maximum out-of-pocket
Blue Cross Blue Shield Blue Options		
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	300,000	Liability
Tax Collector	25,000 0	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	64,863,471 2,500	Cause of loss Deductible per occurrence includes boiler & machinery
Municipal Equipment	929,342 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, 2013

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.	\$2.77	\$.80/kgal	\$3.57/kgal
Over 100,000 gal.	2.76	--	2.76
Out of Town:			
Up to 100,000 gal.	\$4.57	\$.80/kgal	\$5.31/kgal
Over 100,000 gal.	4.53	--	4.53

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 = \$3.70 per 1,000 gallons of usage.

SEWER RATES (MONTHLY):

Sewer only customers - Residential only \$26.92.

Customer charges:

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

Commodity Charges:

	<u>Basic Charge (All Use)</u>	<u>Facility Charge</u>	<u>Total</u>
In Town:			
Up to 100,000 gal.	\$4.25	\$.64/kgal.	\$4.89/kgal.
Over 100,000 gal.	4.25	--	4.25
Out of Town:			
Up to 100,000 gal.	\$5.95	\$.64/kgal.	\$6.59/kgal.
Over 100,000 gal.	5.70	--	5.70

Minimum Monthly Charge:

In Town	\$10.34
Out of Town	\$20.08

ELECTRIC RATES:

Residential

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

Small General Service:

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

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

Medium General Service:

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

Large General Service:

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

Coincident Peak Non-Residential Service:

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

General Service Time of Use

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

Institutional Service

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

Area Lights:

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

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COMPLIANCE SECTION

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

Other Office Locations:

Gastonia, North Carolina
Statesville, North Carolina

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Clayton, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Clayton, North Carolina's basic financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clayton's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clayton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rockingham, NC
September 27, 2013

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

Other Office Locations:

Gastonia, North Carolina
Statesville, North Carolina

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of Town of Clayton, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Clayton's major State programs for the year ended June 30, 2013. The Town of Clayton's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Clayton's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program. An audit includes examining, on a test basis, evidence about the Town of Clayton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Town of Clayton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each its major State programs for the year ended June 30, 2013.

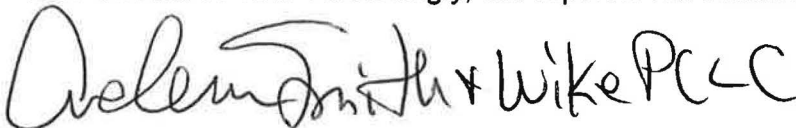
Internal Control Over Compliance

Management of the Town of Clayton is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Clayton's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

Rockingham, NC
September 27, 2013

TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

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

State Awards

Internal control over major State programs:

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

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

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

Identification of major State program:

Powell Bill

Section II – Financial Statement Findings

None reported

Section III – State Award Findings and Questioned Costs

None reported

TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Commerce</u>					
Economic Development Administration Water Systems Improvements	11.300		<u>479,416</u>	<u>-</u>	<u>-</u>
Total assistance federal programs			<u>479,416</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
<u>N.C. Department of Environmental & Natural Resources</u>					
NC Parks and Recreation Trust Project	N/A		-	300,000	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	1,430,733	-
TIP Project - Sam's Branch Greenway Trail	N/A	ED-5001	-	548,131	-
TIP Project - Pedestrian Connector	N/A	EL-5100OB		76,000	
TIP Project - East Front Street Extension	N/A	U-3605	<u>-</u>	<u>215,336</u>	<u>-</u>
Total assistance state programs			<u>-</u>	<u>2,570,200</u>	<u>-</u>
Total assistance			<u>\$ 479,416</u>	<u>\$ 2,570,200</u>	<u>\$ -</u>

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

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