

**REVIEWED**

*By SLGFD at 3:19 pm, Nov 16, 2021*

**TOWN OF CLAYTON, NORTH CAROLINA**  
**Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

# **Town of Clayton**

## **Town Officials**

June 30, 2021

### MAYOR

JODY McLEOD

### TOWN COUNCIL

JASON THOMPSON - MAYOR PRO-TEM

MICHAEL GRANNIS

ART HOLDER

BOBBY BUNN

AVERY EVERETT

### OTHER OFFICIALS

RICH CAPPOLA

INTERIM TOWN MANAGER

DOLORES GILL

DEPUTY TOWN MANAGER

LEE BARBEE

DEPUTY TOWN MANAGER

ROBERT McKIE

FINANCE DIRECTOR

CAULEY PRIDGEN, P.A.

TOWN ATTORNEY

**TOWN OF CLAYTON, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2021**

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## **FINANCIAL SECTION**

220 East Washington Street  
Post Office Box 697  
Rockingham, North Carolina 28380  
(910) 557-1176

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

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Clayton, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to 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 presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 58 and 59, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 60, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 61 and 62, respectively, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 63 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Clayton, North Carolina. The individual fund statements and budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 individual fund statements, budgetary 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. In our opinion, the individual fund statements, budgetary schedules and the schedule of expenditures of federal and state awards 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 November 2, 2021 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.

*Anderson Smith + Wike PLLC*

Rockingham, NC  
November 2, 2021

## 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, 2021. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

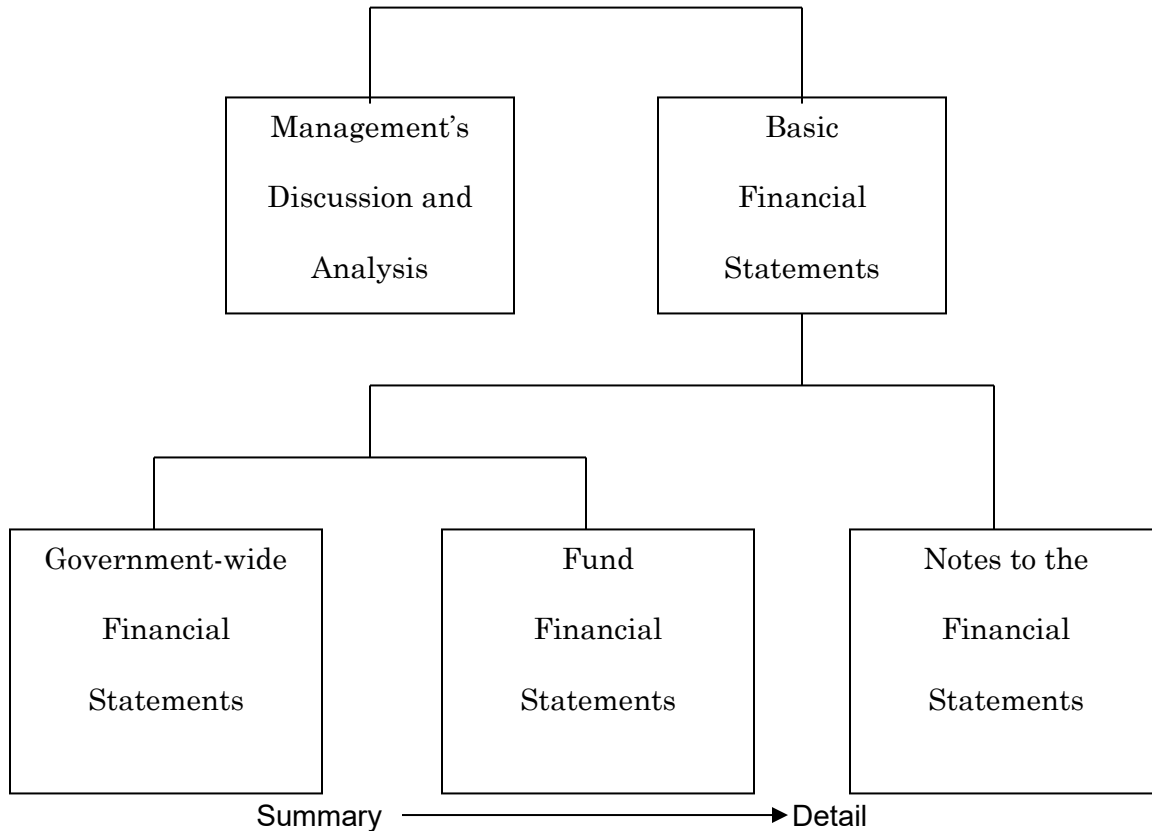
### Financial Highlights

- The assets and deferred outflows of resources of the Town of Clayton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$178,106,277 (*net position*). Of this amount \$32,980,136 (*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 \$16,676,198, primarily due to lower than expected operating expenses in conjunction with strong revenue growth in governmental activities, and an increase in capital assets in 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 \$23,519,176, an increase of \$6,007,622 in comparison with the prior year. Approximately 8.59% of the ending fund balance, or \$2,020,965 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,270,223, or 54.42% of total general fund expenditures for the fiscal year.
- The Town of Clayton's total debt increased by \$1,643,386 (3.05%) during the current fiscal year. The key factors attributable to this increase were the issuance of direct placement installment debt of \$871,621 by the General Fund to procure a new ladder truck and \$865,382 by the Water and Sewer System to purchase two Vactor trucks. Increases in the net pension liability for the LGERS plan and LEOSA pension plan were \$1,746,136 and \$1,025,813, respectively, along with a \$251,635 increase in the total OPEB liability. This was partially offset by the rapid amortization of previously issued debt of \$3,095,088.
- The Town received \$807,913 from the COVID-19 Coronavirus Relief Fund that was utilized for public safety salaries.
- The Town of Clayton received an upgraded rating from Aa2 to Aa1 from Moody's Investor Services and maintained its AA bond rating with Standard & Poor's.

### Overview of the Financial Statement

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

## Required Components of Annual Financial Report



### Basic Financial Statements

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

The next statements (Exhibits 3 through 11) 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 and 2) business type activities. 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 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 four 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 three 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. The Town of Clayton has one fiduciary fund which is a custodial fund.

The basic fiduciary fund financial statements can be found on Exhibits 10-11 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 29-59 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 60 of this report.

## Government-Wide Financial Analysis

### Town of Clayton's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$26,589,448	\$22,077,925	\$ 30,731,708	\$ 43,086,226	\$ 57,321,156	\$ 65,164,151
Capital assets	62,053,759	56,165,514	117,423,645	100,173,460	179,477,404	156,338,974
Total assets	88,643,207	78,243,439	148,155,353	143,259,686	236,798,560	221,503,125
Deferred outflows of resources	4,361,073	2,832,092	589,354	478,905	4,950,427	3,310,997
Long-term liabilities	20,634,157	18,407,559	31,342,059	32,013,513	51,976,216	50,421,072
Other liabilities	4,181,155	5,623,521	6,663,574	6,571,205	10,844,729	12,194,726
Total liabilities	24,815,312	24,031,080	38,005,633	38,584,718	62,820,945	62,615,798
Deferred inflows of resources	664,253	604,164	157,512	164,081	821,765	768,245
Net position:						
Net investment in capital assets	50,416,138	44,095,514	86,331,588	84,955,366	136,747,726	129,050,880
Restricted	2,000,914	3,153,270	6,377,501	3,668,433	8,378,415	6,821,703
Unrestricted	15,107,663	9,191,503	17,872,473	16,365,993	32,980,136	25,557,496
Total net position	\$67,524,715	\$56,440,287	\$ 110,581,562	\$ 104,989,792	\$ 178,106,277	\$ 161,430,079

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 \$178,106,277 as of June 30, 2021. The Town's net position increased by \$16,676,198 for the fiscal year ended June 30, 2021, primarily due to increases in both governmental and business-type activities.

By far the largest portion of the Town of Clayton's net position (76.78%) 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, \$8,378,415, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$32,980,136 is unrestricted, which can be used to meet the government's ongoing obligations to citizens and creditors.

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

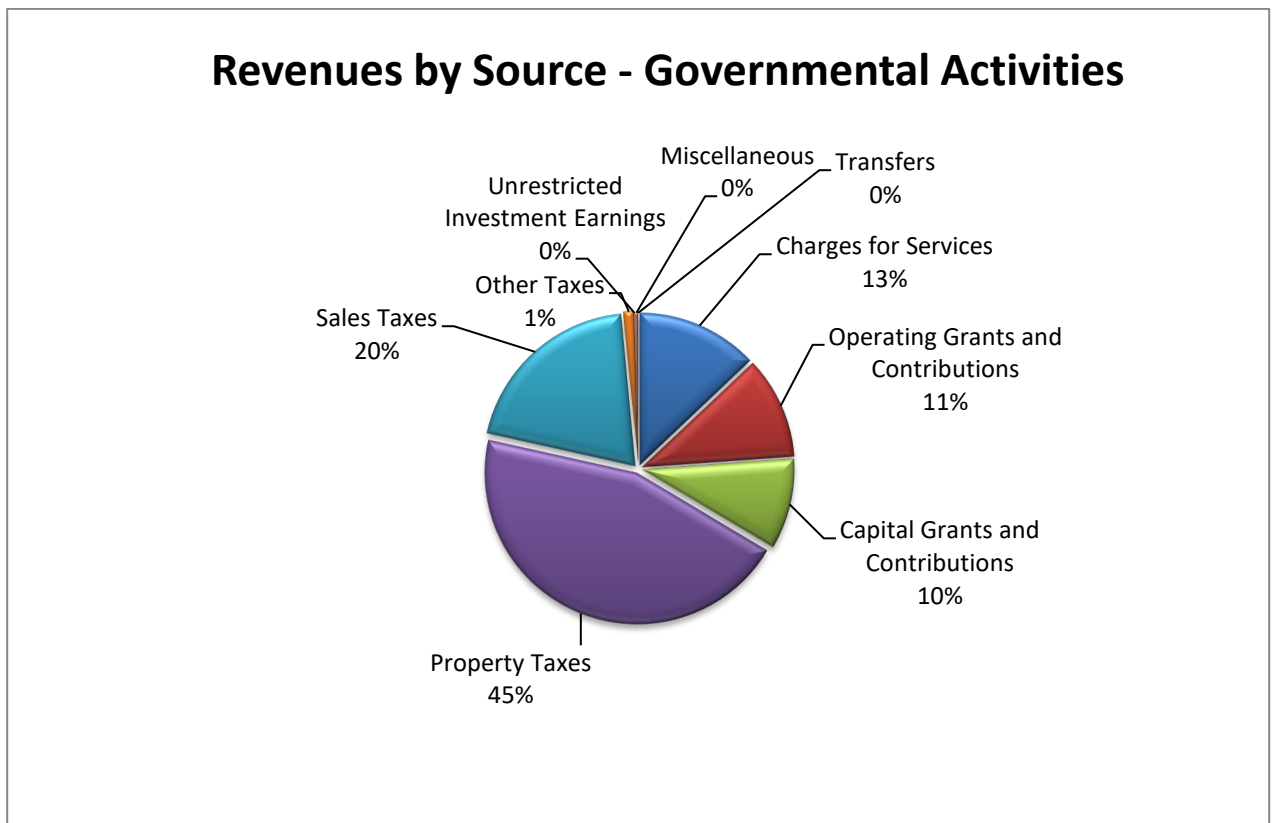
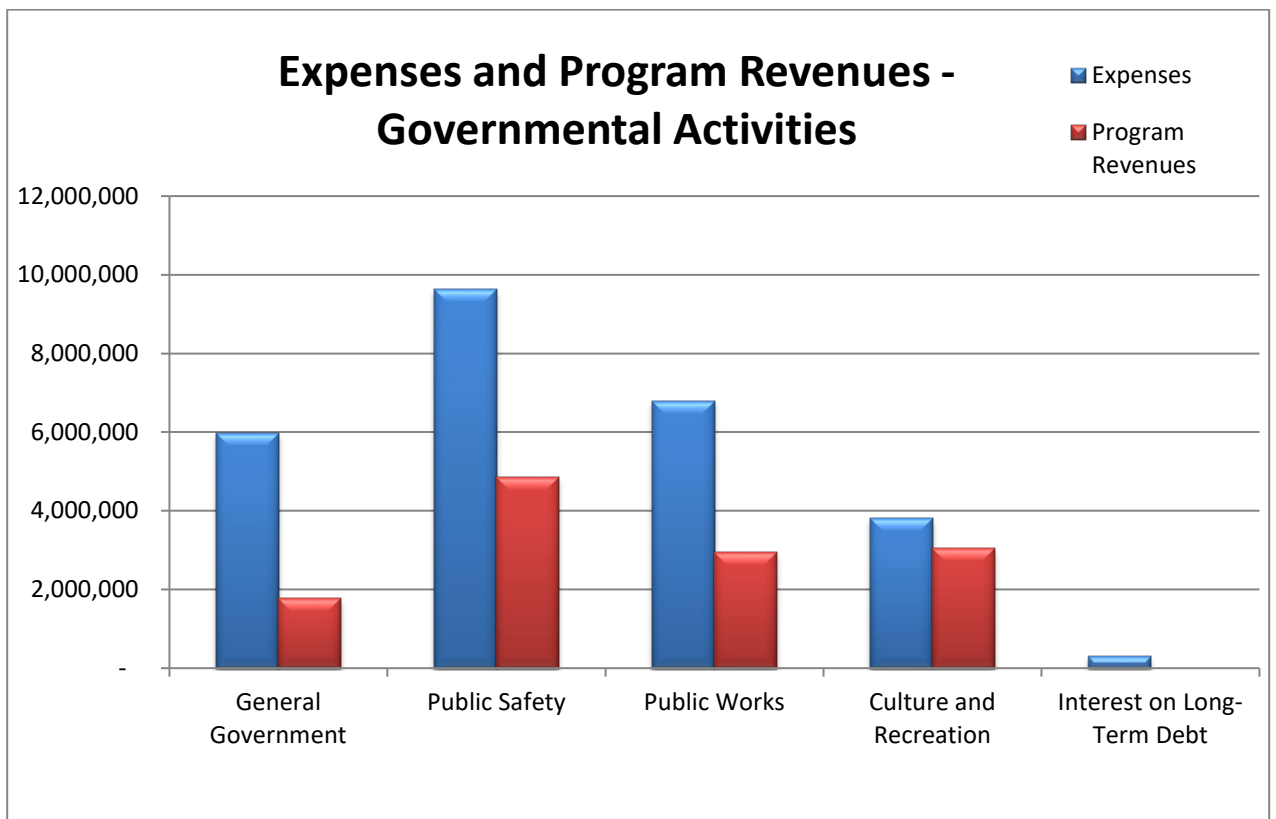
Restricted net position decreased by \$1,152,356 for the Town's governmental activities, primarily due to a decrease in the stabilization by State statute requirement in conjunction with an overall decrease in public improvements associated with the completion of the Harmony Playground and Town Hall Parking projects, which are governmental capital project funds. There was an increase of \$2,709,068 in restricted net position reported for business-type activities due to a State statute governing system development fees in the Water and Sewer Fund and a higher USDA reserve requirement for debt service.

## Town of Clayton Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 4,861,580	\$ 4,568,422	\$ 34,998,697	\$ 30,406,845	\$ 39,860,277	\$ 34,975,267
Operating grants and contributions	4,113,936	2,423,920	1,309,629	1,515,994	5,423,565	3,939,914
Capital grants and contributions	3,634,970	646,107	-	657,708	3,634,970	1,303,815
General revenues:						
Property taxes	16,904,303	15,595,683	-	-	16,904,303	15,595,683
Sales taxes	7,524,950	6,248,790	-	-	7,524,950	6,248,790
Other taxes	418,523	422,305	-	-	418,523	422,305
Unrestricted investment earnings	7,992	284,346	9,601	119,849	17,593	404,195
Miscellaneous	140,223	242,587	3,200,845	7,469,798	3,341,068	7,712,385
Total revenue	37,606,477	30,432,160	39,518,772	40,170,194	77,125,249	70,602,354
Expenses:						
General government	5,976,154	5,387,470	-	-	5,976,154	5,387,470
Public safety	9,635,098	9,067,727	-	-	9,635,098	9,067,727
Public works	6,796,621	6,363,541	-	-	6,796,621	6,363,541
Culture and recreation	3,814,011	3,625,066	-	-	3,814,011	3,625,066
Interest on long-term debt	300,165	332,641	-	-	300,165	332,641
Water and Sewer	-	-	20,457,981	17,004,328	20,457,981	17,004,328
Electric	-	-	13,469,021	13,561,134	13,469,021	13,561,134
Total expenses	26,522,049	24,776,445	33,927,002	30,565,462	60,449,051	55,341,907
Increase in net position before transfers	11,084,428	5,655,715	5,591,770	9,604,732	16,676,198	15,260,447
Transfers	-	250,000	-	(250,000)	-	-
Special item: donated wastewater pretreatment facility	-	-	-	32,957,526	-	32,957,526
Increase in net position	11,084,428	5,905,715	5,591,770	42,312,258	16,676,198	48,217,973
Net position, beginning	56,440,287	50,534,572	104,989,792	62,677,534	161,430,079	113,212,106
Net position, June 30	\$67,524,715	\$56,440,287	\$ 110,581,562	\$ 104,989,792	\$ 178,106,277	\$ 161,430,079

**Governmental activities.** Governmental activities increased the Town's net position by \$11,084,428, thereby accounting for 66.47% of the total growth in the net position of the Town of Clayton. Key elements of this increase are as follows:

- Property taxes increased 8.39%, or \$1,308,620, primarily due to ongoing growth in the tax base while maintaining a 100% tax collection percentage for registered motor vehicles, which is attributable to a change in State law.
- Sales tax revenues increased 20.42%, or \$1,276,160, due to ongoing economic growth in conjunction with no unfavorable impact experienced due to the lingering pandemic.
- Expenses net of program revenues increased by \$3,333,550, or 24.15%, which is attributable to the following factors:
  - Expenses increased by \$3,979,657, or 28.83%, compared to prior year primarily due to higher personnel costs related to staffing additions in public safety and public works in conjunction with higher building maintenance costs for facilities operated by public works and culture and recreation.
  - Grants and contributions increased by \$4,678,879, or 152.4%, primarily due to State funding received for the Sam's Branch Greenway-Phase II project reported in the CAMPO LAPP capital project fund, reimbursements from the SAFER grant and Claytex Fire District , and monies from the COVID-19 Coronavirus Relief Fund.

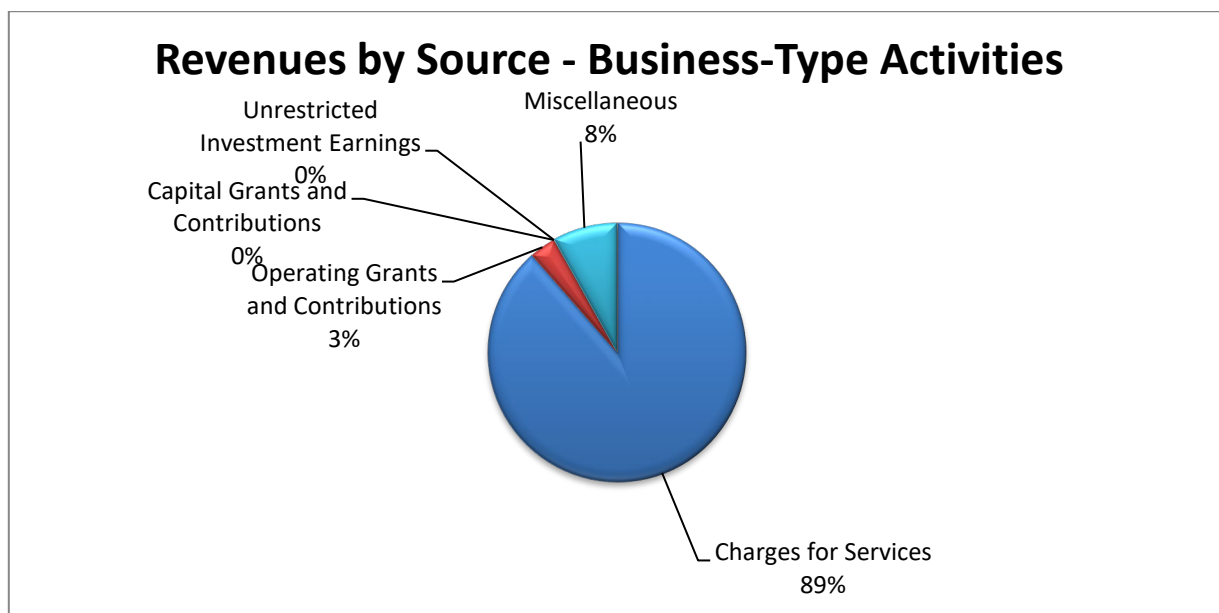
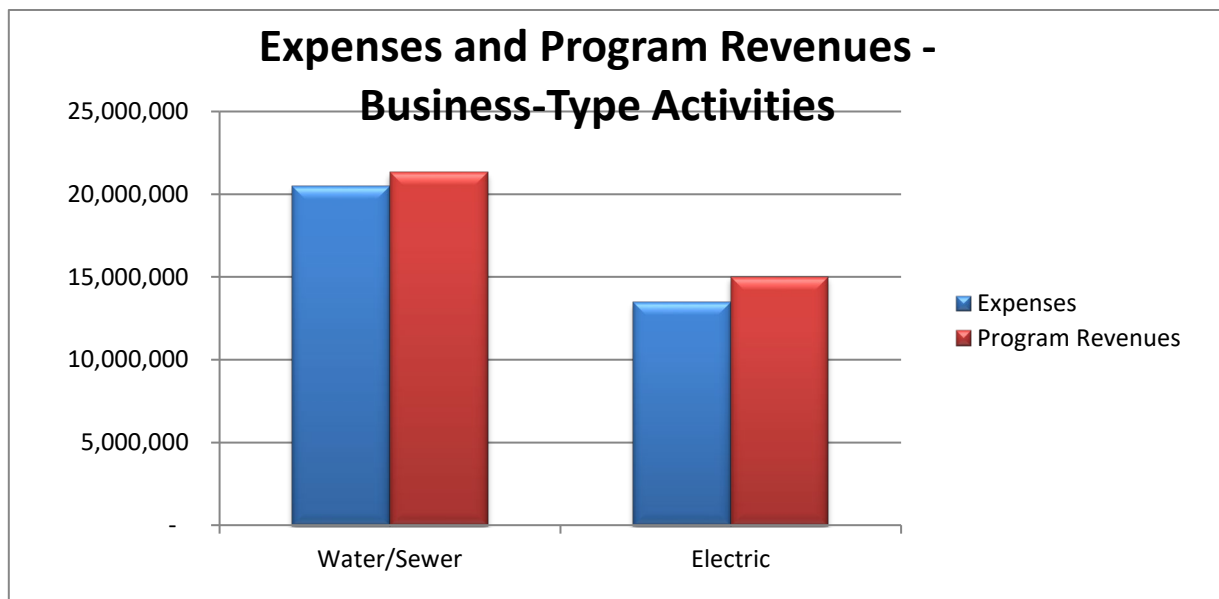




**Business-type activities.** Business-type activities increased the Town of Clayton's net position by \$5,591,770, accounting for an 33.53% increase in the government's net position. Key elements of this increase are as follows:

Expenses net of program revenues decreased by \$366,239, which is attributable to the following factors:

- Charges for services for business-type activities increased 15.1%, or \$4,591,852, primarily due to higher revenues generated by the water distribution and wastewater treatment operations.
- Fees from development activity decreased 59.64%, or \$3,958,667, primarily due to non-recurring industrial development partially offset by new residential development projects.
- Grants and contributions decreased by \$864,073, primarily due to no reimbursements from the U.S. Economic Development Administration and State Department of Commerce due to the completion of the ECIA Lift Station capital project in the prior fiscal year.



## Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$23,519,176 with a net increase in fund balance of \$6,007,622. The fund balance decreases in the capital project funds for Parks and Recreation and Town Hall Parking, \$863,781 and \$730,005, respectively, result primarily from expenditures to complete the Harmony Playground and parking expansion projects while the \$1,114,518 increase in the CAMPO LAPP capital project fund results from a grant reimbursement for the Sam's Branch Greenway extension.

The General Fund is the chief operating fund of the Town of Clayton. At the end of the current fiscal year, unassigned fund balance was \$16,270,223, while total fund balance reached \$23,477,041. The Town of Clayton's governing body has determined the Town should maintain an unassigned fund balance of 20% of actual net expenditures and an operating standard of 30%. The Town currently has unassigned fund balance of 54.42% of actual net expenditures. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 78.52% of total general fund expenditures. Fund balance of the Town of Clayton's General Fund increased by \$6,486,889 during the current fiscal year. Key components of this change are as follows:

- Revenues from ad valorem taxes increased \$1,470,760, primarily due to ongoing growth in the tax base.
- Intergovernmental revenues increased \$3,881,391, primarily due to higher sales tax revenues of \$1,189,415 from growth in the local economy, higher reimbursements of \$1,053,339 for fire protection services provided to the Claytex Fire District, and \$807,913 from the COVID-19 Coronavirus Relief Fund.
- Permits and fees revenues increased \$251,958, primarily due to higher revenues from inspection fees in conjunction with implementation of a stormwater fee.
- Total expenditures increased \$3,664,439 due to a \$2,102,581 increase in capital outlay for street improvements, equipment and vehicle acquisitions in public safety and public works. Maintenance and contract services increased \$543,166 in recreation while personnel costs increased by \$309,684 in public safety.

## General Fund Budgetary Highlights

During the year, the Town revised the budget on several occasions. Generally, budget amendments are made to adjust estimates that were utilized to prepare the original budget ordinance when more accurate data is available; amendments made to recognize new funding amounts from external sources, such as grants or other unexpected contributions; and increases in appropriations that become necessary to maintain services. Several factors contributed to the Town revising its budget throughout the year. The most common was realignment of the expenditure budget for budgetary compliance and a \$3,758,763 increase in fund balance appropriations between the original and final amended budget, primarily to procure a new ladder truck and provide funding for carryover projects, a land acquisition, and new positions.

**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 \$12,232,153, and for the Electric Fund, \$5,640,320. The total change in net position for the Water and Sewer and the Electric Funds was \$3,955,858 and \$1,635,912, respectively. The AMI Project is the only capital project completed in the Water and Sewer Fund and no new capital project funds were added. The AMI Project was completed in the Electric Fund and no new capital project funds were added. Other factors concerning the finances of these two funds was covered in the discussion of the 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, 2021 amounts to \$179,477,404 (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 14.8% (a 25.4% increase for governmental activities and a 74.6% increase for business-type activities).

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

- In governmental activities, construction in progress of \$3,365,311 for Sam's Branch Greenway-Phase II. Improvement additions of \$2,885,113 for Harmony Playground and a new parking lot, infrastructure additions of \$1,443,886 for street projects, and \$1,293,095 for acquisition of rolling stock, equipment, and furniture.
- In business-type activities, a nitrogen credit purchase of \$13,658,582, and \$3,409,616 for equipment in the Water and Sewer Fund and \$1,588,546 in the Electric Fund related to completion of the AMI Project in conjunction with infrastructure improvements of \$1,033,805 in the Electric Fund.
- No major demolitions were recorded this year.

	Town of Clayton's Capital Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$ 7,766,938	\$ 7,766,938	\$ 1,129,143	\$ 1,129,143	\$ 8,896,081	\$ 8,896,081
Nitrogen credits	-	-	16,291,695	2,633,113	16,291,695	2,633,113
Construction in progress	5,170,082	2,823,420	5,609,355	5,529,955	10,779,437	8,353,375
Total non-depreciable assets	12,937,020	10,590,358	23,030,193	9,292,211	35,967,213	19,882,569
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	35,800,836	32,915,723	3,862,804	3,862,804	39,663,640	36,778,527
Plant, machinery, and equipment	4,671,928	4,316,875	113,705,764	107,171,980	118,377,692	111,488,855
Vehicles	10,028,725	9,090,683	4,225,146	3,664,767	14,253,871	12,755,450
Infrastructure	22,706,063	21,262,177	-	-	22,706,063	21,262,177
Total depreciable assets	73,207,552	67,585,458	125,393,714	118,299,551	198,601,266	185,885,009
Accumulated depreciation	(24,090,813)	(22,010,302)	(31,000,262)	(27,418,302)	(55,091,075)	(49,428,604)
Total depreciable assets, net	49,116,739	45,575,156	94,393,452	90,881,249	143,510,191	136,456,405
Total	\$ 62,053,759	\$ 56,165,514	\$ 117,423,645	\$ 100,173,460	\$ 179,477,404	\$ 156,338,974

Additional information on the Town's capital assets can be found in Note 2.A 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 \$27,675,079. Of this amount, \$2,990,000 comprises debt backed by the full faith and credit of the Town of Clayton. The revenues of the associated enterprise fund back \$24,685,079. The direct placement installment debt is backed by security interest in the property for which it was issued.

	<b>Town of Clayton's Outstanding Debt</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General obligation bonds	\$ 2,990,000	\$ 3,380,000	\$ -	\$ -	\$ 2,990,000	\$ 3,380,000
Revenue bonds	-	-	24,685,079	25,511,746	24,685,079	25,511,746
BANs	-	-	-	-	-	-
Direct placement installment debt	8,647,621	8,690,000	7,123,520	7,222,559	15,771,141	15,912,559
Compensated Absences	749,616	752,272	138,942	158,399	888,558	910,671
OPEB	1,064,366	842,134	134,512	105,109	1,198,878	947,243
Pension related debt (LGERs)	5,599,362	4,111,708	1,036,490	778,008	6,635,852	4,889,716
Pension related debt (LEO)	3,337,394	2,311,581	-	-	3,337,394	2,311,581
Total	\$ 22,388,359	\$ 20,087,695	\$ 33,118,543	\$ 33,775,821	\$ 55,506,902	\$ 53,863,516

The Town's total debt increased \$1,643,386, or 3.05%, during the current fiscal year primarily due to the issuance of direct placement installment debt of \$871,621 by the General Fund to procure a ladder truck and \$865,382 by the Water and Sewer System to purchase two Vector trucks. The liability for the LGERs and LEOSA pension plans and total OPEB increased by \$3,023,584. The increases were partially offset by the rapid amortization of previously issued debt of \$3,095,088.

The Town of Clayton received an upgraded rating from Aa2 to Aa1 from Moody's Investor Service and maintained its AA rating with Standard and Poor's Corporation.

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 \$212,757,340, 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.B.6 of this report.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

- Fiscal Year 2021 was both a pioneering and unheard-of year due to the pandemic. The Town successfully navigated several executive orders from the Governor while adapting our operations and workforce to maintain continuity in the core services we provide. Our first responders were confronted with an unprecedented and challenging year. Hats off to them for their bravery and dedication to the community. Accolades are bestowed upon all employees for their commitment and service. Council and Department Heads are recognized for providing unwavering leadership.

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

- The unemployment rate for Johnston County is 4.4% compared to 6.7% last year. The State average is 4.9% compared to 7.7% a year ago. The unemployment rate information is not seasonally adjusted. The COVID-19 pandemic is the primary contributor to the higher unemployment rate.
- An unchanged tax rate of \$0.58 per \$100 in valuation is proposed. One penny (\$0.01) of tax levy for real and personal property will generate \$268,730 of tax revenue per year, excluding registered motor vehicles, which will add an additional \$23,860 of tax revenue per year. Sales tax revenues are conservatively budgeted to increase 3% based upon the projection for fiscal year 2021, which aligns with the revenue projection published by the North Carolina League of Municipalities. Ad valorem tax revenues are budgeted to increase 5.6% compared to the budget for fiscal year 2021. The budget includes a 3% pool for salary adjustments plus the related benefit cost; the monthly employer contribution to participate in the State's health plan is projected to increase 7%, or from \$521.96 to \$558.50; and the retirement contribution will increase 1.2%. Water and sewer rates are budgeted to increase 5% and 9.5%, respectively, which results in a 7.42% average increase for 4,000 gallons of usage for an intown customer. The combined total monthly rate is \$88.49 compared to the current rate of \$82.38 for 4,000 gallons of usage. No increase in electric rates is proposed.
- The budget recommendation includes the addition of 35 new positions as follows: General Fund – 29 positions, including 13 in public safety, at a total cost of \$1.6 million; Water and Sewer Fund – 5 positions at a total cost of \$0.3 million; Electric Fund – 1 position at a total cost of \$0.06 million for a grand total of \$2.0 million. The primary justification is project delivery and service enhancement. The ability to deliver projects, including those listed in the capital improvement program, will be significantly impaired in the absence of seven new positions in the Engineering department, not to mention potentially delaying the \$18 million general obligation bond program for parks and recreation projects.
- Budget expenditures in the General Fund are forecasted to be \$31,754,221, an increase of 6.1% compared to the prior year budget and includes 4 new positions in public safety and 1 new position in human resources. The budget includes a 1% cost-of-living adjustment (COLA) and funding for the merit program that ranges between 2%-3.5%. The Town has a comprehensive capital improvement plan that will maximize debt capacity while maintaining compliance with the financial policy.
- The Town has chosen to appropriate \$1,150,424 for spending in the 2022 fiscal year budget, primarily to complete projects that were reappropriated from Fiscal Year 2021.

All of these factors were considered in preparing the Town of Clayton's budget for the 2022 fiscal year. The budget incorporates the goals and policies adopted by Council. Additional budget information is available on the Town's website: <https://www.townofclaytonnc.org/mayor-and-council/annual-reports-budgets.aspx>.

### **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, 2021**

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 23,837,270	\$ 16,564,783	40,402,053
Taxes receivables (net)	29,413	-	29,413
Accounts receivable (net)	605,843	4,439,580	5,045,423
Due from/to other governments	1,951,317	-	1,951,317
Inventories	20,051	1,383,302	1,403,353
Restricted cash and cash equivalents	145,554	8,344,043	8,489,597
Total current assets	<u>26,589,448</u>	<u>30,731,708</u>	<u>57,321,156</u>
Non-current assets			
Capital assets (Note 3)			
Land, non-depreciable improvements and construction in progress	12,937,020	23,030,193	35,967,213
Other capital assets, net of depreciation	49,116,739	94,393,452	143,510,191
Total capital assets	<u>62,053,759</u>	<u>117,423,645</u>	<u>179,477,404</u>
Total assets	<u>\$ 88,643,207</u>	<u>\$ 148,155,353</u>	<u>\$ 236,798,560</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	4,240,208	589,093	4,829,301
OPEB deferrals	120,865	261	121,126
Total deferred outflows of resources	<u>4,361,073</u>	<u>589,354</u>	<u>4,950,427</u>
Total assets and deferred outflows of resources	<u>\$ 93,004,280</u>	<u>\$ 148,744,707</u>	<u>\$ 241,748,987</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,426,953	\$ 3,552,018	\$ 5,978,971
Customer deposits	-	1,335,072	1,335,072
Current portion of long-term liabilities	1,754,202	1,776,484	3,530,686
Total current liabilities	4,181,155	6,663,574	10,844,729
Long-term liabilities			
Net pension liability	5,599,362	1,036,490	6,635,852
Total pension liability	3,337,394	-	3,337,394
Total OPEB liability	1,064,366	134,512	1,198,878
Due in more than one year	10,633,035	30,171,057	40,804,092
Total liabilities	24,815,312	38,005,633	62,820,945
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessments	606,831	157,318	764,149
Prepaid taxes	7,075	-	7,075
Pension deferrals	48,820	-	48,820
OPEB deferrals	1,527	194	1,721
Total deferred inflows of resources	664,253	157,512	821,765
<b>NET POSITION</b>			
Net investment of capital assets	50,416,138	86,331,588	136,747,726
Restricted - Expendable:			
Other functions-Powell Bill	-	-	-
Public Improvements	38,887	6,225,597	6,264,484
USDA debt service reserve	-	151,904	151,904
Public Safety	8,450	-	8,450
Stabilization by State Statute	1,950,329	-	1,950,329
Restricted - Nonexpendable	3,248	-	3,248
Unrestricted	15,107,663	17,872,473	32,980,136
Total net position	67,524,715	110,581,562	178,106,277
Total liabilities, deferred inflows of resources and net position	\$ 93,004,280	\$ 148,744,707	\$ 241,748,987



**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants and	Capital Grants and	Primary Government		
		Services	Contributions	Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government operations	\$ 5,976,154	\$ 1,642,259	\$ 126,248	\$ -	\$ (4,207,647)	\$ -	\$ (4,207,647)
Public safety	9,635,098	17,213	3,971,166	871,621	(4,775,098)	-	(4,775,098)
Public works	6,796,621	2,360,439	-	571,173	(3,865,009)	-	(3,865,009)
Cultural and recreational	3,814,011	841,669	16,522	2,192,176	(763,644)	-	(763,644)
Interest on long-term debt	300,165	-	-	-	(300,165)	-	(300,165)
Total governmental activities	<u>26,522,049</u>	<u>4,861,580</u>	<u>4,113,936</u>	<u>3,634,970</u>	<u>(13,911,563)</u>	<u>-</u>	<u>(13,911,563)</u>
Business-type activities							
Water and sewer	20,457,981	20,183,707	1,143,597	-	-	869,323	869,323
Electric	<u>13,469,021</u>	<u>14,814,990</u>	<u>166,032</u>	<u>-</u>	<u>-</u>	<u>1,512,001</u>	<u>1,512,001</u>
Total business-type activities	<u>33,927,002</u>	<u>34,998,697</u>	<u>1,309,629</u>	<u>-</u>	<u>-</u>	<u>2,381,324</u>	<u>2,381,324</u>
Total primary government	<u>\$ 60,449,051</u>	<u>\$ 39,860,277</u>	<u>\$ 5,423,565</u>	<u>\$ 3,634,970</u>	<u>\$ (13,911,563)</u>	<u>\$ 2,381,324</u>	<u>\$ (11,530,239)</u>
General revenues							
Property taxes, levied for general purposes					16,904,303	-	16,904,303
Sales taxes					7,524,950	-	7,524,950
Franchise taxes					284,870	-	284,870
Alcoholic beverage taxes					99,297	-	99,297
Other taxes					34,356	-	34,356
Unrestricted investment earnings					7,992	9,601	17,593
Miscellaneous					140,223	3,200,845	3,341,068
Total general revenues not including transfers					<u>24,995,991</u>	<u>3,210,446</u>	<u>28,206,437</u>
Transfers					-	-	-
Total general revenues and transfers					<u>24,995,991</u>	<u>3,210,446</u>	<u>28,206,437</u>
Change in net position					11,084,428	5,591,770	16,676,198
Net position, beginning					56,440,287	104,989,792	161,430,079
Net position, ending					<u>\$ 67,524,715</u>	<u>\$ 110,581,562</u>	<u>\$ 178,106,277</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

**Exhibit 3**

	Major Funds					
	General	Parks & Rec. Capital Project	CAMPO LAPP Capital Project	Town Hall Parking Capital Project	Total Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 23,834,022	\$ -	\$ -	\$ -	\$ 3,248	\$ 23,837,270
Restricted cash	8,450	209	25,922	110,973	-	145,554
Receivables, net						
Taxes	29,413	-	-	-	-	29,413
Accounts	605,843	-	-	-	-	605,843
Due from other governments	1,951,317	-	-	-	-	1,951,317
Inventories	20,051	-	-	-	-	20,051
Total assets	<u>\$ 26,449,096</u>	<u>\$ 209</u>	<u>\$ 25,922</u>	<u>\$ 110,973</u>	<u>\$ 3,248</u>	<u>\$ 26,589,448</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 2,328,736	\$ -	\$ 25,122	\$ 73,095	\$ -	\$ 2,426,953
Total liabilities	<u>2,328,736</u>	<u>-</u>	<u>25,122</u>	<u>73,095</u>	<u>-</u>	<u>\$ 2,426,953</u>
<b>Deferred Inflows of Resources</b>						
Assessments	606,831	-	-	-	-	606,831
Property tax receivable	29,413	-	-	-	-	29,413
Prepaid taxes	7,075	-	-	-	-	7,075
Total Deferred Inflows of Resources	<u>643,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,319</u>
<b>Fund balances</b>						
Non Spendable						
Inventories	20,051	-	-	-	-	20,051
Perpetual maintenance	-	-	-	-	3,248	3,248
Restricted						
Stabilization by State Statute	1,950,329	-	-	-	-	1,950,329
Streets - Powell Bill	-	-	-	-	-	-
Public Improvements	-	209	800	37,878	-	38,887
USDA debt service reserve	-	-	-	-	-	-
Public Safety-Police	8,450	-	-	-	-	8,450
Library	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Committed						
Public Improvements	1,159,469	-	-	-	-	1,159,469
Public Safety-Fire	-	-	-	-	-	-
Assigned						
Public Safety-Fire	2,355	-	-	-	-	2,355
Public Improvements	1,368,224	-	-	-	-	1,368,224
Debt Service	1,012,157	-	-	-	-	-
Subsequent year's expenditures	1,685,783	-	-	-	-	1,685,783
Unassigned	16,270,223	-	-	-	-	16,270,223
Total fund balances	<u>23,477,041</u>	<u>209</u>	<u>800</u>	<u>37,878</u>	<u>3,248</u>	<u>23,519,176</u>
Total liabilities, deferred inflows of of resources and fund balances	<u>\$ 26,449,096</u>	<u>\$ 209</u>	<u>\$ 25,922</u>	<u>\$ 110,973</u>	<u>\$ 3,248</u>	<u>\$ 26,589,448</u>
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						\$ 23,519,176
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						62,053,759
Deferred outflows of resources related to pensions are not reported in the funds						4,240,208
Deferred outflows of resources related to OPEB are not reported in the funds						120,865
Earned revenues considered deferred inflows of resources in fund statements						29,413
Compensated absences not expected to be materially liquidated with expendable available resources						(749,616)
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						(11,637,621)
Net pension liability						(5,599,362)
Total pension liability						(3,337,394)
OPEB liability						(1,064,366)
Deferred inflows of resources related to pensions are not reported in the funds						(48,820)
Deferred inflows of resources related to OPEB are not reported in the funds						(1,527)
Net position of governmental activities						<u>\$ 67,524,715</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 4**

	Major Funds					
	General Fund	Parks & Rec. Capital Project	CAMPO LAPP Capital Project	Town Hall Capital Project	Total Non-Major Fund	Total Governmental Funds
<b>REVENUES</b>						
Ad valorem taxes	\$ 16,428,297	\$ -	\$ -	\$ -	\$ -	\$ 16,428,297
Other taxes and licenses	600,055	-	-	-	-	600,055
Unrestricted intergovernmental	11,083,131	-	-	-	-	11,083,131
Restricted intergovernmental	2,298,951	-	2,192,176	-	-	4,491,127
Permits and fees	2,255,843	-	-	-	-	2,255,843
Sales and services	2,712,023	-	-	-	-	2,712,023
Investment earnings	7,991	-	-	-	1	7,992
Miscellaneous	127,722	-	-	12,500	-	140,222
Total revenues	<u>35,514,013</u>	<u>-</u>	<u>2,192,176</u>	<u>12,500</u>	<u>1</u>	<u>37,718,690</u>
<b>EXPENDITURES</b>						
Current						
General government operations	4,555,217	-	-	-	-	4,555,217
Public safety	11,852,554	-	-	-	-	11,852,554
Public works	8,104,100	-	-	-	-	8,104,100
Cultural and recreational	3,529,709	-	-	-	-	3,529,709
Debt service						
Principal retirement	1,304,000	-	-	-	-	1,304,000
Interest and other charges	300,165	-	-	-	-	300,165
Capital outlay	-	990,781	1,203,658	742,505	-	2,936,944
Total expenditures	<u>29,645,745</u>	<u>990,781</u>	<u>1,203,658</u>	<u>742,505</u>	<u>-</u>	<u>32,582,689</u>
Excess (deficiency) of revenues over expenditures	5,868,268	(990,781)	988,518	(730,005)	1	5,136,001
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from (to) other funds	(253,000)	127,000	126,000	-	-	-
Installment purchase obligations issued	871,621	-	-	-	-	871,621
Total other financing sources (uses)	<u>618,621</u>	<u>127,000</u>	<u>126,000</u>	<u>-</u>	<u>-</u>	<u>871,621</u>
Net change in fund balances	6,486,889	(863,781)	1,114,518	(730,005)	1	6,007,622
Fund balance, beginning	<u>16,990,152</u>	<u>863,990</u>	<u>(1,113,718)</u>	<u>767,883</u>	<u>3,247</u>	<u>17,511,554</u>
Fund balances, ending	<u>\$ 23,477,041</u>	<u>\$ 209</u>	<u>\$ 800</u>	<u>\$ 37,878</u>	<u>\$ 3,248</u>	<u>\$ 23,519,176</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

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**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 6,007,622
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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	8,023,206
Depreciation	(2,082,023)

Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities	1,366,284
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Benefit payments paid and administrative expense for LEOSA are not included on the Statement of Activities	61,352
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OPEB benefit payments paid and administrative expense are not included on the Statement of Activities	120,865
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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	(112,214)

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	2,656
Pension expense	(2,513,467)
OPEB plan expense	(222,232)

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	(871,621)	
Debt principle paid	<u>1,304,000</u>	<u>432,379</u>

Total changes in net position of governmental activities	<u>\$ 11,084,428</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, 2021**

**Exhibit 6**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 15,928,186	\$ 15,928,186	\$ 16,428,297	\$ 500,111
Other taxes and licenses	549,000	549,000	600,055	51,055
Unrestricted intergovernmental	8,374,595	8,374,595	11,083,131	2,708,536
Restricted intergovernmental	2,346,510	2,354,710	2,298,951	(55,759)
Permits and fees	1,236,790	1,236,790	2,255,843	1,019,053
Sales and services	3,090,383	3,090,383	2,712,023	(378,360)
Investment earnings	145,500	145,500	7,991	(137,509)
Miscellaneous	30,607	30,607	127,722	97,115
Total revenues	31,701,571	31,709,771	35,514,013	3,804,242
<b>EXPENDITURES</b>				
Current				
General government operations	5,167,576	5,403,760	4,555,217	848,543
Public safety	10,457,787	12,528,573	11,852,554	676,019
Public works	9,095,086	9,877,754	8,104,100	1,773,654
Cultural and recreational	5,047,580	5,471,905	3,529,709	1,942,196
Debt service				
Principal retirement	1,686,027	1,686,027	1,304,000	382,027
Interest and other charges	300,165	300,165	300,165	-
Total expenditures	31,754,221	35,268,184	29,645,745	5,622,439
Revenues over (under) expenditures	(52,650)	(3,558,413)	5,868,268	9,426,681
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	-	(253,000)	(253,000)	-
Installment purchase obligations issued	-	-	871,621	871,621
Total other financing sources (uses)	-	(253,000)	618,621	871,621
Fund balance appropriated	52,650	3,811,413	-	(3,811,413)
Net change in fund balance	\$ -	\$ -	6,486,889	\$ 6,486,889
Fund balances, beginning			16,990,152	
Fund balances, ending			\$ 23,477,041	

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2021**

**Exhibit 7**

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 11,264,577	\$ 5,300,206	\$ 16,564,783
Accounts receivable (net) - billed	1,374,551	734,973	2,109,524
Accounts receivable (net) - unbilled	1,283,644	1,046,412	2,330,056
Due from/to other governments	-	-	-
Inventories	362,960	1,020,342	1,383,302
Restricted cash and cash equivalents	8,210,576	133,467	8,344,043
Total current assets	22,496,308	8,235,400	30,731,708
Non-current assets			
Capital assets			
Land, improvements and construction in progress	22,069,597	960,596	23,030,193
Other capital assets, net of depreciation	78,915,649	15,477,803	94,393,452
Capital assets, net	100,985,246	16,438,399	117,423,645
Total non-current assets	100,985,246	16,438,399	117,423,645
Total assets	\$ 123,481,554	\$ 24,673,799	\$ 148,155,353
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	352,116	236,977	589,093
OPEB deferrals	261	-	261
Total deferred outflows of resources	352,377	236,977	589,354
Total assets and deferred outflows of resources	\$ 123,833,931	\$ 24,910,776	\$ 148,744,707
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,292,201	\$ 1,259,817	\$ 3,552,018
Customer deposits	445,684	889,388	1,335,072
Compensated absences - current	37,277	32,194	69,471
Revenue bond note payable - current	529,000	356,667	885,667
Direct placement installment purchases payable - current	725,968	95,378	821,346
Total current liabilities	4,030,130	2,633,444	6,663,574
Noncurrent liabilities			
Other noncurrent liabilities			
Compensated absences	37,277	32,194	69,471
Net pension liability	619,537	416,953	1,036,490
OPEB liability	66,566	67,946	134,512
Revenue bond note payable - noncurrent	20,232,746	3,566,666	23,799,412
Direct placement installment purchases payable - current	4,809,372	1,492,802	6,302,174
Total noncurrent liabilities	25,765,498	5,576,561	31,342,059
Total liabilities	29,795,628	8,210,005	38,005,633
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessments	157,318	-	157,318
Pension deferrals	-	-	-
OPEB deferrals	96	98	194
Total deferred inflows of resources	157,414	98	157,512
<b>NET POSITION</b>			
Net investments in capital assets	75,271,235	11,060,353	86,331,588
Restricted for USDA debt service reserve	151,904	-	151,904
Restricted for capital improvement program	6,225,597	-	6,225,597
Unrestricted	12,232,153	5,640,320	17,872,473
Total net position	93,880,889	16,700,673	110,581,562
Total liabilities, deferred inflows of resources and net position	\$ 123,833,931	\$ 24,910,776	\$ 148,744,707

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2021**

**Exhibit 8**

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 20,121,170	\$ 14,814,990	\$ 34,936,160
Water and sewer taps	62,537	-	62,537
Other operating revenues	1,143,597	166,032	1,309,629
Total operating revenues	<u>21,327,304</u>	<u>14,981,022</u>	<u>36,308,326</u>
OPERATING EXPENSES			
Electric operations	-	11,795,411	11,795,411
Water distribution	6,827,995	-	6,827,995
Water preventive maintenance	1,221,358	-	1,221,358
Waste collection and treatment	6,164,711	-	6,164,711
Tax reimbursements - General Fund	-	35,250	35,250
Support services - General Fund	2,092,911	965,874	3,058,785
Depreciation and amortization	3,310,364	540,769	3,851,133
Total operating expenses	<u>19,617,339</u>	<u>13,337,304</u>	<u>32,954,643</u>
Operating income (loss)	<u>1,709,965</u>	<u>1,643,718</u>	<u>3,353,683</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,256	7,345	9,601
Interest and other charges	(840,642)	(131,717)	(972,359)
Nutrient offset fees	151,784	-	151,784
System Development Fees	2,678,604	-	2,678,604
Capital Grants	-	-	-
Miscellaneous	253,891	116,566	370,457
Total nonoperating revenue (expenses)	<u>2,245,893</u>	<u>(7,806)</u>	<u>2,238,087</u>
Income (loss) before contributions	<u>3,955,858</u>	<u>1,635,912</u>	<u>5,591,770</u>
Change in net position	<u>3,955,858</u>	<u>1,635,912</u>	<u>5,591,770</u>
Total net position, beginning	<u>89,925,031</u>	<u>15,064,761</u>	<u>104,989,792</u>
Total net position, ending	<u>\$ 93,880,889</u>	<u>\$ 16,700,673</u>	<u>110,581,562</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2021**

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

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 3,599,751	\$ 992,101	\$ 4,591,852
Cash paid for goods and services	2,608,141	1,740,554	4,348,695
Cash paid to or on behalf of employees for services	(1,760,756)	(1,100,981)	(2,861,737)
Other operating revenues	1,143,597	166,032	1,309,629
System development fees	2,678,604	-	2,678,604
Nutrient offset fees	151,784	-	151,784
Miscellaneous revenue	253,891	116,566	370,457
Net cash provided (used) by operating activities	<u>8,675,012</u>	<u>1,914,272</u>	<u>10,589,284</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Revenue bonds issued	-	-	-
Installment debt issued	865,382	-	865,382
Acquisition and construction of capital assets	(19,683,973)	(1,488,181)	(21,172,154)
Capital grants	-	-	-
Principal paid on bond maturities and equipment contracts	(1,343,410)	(447,679)	(1,791,089)
Interest paid on bond maturities and equipment contracts	<u>(840,642)</u>	<u>(131,717)</u>	<u>(972,359)</u>
Net cash provided (used) by capital and related financing activities	<u>(21,002,643)</u>	<u>(2,067,577)</u>	<u>(23,070,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from asset disposition	70,836	-	70,836
Interest and dividends	<u>2,256</u>	<u>7,345</u>	<u>9,601</u>
Net cash provided (used) by investing activities	<u>73,092</u>	<u>7,345</u>	<u>80,437</u>
Net increase (decrease) in cash and cash equivalents	(12,254,539)	(145,960)	(12,400,499)
Balances, beginning	<u>31,729,692</u>	<u>5,579,633</u>	<u>37,309,325</u>
Balances, ending	<u>\$ 19,475,153</u>	<u>\$ 5,433,673</u>	<u>\$ 24,908,826</u>



**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2021**

**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)	\$ 1,709,965	\$ 1,643,718	\$ 3,353,683
Adjustments to reconcile operating income to net cash provided by operating activities			
Other fees - capacity, system development, nutrient offset	2,830,388	-	2,830,388
Miscellaneous revenue	253,891	116,567	370,458
Depreciation & amortization	3,310,364	540,769	3,851,133
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	\$ 224,788	\$ (26,770)	198,018
(Increase) decrease in inventory	(149,336)	(94,663)	(243,999)
Increase (decrease) in accounts payable and accrued liabilities	310,006	(442,521)	(132,515)
Increase (decrease) in customer deposits	96,679	114,029	210,708
Increase in OPEB liability	11,443	17,960	29,403
Increase in accrued vacation pay	(14,605)	(4,852)	(19,457)
Increase in deferred outflows of resources-pensions	(75,984)	(37,357)	(113,341)
Increase in deferred outflows of resources-OPEB	2,892	-	2,892
Increase in net pension liability	167,972	90,510	258,482
Decrease in deferred inflows of resources-pensions	-	-	-
Increase in deferred inflows of resources-OPEB	(3,451)	(3,118)	(6,569)
Total adjustments	6,965,047	270,554	7,235,601
Net cash provided by operating activities	\$ 8,675,012	\$ 1,914,272	\$ 10,589,284

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2021**

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**Exhibit 10**

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,004,332
Taxes receivable from other governments, net	<u>19,847</u>
Total assets	<u>1,024,179</u>
LIABILITIES	
Intergovernmental payable	<u>89,196</u>
Total liabilities	<u>89,196</u>
NET POSITION	
Restricted for:	
Other governments	<u>934,983</u>
Total fiduciary net position	<u><u>\$ 934,983</u></u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended June 30, 2021**

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**Exhibit 11**

	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Property taxes collected for other governments	<u>\$ 2,267,747</u>
Total additions	<u>2,267,747</u>
<b>DEDUCTIONS</b>	
Property taxes distributed to other governments	<u>3,136,431</u>
Net increase (decrease) in fiduciary net position	<u>(868,684)</u>
Net position, beginning, as previously reported	-
Prior period restatement (Note 8)	<u>1,803,667</u>
Net position, beginning, as restated	<u>1,803,667</u>
Net position, ending	<u>\$ 934,983</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, 2021**

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

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government except for fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental funds:

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

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

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

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

**Clayton Town Hall Parking Project** – This fund is used to account for the parking lot expansion project to improve parking access for the general public and employees.

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. Four capital project funds have been consolidated with the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for each capital project fund is included with the Combining and Individual Funds Statements and Schedules.

**Electric Fund.** This fund is used to account for the Town's electric fund operations. An Electric Rate Stabilization Fund and two capital project funds have been consolidated with the Electric Fund for financial reporting purposes. The budgetary comparison for each capital project fund is included with the Combining and Individual Funds Statements and Schedules.

The Town reports the following fund types:

**Custodial Fund.** Custodial funds are used to report fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains one custodial fund for the Claytex Fire District, which accounts for ad valorem and vehicle property taxes that are billed and collected by Johnston County (County) on behalf of the fire district but are not revenues to the Town.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Clayton because the tax is levied by Johnston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, invests in treasuries and government agencies, and maintains an AAAm rating from S&P and AAAmf by Moody's Investor Service. It is reported at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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.



**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per state law (G.S. 136-41.1 through G.S. 136-41.4). Monies in the Parks and Recreation Capital Project Fund, CAMPO LAPP Capital Project Fund, and Town Hall Parking Project Capital Project Fund are classified as restricted cash because the use is restricted to each fund per state law (G.S. 159-13.2). Money for public safety is classified as restricted cash which can only be expended for purposes to enhance the Town's law enforcement activities per state and federal law (G.S. 105-113.113; Controlled Substances Act, Title 21-Section 881(e)(3)). The unexpended debt proceeds of the Water and Sewer Fund and Electric Fund are classified as restricted assets for the enterprise funds because their use is completely restricted to the purpose for which the bonds were originally issued. Cash in the Water and Sewer Fund is also restricted to comply with state law governing revenues from system development fees (G.S. 162A-211) and a \$151,904 sinking fund requirement by the USDA.

Town of Clayton Restricted Cash

Governmental Activities			
General Fund			
	Public Safety		8,450
Capital Project Funds			
	Parks and Recreation		209
	Public Transportation		136,895
Total governmental activities		\$	145,554
Business-type Activities			
Electric Fund	Unspent installment debt proceeds	\$	133,467
Water and Sewer Fund	Capital improvements - State Statute		7,475,597
Water and Sewer Fund	Unspent installment debt proceeds		583,075
Water and Sewer Fund	USDA future debt service		151,904
Total Business-type Activities		\$	8,344,043
Total Restricted Cash		\$	8,489,597

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, 2020.

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, 2021 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.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – assessments, prepaid taxes, property taxes receivable, and OPEB and pension deferrals.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

Long-Term Obligations

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.

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.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

Restricted 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 – North Carolina G.S 159-8 prohibits units of government from budgeting or spending a portion of fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S.159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as a "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is imposed by law through constitutional provisions or enabling legislation. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Clayton's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund can report a positive amount of unassigned fund balance.

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

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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

Defined Benefit Cost-Sharing Plans

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

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

**F. Other**

Use of Estimates

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

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

**A. Assets**

Deposits

All the deposits of the Town 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 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, these deposits are considered to be held by the Town'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 under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$22,274,721 and a bank balance of \$22,499,964. 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. At June 30, 2021, the Town's petty cash fund totaled \$3,284.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**A. Assets (Continued)**

Investments

At June 30, 2021, the Town of Clayton had \$27,617,977 with the North Carolina Capital Management Trust's Government Portfolio. The Government Portfolio carried a credit rating of AAAm by Standard and Poor's and AAAmf by Moody's Investor Service. The Town has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General fund:

Taxes receivable	\$ 7,300
Accounts receivable	<u>3,715</u>
	11,015

Receivables - Allowances for Doubtful Accounts (Continued)

Enterprise funds	<u>70,586</u>
Total	<u>\$ 81,601</u>

Due from Other Governmental Agencies

At June 30, 2021, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-type Activities
	General	Non-Major Governmental	Total	
Local Option Sales Tax	\$ 1,151,029	\$ -	\$ 1,151,029	\$ -
Franchise Sales Tax	257,839	-	257,839	-
Telecommunication Sales Tax	8,242	-	8,242	-
Video Programming Fees	47,787	-	47,787	-
Solid Waste Disposal Fees	4,411	-	4,411	-
Vehicle & Property taxes	379,565	-	379,565	-
PEG Channel	13,072	-	13,072	-
International Institute of Municipal Clerks	175	-	175	-
Claytex Fire District	<u>89,197</u>	-	<u>89,197</u>	-
	<u>\$ 1,951,317</u>	<u>\$ -</u>	<u>\$ 1,951,317</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**A. Assets (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,766,938	\$ -	\$ -	\$ 7,766,938
Construction in progress	<u>2,823,420</u>	<u>2,946,901</u>	<u>600,239</u>	<u>5,170,082</u>
Total capital assets not being depreciated	<u>10,590,358</u>	<u>2,946,901</u>	<u>600,239</u>	<u>12,937,020</u>
Capital assets being depreciated				
Buildings and improvements	32,915,723	2,885,113	-	35,800,836
Equipment	4,316,875	355,053	-	4,671,928
Vehicles and motorized equipment	9,090,683	992,492	54,450	10,028,725
Infrastructure	<u>21,262,177</u>	<u>1,443,886</u>	<u>-</u>	<u>22,706,063</u>
Total capital assets being depreciated	<u>67,585,458</u>	<u>5,676,544</u>	<u>54,450</u>	<u>73,207,552</u>
Less accumulated depreciation				
Buildings	7,443,173	722,369	-	8,165,542
Equipment	3,760,463	178,475	-	3,938,938
Vehicles and motorized equipment	6,411,588	755,939	1,512	7,166,015
Infrastructure	<u>4,395,078</u>	<u>425,240</u>	<u>-</u>	<u>4,820,318</u>
Total accumulated depreciation	<u>22,010,302</u>	<u>2,082,023</u>	<u>1,512</u>	<u>24,090,813</u>
Total capital assets being depreciated, net	<u>45,575,156</u>	<u>3,594,521</u>	<u>52,938</u>	<u>49,116,739</u>
Governmental activity capital assets, net	<u>\$ 56,165,514</u>	<u>\$ 6,541,422</u>	<u>\$ 653,177</u>	<u>\$ 62,053,759</u>

At June 30, 2021, construction in progress was comprised primarily of the public improvement construction projects.

General government	\$ 228,559
Public safety	773,806
Public works	642,978
Cultural and recreational	<u>436,680</u>
Total depreciation expense	<u>\$ 2,082,023</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**A. Assets (Continued)**

	<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	\$ 1,109,143	\$ -	\$ -	\$ 1,109,143
Nitrogen credits	2,633,113	13,658,582	-	16,291,695
Construction in progress	<u>3,430,104</u>	<u>3,377,003</u>	<u>2,138,348</u>	<u>4,668,759</u>
Total capital assets not being depreciated	<u>7,172,360</u>	<u>17,035,585</u>	<u>2,138,348</u>	<u>22,069,597</u>
Capital assets being depreciated				
Wastewater capacity allocation rights	3,600,000	-	-	3,600,000
Buildings	2,478,745	-	-	2,478,745
Plant and distribution system	87,689,105	270,966	-	87,960,071
Furniture and maintenance equipment	1,619,041	3,630,836	-	5,249,877
Vehicles	<u>1,952,666</u>	<u>884,934</u>	<u>340,008</u>	<u>2,497,592</u>
Total capital assets being depreciated	<u>97,339,557</u>	<u>4,786,736</u>	<u>340,008</u>	<u>101,786,285</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	2,655,000	180,000	-	2,835,000
Buildings	681,478	54,068	-	735,546
Plant and distribution system	13,795,218	2,716,702	-	16,511,920
Furniture and maintenance equipment	1,398,045	56,352	-	1,454,397
Vehicles	<u>1,299,704</u>	<u>303,242</u>	<u>269,173</u>	<u>1,333,773</u>
Total accumulated depreciation	<u>19,829,445</u>	<u>3,310,364</u>	<u>269,173</u>	<u>22,870,636</u>
Total Capital assets being depreciated, net	<u>77,510,112</u>	<u>1,476,372</u>	<u>70,835</u>	<u>78,915,649</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 84,682,472</u>	<u>\$ 18,511,957</u>	<u>\$ 2,209,183</u>	<u>\$100,985,246</u>
Electric Fund				
Capital assets not being depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	<u>2,099,851</u>	<u>-</u>	<u>1,159,255</u>	<u>940,596</u>
Total capital assets not being depreciated	<u>2,119,851</u>	<u>-</u>	<u>1,159,255</u>	<u>960,596</u>
Capital assets being depreciated				
Buildings	1,384,059	-	-	1,384,059
Plant and distribution system	17,622,598	1,033,805	-	18,656,403
Furniture and maintenance equipment	241,236	1,598,177	-	1,839,413
Vehicles	<u>1,712,101</u>	<u>15,453</u>	<u>-</u>	<u>1,727,554</u>
Total capital assets being depreciated	<u>20,959,994</u>	<u>2,647,435</u>	<u>-</u>	<u>23,607,429</u>
Less accumulated depreciation for				
Buildings	405,624	31,104	-	436,728
Plant and distribution system	5,717,836	382,629	-	6,100,465
Furniture and maintenance equipment	238,048	3,472	-	241,520
Vehicles	<u>1,227,349</u>	<u>123,564</u>	<u>-</u>	<u>1,350,913</u>
Total accumulated depreciation	<u>7,588,857</u>	<u>540,769</u>	<u>-</u>	<u>8,129,626</u>
Total capital assets being depreciation, net	<u>13,371,137</u>	<u>2,106,666</u>	<u>-</u>	<u>15,477,803</u>
Electric Fund				
Capital Assets – net	<u>\$ 15,490,988</u>	<u>\$ 2,106,666</u>	<u>\$ 1,159,255</u>	<u>\$ 16,438,399</u>
Business-type activities capital assets, net	<u>\$100,173,460</u>			<u>\$117,423,645</u>



**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Clayton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Clayton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Clayton's contractually required contribution rate for the year ended June 30, 2021 was 10.2% of compensation for general employees and firefighters and 10.84% for law enforcement officers, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Clayton were \$1,382,696 for the year ended June 30, 2021.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**1. Pension Plan and Postemployment Obligations (Continued)**

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

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

At June 30, 2021, the Town reported a liability of \$6,635,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town of Clayton's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.18570%, which was an increase of 0.00665% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$2,347,380. At June 30, 2021, the Town of Clayton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 837,992	\$ -
Changes of assumptions	493,838	-
Net difference between projected and actual earnings on pension plan investments	933,818	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	123,165	-
Town contributions subsequent to the measurement date	<u>1,382,696</u>	<u>-</u>
Total	<u>\$ 3,771,509</u>	<u>\$ -</u>

\$1,382,696 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 693,914
2023	887,923
2024	530,614
2025	276,362
2026	-
Thereafter	<u>-</u>
	<u>\$ 2,388,813</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**1. Pension Plan and Postemployment Obligations (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**1. Pension Plan and Postemployment Obligations (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the Town of Clayton's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town of Clayton's proportionate share of the net pension liability (asset)	\$ 13,463,421	\$ 6,635,852	\$ 991,662

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

**b. Law Enforcement Officers Special Separation Allowance**

*Plan Description*

The Town of Clayton, NC administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>47</u>
Total	<u>51</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

*Summary of Significant Accounting Policies*

*Basis of Accounting* – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

*Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the Pub-2010 Mortality Tables and the Mortality Improvement Scale MP-2019.

*Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid as they come due. The Town paid \$120,652 as benefits came due for the reporting period.

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

At June 30, 2021 the Town reported total pension liability of \$3,337,394. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$377,742.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 224,065	\$ -
Changes of assumptions	772,375	48,820
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>61,352</u>	<u>-</u>
Total	<u>\$ 1,057,792</u>	<u>\$ 48,820</u>

\$61,352 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources related to pensions and will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 214,009
2023	217,946
2024	191,053
2025	186,227
2026	138,385
Thereafter	<u>-</u>
	\$ 947,620

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town of Clayton's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 3,594,642	\$3,337,394	\$ 3,099,704

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2021
Beginning balance	\$2,311,581
Service Cost	90,168
Interest on total pension liability	73,565
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	140,951
Changes of assumptions and other inputs	831,094
Benefit payments	(109,965)
Other changes	-
Ending balance of the total pension liability	<u>\$3,337,394</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actual experience study for the period January 1, 2015 through December 31, 2019.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 2,347,380	\$ 377,742	\$ 2,725,122
Pension Liability	6,635,852	3,337,394	9,973,246
Proportionate share of the net pension liability	0.18570%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	837,992	224,065	1,062,057
Changes of assumptions	493,838	772,375	1,266,213
Net difference between projected and actual earnings on pension plan investments	933,818	-	933,818
Changes in proportion and differences between contributions and proportionate share of contributions	123,165	-	123,165
Benefit payments paid subsequent to the measurement date	1,382,696	61,352	1,444,048
Deferred Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	48,820	48,820
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

1. Pension Plan and Postemployment Obligations *(Continued)*

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers and general employees may make voluntary contributions to the plan. For the reporting year, the Town made contributions of \$139,939 and \$422,537 for law enforcement officers and general employees, respectively.

d. Firefighters' and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Clayton, NC to the Firefighter's Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible firefighters that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,302,000 to the plan. The Town of Clayton's proportionate share of the State's contribution is \$7,420.

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



**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

1. Pension Plan and Postemployment Obligations *(Continued)*

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

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$14,935. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the Town elected not to recognize pension expense of \$5,762 and revenue of \$5,762 for support provided by the State. *The amounts are not material to the financial statements.* At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

**Discount rate.** The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

e. Other Postemployment Benefit

Healthcare Benefits

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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

e. Other Postemployment Benefit (Continued)

for one-half (50%) of the cost of coverage for these benefits through private insurers. 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 June 30, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	2	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	154	49
Total	<u>156</u>	<u>50</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$1,198,878 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 - 7.75 percent, including inflation
Discount rate	2.21 percent
Healthcare cost trends rates	Medical and prescription drug – 7.00 percent decreasing to 4.50%

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

**Changes in the Total OPEB Liability**

Balance at July 1, 2020	\$947,243
Changes for the year:	
Service cost	62,192
Interest	35,057
Changes in benefit terms	-
Differences expected and actual experience	3,886
Changes of assumptions and other inputs	166,313
Benefit payments	(15,813)
Net changes	<u>251,635</u>
Balance at June 30, 2021	<u>\$1,198,878</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and Mortality Improvement Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

e. Other Postemployment Benefit (Continued)

*Sensitivity of the Town's total OPEB liability to changes in the discount rate.* The following presents the Town of Clayton's total OPEB liability calculated using the discount rate of 2.21 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	\$ 1,346,754	\$ 1,198,878	\$ 1,067,693

*Sensitivity of the Town's total OPEB liability to changes in the healthcare cost trend rate.* The following presents the Town of Clayton's total OPEB liability calculated using the healthcare cost trend rates, as well as what the Town's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 1,018,436	\$ 1,198,878	\$ 1,420,198

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the Town recognized OPEB expense of \$105,790. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,721
Changes of assumptions	102,435	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	18,691	-
Total	<u>\$ 121,126</u>	<u>\$ 1,721</u>

\$18,691 paid as benefits paid subsequent to the measurement date have been reported as deferred outflows of resources related to pensions and will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB liability will be recognized in OPEB expense as follows:

2022	\$ 8,541
2023	\$ 8,541
2024	\$ 8,541
2025	\$ 8,541
2026	\$ 8,541
Thereafter	<u>58,009</u>
	\$ 100,714

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

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

**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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 1,382,696
Benefit payments made and administrative expenses for LEOSSA	61,352
Benefit payments made and administrative expenses for OPEB	18,691
Differences between expected and actual experience	1,062,057
Changes of assumptions	1,266,213
Net difference between projected and actual	933,818
Changes in proportion and differences between employer contributions and proportionate share of contributions	123,165

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

Prepaid taxes (General Fund)	\$ 7,075
Taxes Receivable, less penalties (General Fund)	29,413
Deferred revenue	-
Community Development Assessments (General Fund)	606,831
Special Assessments (Water Fund)	157,318
Changes in assumptions	48,820
Differences between expected and actuarial experience	1,721
Changes in proportion and differences between employer contributions and proportionate share of contributions	-

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage of \$116.7 million, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. 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 \$250,000 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, 2021, the Town was a defendant to Granite Land and Timber, LLC, et al., Case No. 20 CVS 2903 filed in Johnston County. The Town maintains it has complied with all the North Carolina laws governing certain recreation fees charged to developers in connection with properly development. In the opinion of the Town's management, the ultimate effect of these legal matters and any other 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, 2021 consist of the following with **no lines of credit**:

	<u>Serviced by</u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
General Obligation Bonds		
\$5,000,000 General Obligation Bonds, Series 2009A dated July 21, 2009 and maturing in annual installments of \$250,000 through August 2029, interest ranging from 3.00% to 4.375. <b>Bonds were issued for street improvements.</b>	\$ 2,250,000	\$ -
\$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%. <b>Bonds were issued for parks and recreation improvements.</b>	<u>740,000</u>	<u>-</u>
Total general obligation bonds	<u>\$ 2,990,000</u>	<u>\$ -</u>
Revenue Bonds		
Water and Sewer System Revenue Bond, Series 2013 dated September 11, 2013 and maturing in annual installments ranging from \$18,000 to \$68,000 through June 2052; interest at 3.50%.	\$ -	\$ 1,306,746
Water and Sewer System Revenue Bond, Series 2020 dated April 23, 2020 and maturing in annual installments of \$375,000 to \$830,000 through June 2045; interest at 2.88%.	-	14,625,000
Water and Sewer System Revenue Bond, Series 2017A dated September 27, 2017 and maturing in annual installments ranging From \$60,000 to \$210,000 through June 2057; interest at 3.25%.	-	4,573,000

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

6. Long-Term Debt (Continued)

	Serviced by	
	Governmental Activities	Business-type Activities
Revenue Bonds (Continued)		
Water and Sewer System Revenue Bond, Series 2017B dated September 27, 2017 and maturing in annual installments ranging From \$3,000 to \$13,000 through June 2057; interest at 3.25%.	-	257,000
Electric System Revenue Bond, Series 2016 dated September 22, 2016 and maturing in 2031; interest at 2.09%.	-	3,923,333
Total revenue bonds	\$ -	\$ 24,685,079
<u>Direct Placement Installment Purchase</u>		
Community Center Refunding; contract of \$5,402,000 due in Annual installment maturing in July 2029; interest at 2.1%. <b>Property is pledged as collateral.</b>	\$ 3,357,000	\$ -
2016 Park Land Refunding; contract for \$852,000; due in annual installments of variable principal starting in 2016; interest at 2.15%. <b>Property is pledged as collateral.</b>	171,000	-
2016 Clayton Law Enforcement Center Refunding; contract of \$5,626,000 annual installments of variable principal starting in 2016; interest at 2.2% <b>Property is pledged as collateral.</b>	4,248,000	-
2021 Ladder Truck; contract of \$871,621; due in annual installments of \$98,738 including interest at 2.33%. <b>Truck is pledged as collateral.</b>	871,621	-
2020 Vactor trucks; contract of \$865,382; due in annual installments of \$127,954 including interest of 3.59%. <b>Trucks pledged as collateral.</b>	-	757,403
2008 Sanitary Sewer Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	1,260,000
2007 Sanitary Sewer Loan; contract for \$3,921,798; due in annual installments of \$257,117 plus interest at 2.205%.	-	257,117
2019 AMI Project; contract of \$5,000,000; due in annual installments of varying principal of \$271,000 to \$398,000 through August 2034, interest at 2.63%. <b>AMI meter fee is supporting the debt service.</b>	-	4,729,000
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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

6. Long-Term Debt (Continued)

Total direct placement installment purchases	<u>8,647,621</u>	<u>7,123,520</u>
Total outstanding	11,637,621	31,808,599
Less current portion	<u>1,379,394</u>	<u>1,707,013</u>
	<u>\$ 10,258,227</u>	<u>\$ 30,101,586</u>

At June 30, 2021, the Town of Clayton had a legal debt margin of \$212,757,340.

Changes in long-term liabilities

Compensated absences and net pension/OPEB liability for governmental funds are liquidated from the General Fund.

	Restated Balances July 1, 2020	Increases	Decreases	Balances June 30, 2021	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 3,380,000	\$ -	\$ 390,000	\$ 2,990,000	\$ 390,000
Direct placement installment purchase	8,690,000	871,621	914,000	8,647,621	989,394
Compensated absences	752,272	768,218	770,874	749,616	374,808
Total OPEB liability	842,134	222,232	-	1,064,366	-
Net pension liability (LGERS)	4,111,708	1,487,654	-	5,599,362	-
Total pension liability (LEO)	<u>2,311,581</u>	<u>1,025,813</u>	<u>-</u>	<u>3,337,394</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 20,087,695</u>	<u>\$ 4,375,538</u>	<u>\$ 2,074,874</u>	<u>\$22,388,359</u>	<u>\$1,754,202</u>
Business-type activities:					
Revenue bonds	\$ 25,511,746	\$ -	\$ 826,667	\$ 24,685,079	\$ 885,667
Direct placement installment purchase	7,222,559	865,382	964,421	7,123,520	821,346
Total OPEB liability	105,109	29,403	-	134,512	-
Net pension liability (LGERS)	778,008	258,482	-	1,036,490	-
Compensated absences	<u>158,399</u>	<u>150,365</u>	<u>169,822</u>	<u>138,942</u>	<u>69,471</u>
Business-type activity long-term liabilities	<u>\$ 33,775,821</u>	<u>\$ 1,303,632</u>	<u>\$ 1,960,910</u>	<u>\$33,118,543</u>	<u>\$1,776,484</u>

The Town's outstanding debt from direct placement installment purchases related to governmental activities of \$11,637,621 contain a provision that in an event of default, outstanding amounts may become immediately due if the Town is unable to make payment. The debt is secured with collateral of two buildings and park land (**See schedule on Pages 54-55**).

The Town's outstanding debt from direct placement installment purchases related to business-type activities of \$7,123,520 contain a provision that in an event of default, outstanding amounts may become immediately due if the Town is unable to make payment. The balance in the Project Account of \$716,542 for the 2019 AMI Project is subject to a lien and charge in favor of the lender to secure the obligation. Debt of \$757,403 is secured with collateral of two Vector trucks. (**See schedule on Page 33 and Pages 54-55**).

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences and net pension obligation, at June 30, 2021, including interest, are as follows:

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

**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
Governmental activities						
2022	\$ 390,000	\$ 104,388	\$ 989,394	\$ 183,626	\$ 1,379,394	\$ 288,014
2023	370,000	91,587	938,224	162,195	1,308,224	253,782
2024	370,000	79,068	898,097	142,176	1,268,097	221,244
2025	370,000	66,307	867,013	123,254	1,237,013	189,561
2026	370,000	53,428	870,973	104,320	1,240,973	157,748
2027-2031	1,120,000	89,021	4,083,920	240,684	5,203,920	329,705
Thereafter	-	-	-	-	-	-
Total	<u>2,990,000</u>	<u>483,799</u>	<u>8,647,621</u>	<u>956,255</u>	<u>11,637,621</u>	<u>1,440,054</u>
Business-type activities						
2022	\$ 885,667	\$ 702,182	\$ 821,346	\$ 184,198	\$ 1,707,013	\$ 886,380
2023	900,667	679,067	574,899	163,613	1,475,566	842,680
2024	916,667	655,507	586,701	148,378	1,503,368	803,885
2025	933,667	631,472	598,644	132,793	1,532,311	764,265
2026	950,666	606,930	828,930	116,855	1,779,596	723,785
2027-2031	5,031,333	2,648,023	2,062,000	349,165	7,093,333	2,997,188
Thereafter	<u>15,066,412</u>	<u>4,627,168</u>	<u>1,651,000</u>	<u>101,942</u>	<u>16,717,412</u>	<u>4,729,110</u>
	<u>24,685,079</u>	<u>10,550,349</u>	<u>7,123,520</u>	<u>1,196,944</u>	<u>31,808,599</u>	<u>11,747,293</u>
Total	<u>\$27,675,079</u>	<u>\$11,034,148</u>	<u>\$15,771,141</u>	<u>\$ 2,153,199</u>	<u>\$43,446,220</u>	<u>\$13,187,347</u>

Revenue Bonds

The Town has been in compliance with the covenant as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Water and Sewer System Revenue Bonds, Series 2013, since its adoption in 2012. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 110% for the Bonds and 100% for all indebtedness. The Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.02 of the First Supplemental Bond Order, authorizing the issuance of Electric System Revenue Bonds, Series 2014, Series 2015, and Series 2016 since adoption in 2015. Section 5.02(a) requires Net Revenues plus 20% of the Unrestricted Net Position of the System as of the last day of the preceding fiscal year will not be less than 120% of the debt service requirement for the Bonds. The debt service coverage ratio calculations for the year ended June 30, 2021 are as follows:

	Water & Sewer	Electric
Operating revenues	\$21,327,304	\$14,981,022
Operating expenses	<u>16,306,975</u>	<u>12,796,535</u>
Net Revenues	\$ 5,020,329 <sup>1</sup>	\$ 2,184,487 <sup>1</sup>
20% Unrestricted Net Position	<u>N/A</u> <sup>2</sup>	<u>921,305</u> <sup>2</sup>
Income Available for Debt Service	<u>\$ 5,020,329</u>	<u>\$ 3,105,792</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 1,153,459	\$ 442,392
Debt service coverage ratio	4.35	7.02
Debt service, principal and interest paid (All indebtedness)	\$ 2,184,052	\$ 579,396
Debt service coverage ratio	2.30	5.36

<sup>1</sup> Per rate covenants, this does not include depreciation expense of \$3,310,364 and \$540,769, respectively.

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



**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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

6. Long-Term Debt (Continued)

The Town has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$21.701 million in water and sewer system revenue bonds issued in September 2013, September 2017, and April 2020. Proceeds from the bonds provided financing for the construction of an elevated water storage tank, sewer force main, and nutrient credit purchases. The bonds are payable solely from water and sewer system customer net revenues and are payable through 2057. Annual principal and interest payments on the bond are expected to require less than 2 percent of operating revenues. The total principal and interest remaining to be paid on the bonds is \$30,861,108. Principal and interest paid for the current year and total customer net revenues were \$1,153,459 and \$5,020,329, respectively.

The Town has pledged future electric customer revenues, net of specified operating expenses to repay \$6.65 million in electric system revenue bonds issued in May 2014, June 2015, and September 2016. Proceeds from the bonds provided financing for system improvements and the construction of a second substation. The bonds are payable solely from electric system customer net revenues and are payable through 2019, 2020, and 2031, respectively. Annual principal and interest payments on the bond are expected to require less than 2 percent of operating revenues. The total principal and interest remaining to be paid on the bonds is \$4,374,320. Principal and interest paid for the current year and total customer net revenues were \$442,392 and \$2,184,487, respectively.

**C. Interfund Balances and Activity**

Transfers to/from Other Funds at June 30, 2021, consist of the following:

From the General Fund to the Parks & Rec Capital Project to complete Harmony Playground	\$127,000
From the General Fund to the CAMPO LAPP Capital Project to fund Sam's Branch Greenway	\$126,000
From the Water and Sewer Fund to the AMI Capital Project to fund the cost overrun	\$500,000

**D. Revenues, Expenditures and Expenses**

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2021, the Town of Clayton elected not to recognize on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$5,762 for the 16 employed Firefighter who perform firefighting duties for the Town's fire department. *The amount is not deemed material to the financial statements.* The employees elected to be members of the Firefighter and Rescue Worker's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

Also, the Town elected not to recognize as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$12,830 for the salary supplement and stipend benefits paid to eligible Firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2021. *The amount is not deemed material to the financial statements.* Under state law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible Firefighter or their departments.

**NOTE 3 - JOINT VENTURES**

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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 3 – JOINT VENTURES (Continued)**

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, 2021. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**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 (NCEMPA). Each participating government appoints one commissioner to the NCEMPA governing board. On July 31, 2015, the NCEMPA completed the sale of most of its electricity generating assets to Duke Energy. These proceeds were used to defease the NCEMPA's outstanding revenue bonds. The NCEMPA entered into contractual arrangements with its member cities and Duke Energy. Under these arrangements, the NCEMPA will supply wholesale power to its members and will purchase this power from Duke Energy. In addition to payments for electric power, NCEMPA members will make payments for their share of debt service on the NCEMPA's new revenue bonds. The Town's purchases of power for the fiscal year ended June 30, 2021 were \$9,698,192.

**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	\$23,477,041
Less:	
Inventories	20,051
Stabilization by State Statute	1,950,329
Public Improvements	1,159,469
Public Safety	8,450
Appropriate Fund Balance in 2021 Budget	1,685,783
Working Capital / Fund Balance Policy	5,979,749
Remaining Fund Balance	12,673,210

The Town of Clayton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that unassigned fund balance is at least equal to or greater than 20% of actual net expenditures.

**NOTE 7 – SUBSEQUENT EVENT**

The American Rescue Plan Act of 2021 ("ARPA") was signed into law on March 11, 2021. The law appropriates federal funding for COVID-19 relief and economic recovery, including provisions that directly benefit state and local governments. The Town is a non-entitlement unit ("NEU") and will receive ARPA funds from the State of North Carolina. State and local governments must obligate ARPA funds by December 31, 2024 and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received its first tranche of ARPA funding in the amount of \$3,965,712 and plans to utilize these funds for water and sewer infrastructure.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated for the Fiduciary Net Position - Custodial Fund (Claytex Fire District), which resulted in an increase of \$1,803,667.

## Required Supplemental Financial Data

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

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

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Schedule of Changes in Total OPEB Liability

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

	2021	2020	2019	2018	2017	2016	2015	2014
Clayton's proportion of net pension liability (asset) %	-0.18570%	-0.17905%	-0.17581%	-0.16683%	-0.15451%	-0.14713%	0.13908%	0.13910%
Clayton's proportion of net pension liability (asset) \$	\$ 6,635,852	\$ 4,889,716	\$ 4,170,814	\$ 2,548,700	\$ 3,279,220	\$ 660,311	\$ (820,219)	\$ 1,676,689
Clayton's covered payroll	\$ 13,381,615	\$ 12,761,907	\$ 11,718,813	\$ 10,619,679	\$ 10,139,578	\$ 9,006,884	\$ 8,257,291	\$ 7,646,861
Clayton's proportionate share of net pension liability (asset) as a percentage of its covered payroll	49.59%	38.31%	35.59%	24.00%	32.34%	7.33%	-9.93%	21.93%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participants employers in the LGERS plan.

Note: This schedule is intended to present information for ten years. The additional years' information will be reported as it becomes available.

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

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,382,696	\$ 1,169,065	\$ 934,387	\$ 820,218	\$ 759,610	\$ 617,145	\$ 591,319	\$ 545,001
Contributions in relation to the contractually required contribution	<u>\$ 1,382,696</u>	<u>\$ 1,169,065</u>	<u>\$ 934,387</u>	<u>\$ 820,218</u>	<u>\$ 759,610</u>	<u>\$ 617,145</u>	<u>\$ 591,319</u>	<u>\$ 545,001</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Clayton's covered payroll	\$ 13,381,615	\$ 12,761,907	\$ 11,718,813	\$ 10,619,679	\$ 10,139,578	\$ 9,006,884	\$ 8,257,291	\$ 7,646,861
Contributions as a percentage of covered payroll	10.33%	9.16%	7.97%	7.72%	7.49%	6.85%	7.16%	7.13%

Note: This schedule is intended to present information for ten years. The additional years' information will be reported as it becomes available.

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

---

	2021	2020	2019	2018	2017	2016	2015
Clayton's proportionate share of the net pension liability %	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Clayton's proportionate share of the net pension liability \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Clayton *	\$ 14,395	\$ 12,943	\$ 14,063	\$ 59,433	\$ 46,700	\$ 46,361	\$ 42,834
Total	<u>\$ 14,395</u>	<u>\$ 12,943</u>	<u>\$ 14,063</u>	<u>\$ 59,433</u>	<u>\$ 46,700</u>	<u>\$ 46,361</u>	<u>\$ 42,834</u>
Clayton's covered payroll	\$ 1,910,279	\$ 1,649,386	\$ 1,430,987	\$ 1,204,539	\$ 974,364	\$ 895,826	\$ 698,205
Clayton's proportionate share of the net pension liability as a percentage of its covered payroll	0.75%	0.78%	0.98%	4.93%	4.79%	5.18%	6.13%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%

\* The membership declined from 52 to 11 as of June 30, 2019. The membership increased from 11 to 14 as of June 30, 2020. The membership increased from 14 to 16 as of June 30, 2021.

Note: This schedule is intended to present information for ten years. The additional years' information will be reported as it becomes available.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

---

	2021	2020	2019	2018	2017
Beginning balance	\$ 2,311,581	\$ 2,080,484	\$ 2,054,515	\$ 1,762,104	\$ 1,725,158
Service Cost	90,168	76,741	80,428	73,293	72,517
Interest on total pension liability	73,565	74,356	63,824	66,804	60,648
Changes in benefit terms	-	-	-	-	-
Differences between expected and actuarial experience	140,951	90,915	29,511	95,487	-
Changes of assumptions and other inputs	831,094	64,567	(78,254)	119,697	(43,544)
Benefit payments	(109,965)	(75,482)	(69,540)	(62,870)	(52,675)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 3,337,394</u>	<u>\$ 2,311,581</u>	<u>\$ 2,080,484</u>	<u>\$ 2,054,515</u>	<u>\$ 1,762,104</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Note: This schedule is intended to present information for ten years. The additional years' information will be reported as it becomes available.



**TOWN OF CLAYTON, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

---

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability	\$ 3,337,394	\$ 2,311,581	\$ 2,080,484	\$ 2,054,515	\$ 1,762,104	\$ 1,725,158	\$ 1,094,305	\$ 1,016,980	\$ 911,025	\$ 769,822
Covered payroll	3,046,140	2,728,300	2,631,786	2,619,148	2,475,010	2,475,010	2,131,150	2,100,941	2,075,282	2,105,132
Total pension liability as a percentage of covered payroll	109.56%	84.73%	79.05%	78.44%	71.20%	69.70%	51.35%	48.41%	43.90%	36.57%

**Notes to the Required Schedules:**

The Town of Clayton has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**OTHER POSTEMPLOYMENT BENEFITS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

---

	2021	2020	2019	2018
Service Cost	\$ 62,192	\$ 55,482	\$ 57,571	\$ 62,599
Interest on total OPEB liability	35,057	33,231	28,945	23,863
Changes in benefit terms	-	-	-	-
Differences between expected and actuarial experience	3,886	(5,513)	(999)	(163)
Changes of assumptions and other inputs	166,313	14,784	(35,027)	(57,281)
Benefit payments	(15,813)	(9,934)	(8,661)	(8,810)
Other changes	-	-	-	-
Net change in total OPEB liability	\$ 251,635	\$ 88,050	\$ 41,829	\$ 20,208
Total OPEB liability - beginning	947,243	859,193	817,364	797,156
Total OPEB liability - ending	<u>\$ 1,198,878</u>	<u>\$ 947,243</u>	<u>\$ 859,193</u>	<u>\$ 817,364</u>
Covered payroll	\$ 11,435,881	\$ 11,435,881	\$ 9,817,568	\$ 9,817,568
Total OPEB liability as a percentage of covered payroll	10.48%	8.28%	8.75%	8.33%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Note: This schedule is intended to present information for ten years. The additional years' information will be reported as it becomes available.

**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.

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

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

***Town Hall Parking Capital Project Fund*** – This fund is used to account for the parking lot expansion to improve parking access for the general public and employees.

**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, 2021**

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

	2021		Variance
	Budget	Actual	Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ -	\$16,370,326	\$ -
Penalties and interest	-	57,971	-
Total	15,928,186	16,428,297	500,111
Other taxes and licenses:			
Motor vehicle licenses	-	588,220	-
Payments in lieu of taxes	-	11,835	-
Total	549,000	600,055	51,055
Unrestricted intergovernmental:			
Local option sales tax	-	6,312,013	-
ABC profit distribution	-	126,248	-
Gasoline tax refunds	-	362	-
Utilities sales tax	-	1,121,733	-
Piped natural gas sales tax	-	49,429	-
Telecommunications sales tax	-	41,775	-
Video programming fees	-	196,719	-
Beer and wine tax	-	99,297	-
Tax Reimbursements	-	35,250	-
Reimbursement from rural fire department	-	3,100,305	-
Total	8,374,595	11,083,131	2,708,536
Restricted intergovernmental:			
Powell Bill allocation	-	571,173	-
State grants	-	16,522	-
Federal grants	-	1,600,070	-
Controlled substance tax	-	4,364	-
PEG channel support	-	52,901	-
First responder subsidy	-	36,126	-
Solid waste disposal tax	-	17,795	-
Total	2,354,710	2,298,951	(55,759)
Permits and fees:			
Alarm response fees	-	5,167	-
Recreation fees in lieu	-	608,417	-
Building permits	-	1,189,702	-
Stormwater fees	-	97,803	-
Inspection and rezoning fees	-	354,754	-
Total	1,236,790	2,255,843	1,019,053

**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, 2021**

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

	2021		Variance
	Budget	Actual	Positive (Negative)
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	12,046	-
Refuse collection fees	-	2,225,689	-
Cemetery lots and fees	-	134,750	-
Public safety contributions	-	106,286	-
Recreation fees and contributions	-	186,303	-
Clayton Center Cultural Arts	-	29,635	-
Library fees and contributions	-	17,314	-
Total	<u>3,090,383</u>	<u>2,712,023</u>	<u>(378,360)</u>
Investment earnings	<u>145,500</u>	<u>7,991</u>	<u>(137,509)</u>
Miscellaneous:			
Miscellaneous	-	10,032	-
Sale of surplus property	-	30,131	-
Lease revenue	-	16,545	-
Reimbursable projects	-	-	-
Damage and insurance reimbursement	-	71,014	-
Total	<u>30,607</u>	<u>127,722</u>	<u>97,115</u>
Total Revenues	<u>31,709,771</u>	<u>35,514,013</u>	<u>3,804,242</u>
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	279,522	-
Other operating expenditures	-	108,451	-
Reimbursement - proprietary funds	-	(54,219)	-
Total	<u>-</u>	<u>333,754</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	659,831	-
Other operating expenditures	-	533,222	-
Reimbursement - proprietary funds	-	(413,264)	-
Total	<u>-</u>	<u>779,789</u>	<u>-</u>
Human Resources:			
Salaries and employee benefits	-	607,274	-
Other operating expenditures	-	137,837	-
Reimbursement - proprietary funds	-	(97,422)	-
Total	<u>-</u>	<u>647,689</u>	<u>-</u>
Special Appropriations:			
Citizen Boards	-	24,476	-
Cultural arts and economic development	-	-	-
Total	<u>-</u>	<u>24,476</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, 2021**

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

	2021		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Retainer and legal fees	-	490,599	-
Reimbursement - proprietary funds	-	(187,924)	-
Total	-	302,675	-
Total General Government	2,309,802	2,088,383	221,419
Financial Services:			
Salaries and employee benefits	-	526,717	-
Other operating expenditures	-	430,008	-
Reimbursement - proprietary funds	-	(202,895)	-
Total	854,672	753,830	100,842
Customer Service:			
Salaries and employee benefits	-	622,341	-
Bad debt expense	-	9,571	-
Other operating expenditures	-	91,781	-
Reimbursement - proprietary funds	-	(772,991)	-
Total	21,054	(49,298)	70,352
Data and Technology Services:			
Salaries and employee benefits	-	91,280	-
Other operating expenditures	-	277,274	-
Contract services	-	920,153	-
Capital outlay	-	53,516	-
Reimbursement - proprietary funds	-	(350,623)	-
Total	1,249,565	991,600	257,965
Community Development Services:			
Planning and Code Enforcement:			
Salaries and employee benefits	-	602,901	-
Other operating expenditures	-	(30,316)	-
Reimbursement - proprietary funds	-	(5,774)	-
Total	703,511	566,811	136,700
Economic Development			
Salaried and employee benefits	-	189,681	-
Other operating expenditures	-	92,934	-
Reimbursement - proprietary funds	-	(250,596)	-
Total	67,528	32,019	-
Communications:			
Salaries and employee benefits	-	199,556	-
Other operating expenditures	-	(71,641)	-
Reimbursement - proprietary funds	-	43,957	-
Total	197,628	171,872	25,756
Total General Government Operations	5,403,760	4,555,217	848,543

**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, 2021**

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

	2021		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	550,228	-
Vehicle maintenance and fuel	-	2,020	-
Other operating expenditures	-	443,884	-
Capital outlay	-	122,220	-
Reimbursement - proprietary funds	-	(6,238)	-
Total	-	1,112,114	-
Police Patrol:			
Salaries and employee benefits	-	2,166,250	-
Vehicle maintenance and fuel	-	156,476	-
Other operating expenditures	-	159,002	-
Capital outlay	-	486,829	-
Reimbursement - proprietary funds	-	(9,958)	-
Total	-	2,958,599	-
Police Support Services			
Salaries and employee benefits	-	1,387,815	-
Vehicle maintenance and fuel	-	62,171	-
Other operating expenditures	-	133,871	-
Capital outlay	-	102,194	-
Reimbursement - proprietary funds	-	(6,370)	-
Total	-	1,679,681	-
Total Law Enforcement	6,125,761	5,750,394	375,367
Fire Protection:			
Salaries and employee benefits	-	3,349,697	-
Vehicle maintenance and fuel	-	76,951	-
Other operating expenditures	-	510,620	-
Capital outlay	-	2,218,667	-
Reimbursement - proprietary funds	-	(53,775)	-
Total	6,402,812	6,102,160	300,652
Total Public Safety	12,528,573	11,852,554	676,019
Public Works:			
Administration:			
Salaries and employee benefits	-	373,761	-
Other operating expenditures	-	238,604	-
Reimbursement - proprietary funds	-	(184,218)	-
Total	-	428,147	-
Inspections:			
Salaries and employee benefits	-	631,713	-
Other operating expenditures	-	43,231	-
Capital outlay	-	391,389	-
Reimbursement - general fund	-	401,932	-
Total	-	1,468,265	-



**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, 2021**

**Exhibit A-1**  
**Page 5 of 6**

	2021		Variance
	Budget	Actual	Positive (Negative)
EXPENDITURES: (Continued)			
Public Works: (Continued)			
GIS:			
Salaries and employee benefits	-	251,085	-
Other operating expenditures	-	19,279	-
Reimbursement - proprietary funds	-	(36,501)	-
Total	-	233,863	-
Engineering:			
Salaries and employee benefits	-	553,392	-
Other operating expenditures	-	43,198	-
Capital outlay	-	20,974	-
Reimbursement - proprietary funds	-	(147,071)	-
Total	-	470,493	-
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	241,403	-
Other operating expenditures	-	60,733	-
Capital outlay	-	57,091	-
Reimbursement - proprietary funds	-	(85,116)	-
Total	-	274,111	-
Streets:			
Salaries and employee benefits	-	420,889	-
Vehicle maintenance and fuel	-	59,132	-
Street lights	-	141,967	-
Other operating expenditures	-	253,695	-
Capital outlay	-	1,449,681	-
Reimbursement - proprietary funds	-	(297,649)	-
Total	-	2,027,715	-
Property Maintenance:			
Salaries and employee benefits	-	808,387	-
Other operating expenditures	-	463,009	-
Capital outlay	-	31,322	-
Reimbursement - proprietary funds	-	(262,218)	-
Total	-	1,040,500	-
Sanitation:			
Yard waste services	-	552,242	-
Trash hauling fee	-	818,027	-
Landfill fees	-	322,721	-
Recycling efforts	-	467,680	-
Miscellaneous activities	-	336	-
Total	-	2,161,006	-
Total Public Works	9,877,754	8,104,100	1,773,654

**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, 2021**

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

	2021		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	974,237	-
Vehicle maintenance and fuel	-	12,424	-
Maintenance and repair	-	479,572	-
Contract services	-	399,876	-
Other operating expenditures	-	377,071	-
Capital outlay	-	152,378	-
Total Parks & Recreation	4,093,848	2,395,558	1,698,290
Cultural & Performing Arts:			
Salaries and employee benefits	-	365,770	-
Other operating expenditures	-	127,574	-
Total Cultural & Performing Arts	621,883	493,344	128,539
Library Operations:			
Salaries and employee benefits	-	495,485	-
Programs	-	49,085	-
Other operating expenditures	-	96,237	-
Total Library Operations	756,174	640,807	115,367
Total Cultural and Recreational	5,471,905	3,529,709	1,942,196
Debt Service:			
Principal retirement	-	1,304,000	-
Interest and fees	-	300,165	-
Total Debt Service	1,986,192	1,604,165	382,027
Total Expenditures	35,268,184	29,645,745	5,622,439
REVENUES OVER (UNDER) EXPENDITURES	(3,558,413)	5,868,268	9,426,681
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Transfer to Capital Project Funds	(253,000)	(253,000)	-
Installment purchase obligations issued	-	871,621	871,621
Total other financing sources (uses)	(253,000)	618,621	871,621
Fund balance appropriated	3,811,413	-	(3,811,413)
Net change in fund balance	\$ -	6,486,889	\$ 6,486,889
Fund balance, beginning		16,990,152	
Fund balance, ending		\$23,477,041	

## CAPITAL PROJECTS FUND

## PARKS &amp; RECREATION CAPITAL PROJECT

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

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant Revenue	\$ 86,810	\$ -	\$ -	\$ -	\$ (86,810)
Donations	100,000	50,000	-	50,000	(50,000)
Total Revenues	186,810	50,000	-	50,000	(50,000)
EXPENDITURES:					
Capital outlay:					
Professional services	62,000	61,528	-	61,528	472
Site Improvements	1,509,100	524,672	984,355	1,509,027	73
Contingency	65,900	-	6,426	6,426	59,474
Total expenditures	1,637,000	586,200	990,781	1,576,981	60,019
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,450,190)	\$ (536,200)	\$ (990,781)	\$ (1,526,981)	\$ (76,791)
OTHER FINANCING SOURCES:					
Special revenue fund	300,000	300,000	-	300,000	-
Transfer from General Fund	1,150,190	1,100,190	127,000	1,227,190	77,000
Total other financing sources:	1,450,190	1,400,190	127,000	1,527,190	77,000
Net change in fund balance	\$ -	\$ 863,990	\$ (863,781)	\$ 209	\$ 209
Fund balance, beginning			863,990		
Fund balance, ending			\$ 209		

## CAPITAL PROJECTS FUND

## CAMPO LAPP PROJECTS

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

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenue	\$ 3,814,625	\$ 1,335,545	\$ 2,192,176	\$ 3,527,721	\$ (286,904)
Miscellaneous	-	3,147	-	3,147	3,147
Total Revenues	<u>3,814,625</u>	<u>1,338,692</u>	<u>2,192,176</u>	<u>3,530,868</u>	<u>(283,757)</u>
EXPENDITURES:					
Capital outlay:					
Construction	4,670,655	3,342,923	1,203,658	4,546,581	124,074
Easement acquisition	25,000	23,205	-	23,205	1,795
Design	306,000	273,738	-	273,738	32,262
Total expenditures	<u>5,001,655</u>	<u>3,639,866</u>	<u>1,203,658</u>	<u>4,843,524</u>	<u>158,131</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,187,030)</u>	<u>\$ (2,301,174)</u>	<u>\$ 988,518</u>	<u>\$ (1,312,656)</u>	<u>\$ (125,626)</u>
OTHER FINANCING SOURCES:					
Transfer from General Fund	<u>1,187,030</u>	<u>1,187,456</u>	<u>126,000</u>	<u>1,313,456</u>	<u>126,426</u>
Total other financing sources:	<u>1,187,030</u>	<u>1,187,456</u>	<u>126,000</u>	<u>1,313,456</u>	<u>126,426</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,113,718)</u>	<u>\$ 1,114,518</u>	<u>\$ 800</u>	<u>\$ 800</u>
Fund balance, beginning			<u>(1,113,718)</u>		
Fund balance, ending			<u>\$ 800</u>		

## CAPITAL PROJECTS FUND

## TOWN HALL PARKING PROJECT

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

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	12,500	12,500	12,500
Total Revenues	-	-	12,500	12,500	12,500
EXPENDITURES:					
Capital outlay:					
Construction Inspection	47,500	-	27,996	27,996	19,504
Site Improvements	752,500	32,117	714,509	746,626	5,874
Total expenditures	800,000	32,117	742,505	774,622	25,378
REVENUES OVER (UNDER) EXPENDITURES	\$ (800,000)	\$ (32,117)	\$ (730,005)	\$ (762,122)	\$ 37,878
OTHER FINANCING SOURCES:					
Transfer from General Fund	550,000	550,000	-	550,000	-
Transfer from Water & Sewer Func	250,000	250,000	-	250,000	-
Total other financing sources:	800,000	800,000	-	800,000	-
Net change in fund balance	\$ -	\$ 767,883	\$ (730,005)	\$ 37,878	\$ 37,878
Fund balance, beginning			767,883		
Fund balance, ending			\$ 37,878		

## 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, 2021**

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**Exhibit B-1**

	<u>Permanent Fund Horne Cemetery Fund</u>	<u>Total Non-Major Governmental Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,248	\$ 3,248
Total assets	<u>\$ 3,248</u>	<u>\$ 3,248</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>
Fund balance		
Perpetual maintenance	<u>3,248</u>	<u>3,248</u>
Total fund balance	<u>3,248</u>	<u>3,248</u>
Total liabilities and fund balances	<u>\$ 3,248</u>	<u>\$ 3,248</u>

## HORNE CEMETERY FUND

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

## BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ -	\$ 1	\$ 1
EXPENDITURES			
Cemetery Care	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Fund balance, beginning		<u>3,247</u>	
Fund balance, ending		<u>\$ 3,248</u>	



# ENTERPRISE FUNDS

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

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

***AMI Project Fund*** – This fund is used to account for loan proceeds used to install advanced metering infrastructure (AMI) for water customers, which will enable two-way communication meters to provide real-time, on-demand information about water consumption.

***Neuse River Water Reclamation Facility Project Fund*** – This fund is used to account for loan proceeds used to construct a new wastewater treatment plant that will replace the existing facility, including the acquisition of additional nutrient credits and new force main infrastructure.

***Little Creek Outfall Sewer Line Project Fund*** – This fund is used to account for the replacement of the sewer line due to degradation and flow limitations.

***Walnut Creek Sanitary Sewer Extension Project Fund*** – This fund is used to account for the extension of the sewer line to facilitate growth and to abandon the existing lift station.

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

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

***Northside Substation Project Fund*** – This fund is used to account for loan proceeds used for the construction of a new substation to improve service reliability and provide redundancy in conjunction with meeting future growth demands in the Town's north area.

***AMI Project Fund*** – This fund is used to account for loan proceeds used to install advanced metering infrastructure (AMI) for electric customers, which will enable two-way communication meters to provide real-time, on-demand information about electric consumption.

	2021		Variance
	Budget	Actual	Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	\$ -	\$ 10,225,156	\$ -
Sewer charges	-	9,896,014	-
Connection and tap fees	-	62,537	-
Total	<u>17,914,788</u>	<u>20,183,707</u>	<u>2,268,919</u>
Other operating revenues	<u>1,045,265</u>	<u>1,143,597</u>	<u>98,332</u>
Total operating revenues	<u>18,960,053</u>	<u>21,327,304</u>	<u>2,367,251</u>
Nonoperating revenues:			
Investment earnings	-	1,691	-
Nutrient offset fees	-	151,784	-
System development fees	-	2,678,604	-
Miscellaneous	-	253,891	-
Total nonoperating revenues	<u>5,071,300</u>	<u>3,085,970</u>	<u>(1,985,330)</u>
Total revenues	<u>24,031,353</u>	<u>24,413,274</u>	<u>381,921</u>
EXPENDITURES:			
Water Distribution Operations:			
Water purchases	-	5,455,886	-
Salaries and employee benefits	-	652,154	-
Meter replacements	-	151,799	-
Bad debt expense	-	50,457	-
Other operating expenditures	-	429,432	-
Total water distribution	<u>8,513,853</u>	<u>6,739,728</u>	<u>1,774,125</u>
Preventative Maintenance:			
Salaries and employee benefits	-	572,185	-
Chemicals	-	119,614	-
Lift stations	-	92,894	-
Other operating expenditures	-	436,665	-
Total preventative maintenance	<u>1,471,766</u>	<u>1,221,358</u>	<u>250,408</u>
Water Treatment:			
Sewer capacity purchases	-	169,500	-
Salaries and employee benefits	-	536,417	-
Chemicals	-	26,674	-
Repairs and maintenance	-	135,424	-
Contract Services	-	3,429,798	-
Capacity fees litigation settlement	-	1,500,000	-
Other operating expenditures	-	366,898	-
Total water treatment	<u>6,168,464</u>	<u>6,164,711</u>	<u>3,753</u>
Total water distribution and treatment	<u>16,154,083</u>	<u>14,125,797</u>	<u>2,028,286</u>

	2021		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 1,343,410	\$ -
Interest	-	840,642	-
Total debt service	<u>2,188,092</u>	<u>2,184,052</u>	<u>4,040</u>
Capital outlay:			
Water distribution	-	(18,234)	
Water prevention	-	1,305,354	
Water treatment	-	-	-
Total capital outlay	<u>4,931,918</u>	<u>1,287,120</u>	<u>3,644,798</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>2,092,911</u>	<u>2,092,911</u>	<u>-</u>
Total expenditures	<u>25,367,004</u>	<u>19,689,880</u>	<u>5,677,124</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,335,651)</u>	<u>4,723,394</u>	<u>6,059,045</u>
Other financing sources (uses)			
Transfer to Capital Project funds	(500,000)	(500,000)	-
Capital lease obligations issued	<u>890,000</u>	<u>865,382</u>	<u>(24,618)</u>
Total other financing sources	<u>390,000</u>	<u>365,382</u>	<u>(24,618)</u>
Fund balance appropriated	<u>945,651</u>	<u>-</u>	<u>(945,651)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>5,088,776</u>	<u>5,088,776</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 5,088,776	
Reconciling items:			
Capital outlay		1,287,120	
Principal retirement		1,343,410	
Capital lease obligations issued		(865,382)	
Decrease in accrued vacation pay		14,605	
Increase in deferred outflows of resources - pensions		75,984	
Increase in net pension liability		(167,972)	
Decrease in deferred inflows of resources - pensions		-	
Decrease in deferred outflows of resources - OPEB		(2,892)	
Decrease in deferred inflows of resources - OPEB		3,451	
Increase in OPEB liability		(11,443)	
Depreciation & Amortization		(3,310,364)	
Transfer to Capital Project Funds		500,000	
Interest income from Capital Projects Fund		565	
Total Reconciling items		<u>(1,132,918)</u>	
Change in net position		<u>\$ 3,955,858</u>	

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

**Exhibit C-2**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to date	Variance Positive (Negative)
REVENUES					
Interest earnings	\$ -	\$ 39,836	\$ 258	\$ 40,094	\$ 40,094
Total revenues	-	39,836	258	40,094	40,094
EXPENDITURES:					
Construction	3,515,467	2,012,726	1,267,295	3,280,021	235,446
Closing fees	34,743	34,743	-	34,743	-
Technical Services	183,205	82,701	93,973	176,674	6,531
Contingency	87,393	8,178	-	8,178	79,215
Total expenditures	3,820,808	2,138,348	1,361,268	3,499,616	321,192
REVENUES OVER (UNDER) EXPENDITURES	\$ (3,820,808)	\$ (2,098,512)	\$ (1,361,010)	\$ (3,459,522)	\$ 361,286
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	500,000	-	500,000	500,000	-
Proceeds from installment purchase	3,320,808	3,320,808	-	3,320,808	-
Total other financing sources	3,820,808	3,320,808	500,000	3,820,808	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ 1,222,296	\$ (861,010)	\$ 361,286	\$ 361,286
Fund balance, beginning			1,222,296		
Fund balance, ending			\$ 361,286		

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**NEUSE RIVER WATER RECLAMATION FACILITY**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**

**Exhibit C-3**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Grant revenue	\$ 5,159,500	\$ -	\$ -	\$ -	\$ (5,159,500)
Interest earnings	-	293	307	600	600
Total revenues	<u>5,159,500</u>	<u>293</u>	<u>307</u>	<u>600</u>	<u>(5,158,900)</u>
EXPENDITURES:					
Professional services	4,706,418	890,254	2,978,170	3,868,424	837,994
Construction	97,443,000	-	19,968	19,968	97,423,032
Easement Acquisition	292,000	-	33,025	33,025	258,975
Closing Fees	1,400,000	73,830	345,000	418,830	981,170
Design	2,500,000	241,055	-	241,055	2,258,945
Nitrogen Capacity	13,658,582	50,000	13,608,582	13,658,582	-
Total expenditures	<u>120,000,000</u>	<u>1,255,139</u>	<u>16,984,745</u>	<u>18,239,884</u>	<u>101,760,116</u>
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ (114,840,500)</u>	<u>\$ (1,254,846)</u>	<u>\$ (16,984,438)</u>	<u>\$ (18,239,284)</u>	<u>\$ (106,919,016)</u>
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	3,550,000	3,550,000	-	3,550,000	-
Proceeds from revenue bond	<u>111,290,500</u>	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>	<u>(96,290,500)</u>
Total other financing sources	<u>114,840,500</u>	<u>18,550,000</u>	<u>-</u>	<u>18,550,000</u>	<u>(96,290,500)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)	<u>\$ -</u>	<u>\$ 17,295,154</u>	<u>\$ (16,984,438)</u>	<u>\$ 310,716</u>	<u>\$ 310,716</u>
EXPENDITURES					
Fund balance, beginning			<u>17,295,154</u>		
Fund balance, ending			<u>\$ 310,716</u>		

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**LITTLE CREEK OUTFALL SEWER LINE**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**

**Exhibit C-4**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
EXPENDITURES:					
Professional services	123,000	-	21,886	21,886	101,114
Sewer line improvements	1,420,000	-	27,244	27,244	1,392,756
Contingency	385,750	-	1,710	1,710	384,040
Total expenditures	1,928,750	-	50,840	50,840	1,877,910
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ (1,928,750)</u>	<u>\$ -</u>	<u>\$ (50,840)</u>	<u>\$ (50,840)</u>	<u>\$ 1,877,910</u>
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	1,928,750	1,928,750	-	1,928,750	-
Total other financing sources	<u>1,928,750</u>	<u>1,928,750</u>	<u>-</u>	<u>1,928,750</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)					
EXPENDITURES	<u>\$ -</u>	<u>\$ 1,928,750</u>	<u>\$ (50,840)</u>	<u>\$ 1,877,910</u>	<u>\$ 1,877,910</u>
Fund balance, beginning			<u>1,928,750</u>		
Fund balance, ending			<u>\$ 1,877,910</u>		

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**WALNUT CREEK SANITARY SEWER EXTENSION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**

**Exhibit C-5**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
EXPENDITURES:					
Professional services	451,100	33,616	-	33,616	417,484
Sewer line improvements	4,100,000	-	-	-	4,100,000
Contingency	1,137,775	-	-	-	1,137,775
Total expenditures	5,688,875	33,616	-	33,616	5,655,259
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$(5,688,875)</u>	<u>\$ (33,616)</u>	<u>\$ -</u>	<u>\$ (33,616)</u>	<u>\$ 5,655,259</u>
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	-	-	-	-	-
Proceeds from revenue bond	5,688,875	-	-	-	(5,688,875)
Total other financing sources	5,688,875	-	-	-	(5,688,875)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)					
EXPENDITURES	<u>\$ -</u>	<u>\$ (33,616)</u>	<u>\$ -</u>	<u>\$ (33,616)</u>	<u>\$ (33,616)</u>
Fund balance, beginning			(33,616)		
Fund balance, ending			<u>\$ (33,616)</u>		

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

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2021**

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

	2021		Variance
	Budget	Actual	Positive (Negative)
REVENUES:			
Operating revenues:			
Electricity sales	\$ -	\$ 14,432,835	\$ -
Connection fees	-	79,531	-
Penalties	-	302,624	-
Total	14,542,207	14,814,990	272,783
Other operating revenues	188,100	166,032	(22,068)
Total operating revenues	14,730,307	14,981,022	250,715
Nonoperating revenues:			
Investment earnings	-	7,222	-
Damage reimbursement	-	18,532	-
Miscellaneous	-	98,034	-
Total nonoperating revenues	63,000	123,788	60,788
Total revenues	14,793,307	15,104,810	311,503
EXPENDITURES:			
Electric operations:			
Electric power purchased	-	9,698,182	-
Salaries and employee benefits	-	1,100,981	-
Contracted maintenance	-	249,397	-
Vehicle maintenance	-	33,863	-
Load control expense	-	87,439	-
Bad Debt expense	-	83,894	-
Other operating expenditures	-	478,512	-
Total electric operations	12,752,653	11,732,268	1,020,385
Debt service:			
Principal	-	447,679	-
Interest	-	131,717	-
Total debt service	579,396	579,396	-
Capital outlay	1,479,412	1,058,890	420,522
Reimbursement - General Fund:			
Taxes	39,100	35,250	-
Support services	965,874	965,874	-
Total reimbursement	1,004,974	1,001,124	3,850



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

**Exhibit C-6  
Page 2 of 2**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Total expenditures	<u>15,816,435</u>	<u>14,371,678</u>	<u>1,444,757</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,023,128)</u>	<u>\$ 733,132</u>	<u>\$ 1,756,260</u>
Other financing sources (uses)			
Transfer to Capital Project Fund	(350,000)	-	350,000
Debt issuance	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
Total other financing sources	<u>650,000</u>	<u>-</u>	<u>(650,000)</u>
Fund balance appropriated	<u>373,128</u>	<u>-</u>	<u>(373,128)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>733,132</u>	<u>733,132</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 733,132	
Reconciling items:			
Capital outlay		1,058,890	
Principal retirement		447,679	
Decrease in accrued vacation pay		4,852	
Increase in deferred outflows of resources - pensions		37,357	
Increase in net pension liability		(90,510)	
Decrease in deferred inflows of resources - pensions		-	
Increase in deferred outflows of resources - OPEB		-	
Decrease in deferred inflows of resources - OPEB		3,118	
Increase in OPEB liability		(17,960)	
Depreciation		(540,769)	
Interest income from Capital Project Fund		123	
Transfer to Capital Project Fund		<u>-</u>	
Total Reconciling items		<u>902,780</u>	
Change in net position		<u>\$ 1,635,912</u>	

## ELECTRIC CAPITAL PROJECTS FUND -

## ELECTRIC RATE STABILIZATION FUND

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

From Inception and for the Fiscal Year Ended June 30, 2021

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

## ELECTRIC CAPITAL PROJECTS FUND -

## NORTHSIDE SUBSTATION PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to date	Variance Positive (Negative)
REVENUES					
Interest earnings	\$ -	\$ 442	\$ 3	\$ 445	\$ 445
Total revenues	-	442	3	445	445
EXPENDITURES:					
Construction	5,164,760	5,164,757	-	5,164,757	3
Contingency	48,593	3,500	-	3,500	45,093
Total expenditures	5,213,353	5,168,257	-	5,168,257	45,096
REVENUES OVER (UNDER) EXPENDITURES	\$ (5,213,353)	\$ (5,167,815)	\$ 3	\$ (5,167,812)	\$ 45,541
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Electric fund	(136,647)	(136,647)	-	(136,647)	-
Proceeds from revenue bond	5,350,000	5,350,000	-	5,350,000	-
Total other financing sources	5,213,353	5,213,353	-	5,213,353	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ 45,538	\$ 3	\$ 45,541	\$ 45,541
Fund balance, beginning			45,538		
Fund balance, ending			\$ 45,541		

## ELECTRIC CAPITAL PROJECTS FUND -

## AMI PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to date	Variance Positive (Negative)
REVENUES					
Interest earnings	\$ -	\$ 20,091	\$ 120	\$ 20,211	\$ 20,211
Total revenues	-	20,091	120	20,211	20,211
EXPENDITURES:					
Construction	1,458,083	1,068,557	356,742	1,425,299	32,784
Closing fees	17,568	17,568	-	17,568	-
Technical Services	139,765	67,208	72,549	139,757	8
Contingency	63,776	5,922	-	5,922	57,854
Total expenditures	1,679,192	1,159,255	429,291	1,588,546	90,646
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,679,192)	\$ (1,139,164)	\$ (429,171)	\$ (1,568,335)	\$ 110,857
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Electric fund	-	-	-	-	-
Proceeds from installment purchase	1,679,192	1,679,192	-	1,679,192	-
Total other financing sources	1,679,192	1,679,192	-	1,679,192	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ 540,028	\$ (429,171)	\$ 110,857	\$ 110,857
Fund balance, beginning			540,028		
Fund balance, ending			\$ 110,857		

# Fiduciary Fund

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

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## Custodial 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**  
**CUSTODIAL FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended June 30, 2021**

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**Exhibit D-1**

	<u>Claytex Fire District Fund</u>	<u>Total Custodial Funds</u>
<b>ADDITIONS</b>		
Property taxes collected for other governments	<u>\$ 2,267,747</u>	<u>\$ 2,267,747</u>
Total additions	<u>2,267,747</u>	<u>2,267,747</u>
<b>DEDUCTIONS</b>		
Property taxes distributed to other governments	<u>3,136,431</u>	<u>3,136,431</u>
Net increase (decrease) in fiduciary net position	<u>(868,684)</u>	<u>(868,684)</u>
Net position, beginning, as previously reported	-	-
Prior period restatement (Note 8)	<u>1,803,667</u>	<u>1,803,667</u>
Net position, beginning, as restated	<u>1,803,667</u>	<u>1,803,667</u>
Net position, ending	<u>\$ 934,983</u>	<u>\$ 934,983</u>

## Other Schedules

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This section contains additional information on property taxes.

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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2021**

**Exhibit E-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 16,324,598	\$ 16,314,578	10,020
2019-2020	120,097	-	115,884	4,214
2018-2019	724	-	48	676
2017-2018	1,861	-	1,512	348
2016-2017	547	-	-	547
2015-2016	132	-	-	132
2014-2015	194	-	-	194
2013-2014	3,680	-	98	3,582
2012-2013	6,805	-	114	6,691
2011-2012	6,112	-	147	5,965
2010-2011	4,522	-	177	4,345
	<u>\$ 144,673</u>	<u>\$ 16,324,598</u>	<u>\$ 16,432,558</u>	<u>\$ 36,713</u>
Plus: Uncollected 2018-2019 ad valorem taxes receivable on annually registered vehicles				-
Less: Allowance for uncollectible accounts General Fund				<u>7,300</u>
Ad valorem taxes receivable - net				<u>\$ 29,413</u>
Reconciliation with revenues Ad valorem taxes - General Fund				<u>\$ 16,428,297</u>
Reconciling items:				
Interest collected				(57,971)
EDIG Rebate				5,648
Releases/adjustments				<u>56,584</u>
Subtotal				<u>4,261</u>
Total collections and credits				<u>\$ 16,432,558</u>



**TOWN OF CLAYTON, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2021**

**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	\$2,781,940,178	\$0.580	\$16,135,253	\$14,597,617	\$1,537,636
Penalties	-		-	-	-
Total	<u>2,781,940,178</u>		<u>16,135,253</u>	<u>14,597,617</u>	<u>1,537,636</u>
Discoveries:					
Current years taxes	29,627,695	0.580	171,841	171,841	-
Prior year taxes	<u>3,093,161</u>	0.566	<u>17,504</u>	<u>17,504</u>	-
Total	<u>32,720,856</u>		<u>189,345</u>	<u>189,345</u>	-
Abatements:					
Current years taxes	<u>(9,724,019)</u>		<u>(56,399)</u>	<u>(50,268)</u>	<u>(6,131)</u>
Total	<u>(9,724,019)</u>		<u>(56,399)</u>	<u>(50,268)</u>	<u>(6,131)</u>
Total property valuation	<u>\$2,804,937,015</u>				
Net levy			16,268,199	14,736,694	1,531,505
Uncollected taxes at June 30, 2021			<u>10,020</u>	<u>10,020</u>	-
Current year's taxes collected			<u>\$16,258,179</u>	<u>\$14,726,673</u>	<u>\$1,531,505</u>
Current levy collection percentage			<u>99.94%</u>	<u>99.93%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

220 East Washington Street  
Post Office Box 697  
Rockingham, North Carolina 28380  
(910) 557-1176

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

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of 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, 2021, 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 November 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Clayton's internal control over financial reporting (internal control) 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. 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 and correct 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 Audit Standards*.

### **Purpose of this Report**

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

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

Rockingham, NC  
November 2, 2021

220 East Washington Street  
Post Office Box 697  
Rockingham, North Carolina 28380  
(910) 557-1176

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

Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance in Accordance  
with OMB Uniform Guidance and the State Single Audit Implementation Act

**Independent Auditor's Report**

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

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

We have audited the Town of Clayton, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Clayton's major federal programs for the year ended June 30, 2021. The Town of Clayton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Clayton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Clayton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Town of Clayton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

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

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

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

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



Rockingham, NC  
November 2, 2021

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

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; in  
Accordance with OMB Uniform Guidance;  
and the State Single Audit Implementation Act

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

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

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

We have audited the Town of Clayton, North Carolina, compliance 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, 2021. 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 *Title 2 US Code of State Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, *Uniform Guidance*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about 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, Town of Clayton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Town of Clayton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Clayton's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, 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 Town of Clayton'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 a 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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rockingham, NC  
November 2, 2021



**TOWN OF CLAYTON, NORTH CAROLINA**  
**SCHEDULE OF QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2021**

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

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified *None Reported*

Noncompliance material to financial statements noted? *No*

**Federal Awards**

Internal control over major Federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified *No*

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(A)? *No*

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Programs</u>
20.205	Highway Planning and Construction
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B Programs *\$750,000*

Auditee qualified as low-risk auditee? *No*

**TOWN OF CLAYTON, NORTH CAROLINA**  
**SCHEDULE OF QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2021**

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**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(A)? No

Identification of major State programs:

Powell Bill

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

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, 2021**

<b>Grantor/Pass-through Grantor/Program title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal Direct &amp; - Pass-through Expenditures</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Transportation					
State and Community Highway Safety					
Governors Highway Safety Program	20.600	22019.6.18	35,394	-	-
Passed through N.C. Department of Transportation					
Highway Planning and Construction					
Sam's Branch Greenway-Phase 2 U-5530 LA; U-5530 LB	20.205-2	44111.1.F5; F6	2,192,176	-	370,045
<u>U.S. Department of Homeland Security</u>					
Direct Program: FEMA					
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2018-FH-00091	538,199	-	-
	97.083	EMW-2019-FG-04060	208,908	-	-
<u>U.S. Department of Justice</u>					
Bulletproof Vest Partnership Program	16.607		3,922	-	4,030
<u>National Endowment for the Humanities</u>					
Passed through N.C. Department of Cultural and Natural Resources					
Library Services and Technology Act Grant	45.310	NC-18-25	5,734	-	-
<u>U.S. Department of Treasury</u>					
Passed through N.C. Pandemic Recovery Office,					
Passed through Johnston County					
COVID -19 Coronavirus Relief Fund	21.019	02-88-05	807,913	-	-
<b>Total assistance federal programs</b>			<u>3,792,245</u>	<u>-</u>	<u>374,075</u>
<b>STATE GRANTS</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill		32570	-	571,173	-
<u>N.C. Department of Natural and Cultural Resources</u>					
State Aid Library Grant			-	16,522	-
<b>Total assistance state programs</b>			<u>-</u>	<u>587,695</u>	<u>-</u>
<b>Total assistance</b>			<u>\$ 3,792,245</u>	<u>\$ 587,695</u>	<u>\$ 374,075</u>

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

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Clayton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of Clayton, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Clayton.

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Clayton has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.