The Town of Clayton
Town Council Work Session Meeting Agenda
Monday, December 18, 2017 @ 6:30 PM
Council Chambers

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1. CALL TO ORDER

Pledge of Allegiance and Invocation

2. ADJUSTMENT OF THE AGENDA

3. CONSENT AGENDA

(Items on the consent agenda are considered routine in nature or have been thoroughly discussed at previous meetings. Any member of the Council may request to have an item removed from the consent agenda for further discussion.)

a. Certificate of Sufficiency - 2017-185-ANX
Certificate of Sufficiency 2017-185-ANX

POTENTIAL ACTION: Adoption of Consent Agenda as Presented

4. ADMINISTRATIVE ITEMS

a. Warranty Acceptance
- Warrick Park Subdivision

Warranty Acceptance - Warrick Park Subdivision

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

5. INTRODUCTIONS AND SPECIAL PRESENTATIONS

a. Proclamation Request - Student Art Month
Presenter: Brenda Hill, Chair - Woman's Club of Clayton Student Art Festival
Cover - Youth Art Month 2018
Proclamation - Youth Art Month 2018

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

b. Recognition of Personnel Involved in House Fire Rescue
Presenter: Stacy Beard, Public Information Officer
Cover - Recognition of Personnel Involved in House Fire Rescue

c. Introduction of New Employees
Presenters: Lee Barbee, Fire Chief & Byron Poelman, Distribution & Collection System Supervisor
Fire Department Employees(Part/Time):
- Ryan Berglund
- Nathan Dunne
- Jamie Davis

- Cody Goff
- Wesley Johnson
- Dylan Lee
- Zachari McFarland
- Monica Munoz
- Chandler Parrott
- Daniel Ward

Public Works:
Tyler Barbee - Utility Maintenance Mechanic

Cover - Fire Department Part Time Employees
Fire Department Part Time Employee List

d. Audit Presentation & 2017 Financial Benchmark Report
Presenters: Ken Anderson - Auditor & Robert McKie - Finance Director
Cover - Audit Presentation
Audit Informational Letter
2017 Clayton Financial Statements
Financial Policy Compliance_Council Presentation

6. PUBLIC HEARINGS

7. ITEMS SCHEDULED FOR THE REGULAR MEETING

a. RWAC Parcel Acceptance
Presenter: David DeYoung, Economic & Community Development Director
Cover-Parcel Acceptance-RWAC
Parcel - RWAC
Deed - Parcel Acceptance RWAC

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

b. Archer Lodge Fire Department Contract - RWAC
Presenter: Lee Barbee, Fire Chief
Cover - Archer Lodge FD Service Agreement
Archer Lodge Agreement Amendment Three
RWAC Exhibit A 11x17
RWAC Exhibit B 11x17
RWAC Exhibit C 11x17

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

c. Recommendation for Appointment to Library Advisory Board
Presenter: Kimberly Moffett, Town Clerk
Cover - Advisory Board Recommendation
Application - Natasha Ellis-Smith

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

d. Annexation - Town of Clayton Property - Powhatan Road - 2017-185-ANX
Presenter: Planning Department
Cover - TOC Prop Powhatan Rd - 2017-185-ANX

[Application - TOC Property Powhatan Road - 2017-185-ANX]
[Plat 2017-185 ANX TOC Property]
[Aerial Map - Annexation - TOC Prop Powhatan Road - 2017-185-ANX]
[Map - Annexation - TOC Prop Powhatan Rd - 2017-185-ANX]
[Legal Description - TOC Prop Powhatan Rd - 2017-185-ANX]
[PublicNotice - TOC Prop Powhatan Rd - 2017-185-ANX]
[Resolution Setting Public Hearing - TOC Prop Powhatan Rd - 2017-185-ANX]

POTENTIAL ACTION: Set Public Hearing for January 2, 2018

e. ECIA Water & Wastewater Infrastructure Project Funding Request
Presenter: Rich Cappola, Town Engineer
[Cover - ECIA Sewer Line Project Funding Request (und 638)]
[Memo - ECIA Water & Wastewater Infrastructure Phase 1 Fund Appropriation Request]
[Ordinance - Fund 638 Budget Amendment]

POTENTIAL ACTION: Place on January 2, 2018 Consent Agenda

8. ITEMS CONTINGENT FOR THE REGULAR MEETING

9. ITEMS FOR DISCUSSION

10. ITEMS REQUIRING ACTION

(In order for any action to be taken during a Work Session, a motion must be made and seconded to suspend the rule to allow action to be taken.)

11. OLD BUSINESS

12. STAFF REPORTS

a. Town Manager

b. Town Attorney

c. Town Clerk

d. Other Staff

13. OTHER BUSINESS

a. Informal Discussion & Public Comment

b. Council Comments

14. ADJOURNMENT

ANNEXATION PETITION #2017-185-ANX
Town Properties on Powhatan Road
Parcels: 05105019E, 05105017B, 05E99010H
Owners: Town of Clayton
Non-Contiguous; 22.03 acres

CERTIFICATE OF SUFFICIENCY

To the Town Council of the Town of Clayton, North Carolina:

I, Kimberly A. Moffett, Town Clerk, do hereby certify that I have investigated the petition attached hereto and have found as a fact that said petition is signed by all owners of real property lying in the area described therein, in accordance with G.S. 160A-58.1.

In witness whereof, I have hereunto set my hand and affixed the seal of the Town of Clayton, this 18th day of December, 2017.

Kimberly A. Moffett, CMC, NCCMC
Town Clerk

Town of Clayton
Engineering Department
111 E. Second Street, Clayton, NC 27520
P.O. Box 879, Clayton, NC 27528
Phone: 919-553-5002
Fax: 919-553-1720

MEMORANDUM

To: Kimberly Moffett, Town Clerk

From: Chris Rowland, Construction Project Administrator

Copy: Para Smith, Development Services Coordinator
Donnie Adams, Adams & Hodge Engineering

Date: November 27, 2017

Subject: Warrick Park Subdivision

Please place a warranty acceptance request for the subject public water utility, all related easements, and the asphalt pavement structure on the next available agenda. Record drawings have been reviewed and accepted. Following acceptance, the aforementioned public infrastructure will be subject to a one-year warranty period. Upon expiration of the warranty, a final inspection will be done and all deficient items corrected by the developer prior to final acceptance.

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Consent Agenda

Item Title

Request for Proclamation – Youth Art Month

Presenter *(Name & Title)*

Brenda Hill – Woman's Club – Student Art Festival Chair

Summary/Description

Ms. Hill will be requesting Proclamation recognizing January 2018 as Student Art Month. The Woman's Club holds an annual Art Festival and judging of the arts will take place on January 2, 2018. Award Reception will be held on Thursday, January 4, 2018 at 6:00 p.m. at The Clayton Center.

Requested Action

Place on Consent Agenda

Additional Documents To Be Included in Agenda Packet

Proclamation

TOWN OF CLAYTON
PROCLAMATION
YOUTH ART MONTH

WHEREAS, the arts, in its many forms, constitute an important part of the community and contribute to the development of our youth; and,

WHEREAS, participation in and enjoyment of the arts can take many forms, including the visual arts, fine arts and performing arts; and,

WHEREAS, the Woman's Club of Clayton has sought to promote the involvement of our youth in various art projects to the betterment of their minds and the community as a whole.

NOW, THEREFORE, LET IT BE PROCLAIMED by the Honorable Mayor and Town Council of the Town of Clayton that the month of January each year, be recognized as:

YOUTH ART MONTH

Let it also be proclaimed that all businesses, industries and citizens in the Clayton community are urged to support and encourage the school aged children of Clayton to participate in the arts.

Duly proclaimed by the Clayton Town Council this the 2nd day of January, 2018, while in regular session.

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Jody L. McLeod
Mayor

Town Council Agenda Cover Sheet

Meeting Date **Agenda Location**
December 18, 2017 Introductions & Special Presentations

Item Title
RECOGNITION OF PERSONNEL INVOLVED IN HOUSE FIRE RESCUE

Presenter
Stacy Beard, Town of Clayton Public Information Officer

Summary/Description

Town Council will recognize Town of Clayton Fire Department A-shift, Johnston County 911 telecommunicators and Johnston County EMS personnel who were on duty the evening of Monday, November 27th and responded to a house fire just before midnight. It is ONLY through the teamwork of these first responders that it was possible to rescue the disabled man trapped inside his burning home in the Grovewood subdivision.

William Manley and his son Stephon were asleep when fire sparked in the living room of their 1-story home. The family dog woke Stephon up and he called 911, telling dispatchers the house was full of smoke and his disabled father was trapped inside, in his bedroom, unable to walk. Johnston County 911 dispatchers worked to get detailed information on where the victim might be to relay to the fire rescuers.

Clayton Fire Department arrived and the son was outside flagging down the fire trucks. He said he tried to get his father out, but couldn't. Five firefighters started to search the house, which by this time had smoke filling the rooms and hallways from the ceiling to the floor. They searched each room until they found the man in his bedroom, unable to walk on his own. The firefighters carried him out to a waiting stretcher and the Johnston County Emergency Services crews.

Clearly, it’s more than just the people who went inside this smoke-filled home who deserve credit for saving this man’s life.

"They all did an outstanding job!" said Town Councilman and life-long paramedic Jason Thompson, after responding to the scene and assisting EMS. "I’ve seen people in smoke for less time not come out alive. The man is extremely blessed. The skills of the 911 dispatchers relaying to crews the changing information as to where the man was inside the house, the rapid response of our trained firefighters, and the EMS team ready outside the home are the reasons this man will be able to enjoy Christmas with his family. This is one of those times that there is no question that the actions of these employees together saved a life."

“We did our job...nothing more, nothing less,” said Clayton Fire Battalion Chief Matt Sutphin. “I couldn’t be any prouder of everyone involved. This was a win for the department, town and county as a whole, not just A-Shift. All we did was display the training that we put in every day.”

A special thanks to the Cleveland Fire Department Clayton and Wilson's Mills Fire Department for their mutual aid in this response – everyone backed each other up.

The Manley family hopes to be in attendance for the recognition. They may not be able to move back in their home until May and lost many long-held and cherished family possessions, but they are thankful to be alive.

Requested Action - Informational Only

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Introductions & Special Presentations

Item Title

Introduction of New Part-Time Clayton Fire Department Employees

Presenter

Lee Barbee, Fire Chief

Summary/Description

Chief Lee Barbee will introduce the 10 new part-time Clayton firefighters recently hired to fill vacancies that allow the department to meet scheduling needs of our full-time engine companies.

Requested Action

Informational Only

Additional Documents To Be Included in Agenda Packet

Additional Document "November 2017 Fire Department New Hires" – a roster of the new hires featuring background and experience of our new fire team members

Ryan Berglund:
Ryan comes to CFD with experience from Mt. Olive Volunteer Fire Department where he was a member while attending college at Mt. Olive University. Ryan is a certified Firefighter II, EMT, and has a handful of TR certifications including TR Vehicle Rescue, Ropes, and Confined Space. Some of you may remember Ryan as he assisted us with some of the construction aspects of our conex box system and attended TR classes at Clayton FD. Ryan is assigned to C-Shift Station 2.

Nathan Dunne:
Nathan comes to CFD with experience from Mt. Olive Volunteer Fire Department where he was a member while attending college at Mt. Olive University and is currently fulltime with the City of Wilson Fire Department. Nathan is a certified Firefighter II, EMT, and has a handful of TR certifications including TR Vehicle Rescue, Ropes, and Confined Space. Nathan attended various TR classes conducted at Clayton FD. Nathan is assigned to A-Shift Station 1.

Jamie Davis:
Jamie comes to CFD with experience from Raleigh FD where he works fulltime and also volunteers at 50-210 Volunteer Fire Department. Jamie is a certified Firefighter II, EMT, and recently completed the TR Rope Technician certification. Jamie is assigned to C-shift, Squad 2 FTE.

Cody Goff:
Cody comes to CFD with experience from West Edgecombe Volunteer Fire Department. Cody is a certified Firefighter II and EMT. Cody also serves the country in the NC National Guard. Cody is assigned to B-Shift Station 2.

Wesley Johnson:
Wesley is a Clayton native and is new to the fire service. Wesley will be starting his Firefighter training through JCC with classes at Smithfield FD. Wesley has done a couple of ride alongs with CFD and has a passion for doing something positive for the community he grew up in. Wesley is assigned to B-shift Station 1.

Dylan Lee:
Dylan comes to CFD with experience from Cleveland Fire Department. Dylan is a certified Firefighter II, EMT, and working toward completing his TR certification. Dylan is assigned to C-Shift, Engine 1 FTE

Zachari McFarland:
Zachari comes to CFD with experience from Fayetteville Fire Department where he works fulltime. Zachari also worked for Winston Salem Fire Department, Apex Fire Department and was a Paramedic. Zachari is a certified Firefighter II, EMT, and also enjoys boxing where he recently won a tournament where his opponents came as far away as New York City. Zachari is assigned to C-Shift Station 1.

Monica Munoz:
Monica comes to CFD with experience from Cleveland Fire Department. Monica is a certified Firefighter II and is working on obtaining her EMT. Monica is assigned to A-Shift Station 1

Chandler Parrott:
Chandler comes to CFD with experience from Erwin Fire Department where he works and also volunteers with the Four Oaks Volunteer Fire Department. Chandler is a certified Firefighter II, EMT, and has various TR certifications where he also does training with the REDS Team. Chandler is assigned to A-Shift Station 2.

Daniel Ward:
Daniel comes to CFD with experience from the Garner Fire Department where he works as a Captain. Daniel is also a Paramedic and works part time with Johnston County EMS. Daniel is a certified Firefighter II, EMT-P, TR certifications, Instructor II, and other various certifications. Daniel is assigned to A-Shift, Engine 1 FTE.

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Introductions & Special Presentations

Item Title

2017 Audit Report

Presenter (Name & Title)

Ken Anderson - Town Auditor; Robert McKie - Finance Director

Summary/Description

Present key financial information for the fiscal year ended June 30, 2017.

Requested Action

None - Informational Only

Additional Documents To Be Included in Agenda Packet

Audit Information Letter
2017 Financial Statements
Key Growth Rates & Policy Compliance

TO: **Town of Clayton**

FROM: Ken Anderson, CPA

DATE: December 18, 2017

RE: Available Fund Balance, Tax Collection Percentages and Other Audit Information

Fund Balance information as follows:

	Unrestricted General	General	Water and Sewer	Electric
Year End June 30, 2017 32 % - General	$6,788,366	9,082,696	39,937,344	11,791,037
Year End June 30, 2016 28 % - General	$5,515,806	7,706,368	38,532,008	11,184,443
Year End June 30, 2015 25% - General	$4,929,315	7,632,406	35,116,089	10,198,337
Year End June 30, 2014 44% - General	5,953,914	8,474,713	33,236,732	9,689,236
Year End June 30, 2013 39% - General	6,378,452	8,495,393	30,693,506	9,734,766
Year End June 30, 2012 39% - General	5,813,270	8,444,832	27,790,051	9,724,160
Year End June 30, 2011 32% - General	4,868,682	7,652,348	25,623,718	9,553,234

Property tax collection percentages are as follows:

	Overall	Excluding Vehicle	Vehicle
Year End June 30, 2017	99.95%	99.95%	100.00%
Year End June 30, 2016	99.98%	99.98%	100.00%
Year End June 30, 2015	99.93%	99.93%	99.98%
Year End June 30, 2014	99.69%	99.87%	98.17%
Year End June 30, 2013	98.88%	99.70%	89.42%
Year End June 30, 2012	98.62%	99.34%	89.85%
Year End June 30, 2011	98.53%	99.22%	90.27%

TOWN OF CLAYTON
AUDIT REPORT COMMENTS
JUNE 30, 2017

AUDIT REPORT

1. PAGE 1 **INDEPENDENT AUDITOR'S REPORT**
THE CITY RECEIVED AN UNMODIFIED OPINION ON THEIR JUNE 30, 2017 FINANCIAL STATEMENTS = GOOD REPORT

2. PAGE 19 **NET CHANGE IN FUND BALANCE GENERAL FUND**
CURRENT YEAR REVENUES EXCEEDED EXPENDITURES BY $1,376,328.

3. PAGE 23 **CHANGE IN FUND BALANCE - WATER & SEWER FUND**
CURRENT YEAR REVENUES EXCEEDED EXPENDITURES BY $1,405,336.

4. PAGE 23 **CHANGE IN FUND BALNCE – ELECTRIC FUND**
CURRENT YEAR REVENUES EXCEEDED EXPENDITURES BY $606,594.

5. PAGE 52 **CHANGES IN LONG TERM LIABILITIES – DEBT**
GOVERNMENTAL ACTIVITIES DEBT DECREASED FROM $17,772,828 TO $16,257,127 OR A CURRENT YEAR DECREASE FOR $1,515,701.

   BUSINESS TYPE ACTIVITIES DEBT INCREASED FROM $11,851,929 TO $16,299,242 OR A CURRENT YEAR INCREASED $4,447,313.

THE TOWN WAS SUBJECT TO A COMPLANICE TYPE AUDIT FOR THE YEAR. A FEDERAL GRANT – TIP PROJECT – IN THE CAMPO LAPP CAPITAL PROJECT FUND – UNMODIFIED OPINION

THE TOWN HAD NO BUDGET OVER- EXPENDITURES DURING THE YEAR

GASB #73 WAS IMPLEMENTED THIS YEAR. NOW RECORDING LEO SEPARATION BENEIFTS AND LIABILITIES – SEE NOTE 7 ON FINANCIALS.

THE TOWN AUDIT REPORT WAS SUBMITTED TO THE LOCAL GOVERNMENT COMMISION AND WAS ACCEPTED. THE AFIR WAS SUBMITTED AS WELL.

TOWN OF CLAYTON, NORTH CAROLINA

Financial Statements

For the Fiscal Year Ended June 30, 2017

Town of Clayton, North Carolina
Town Officials

JUNE 30, 2017

MAYOR

JODY McLEOD

TOWN COUNCIL

MICHAEL GRANNIS - MAYOR PRO-TEM

JASON THOMPSON	ROBERT LAWTER
BOB SATTERFIELD	ART HOLDER

OTHER OFFICIALS

ADAM LINDSAY	TOWN MANAGER
NANCY MEDLIN	DEPUTY TOWN MANAGER
ROBERT McKIE	FINANCE DIRECTOR
PARKER POE ADAMS & BERNSTEIN	TOWN ATTORNEY

TOWN OF CLAYTON, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2017

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For the Fiscal Year Ended June 30, 2017

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TOWN OF CLAYTON, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2017

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FINANCIAL SECTION

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, North Carolina, as of and for the year ended June 30, 2017, 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, North Carolina as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows 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 3 through 14, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 57 and 58, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 59 and 60, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 61, and 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 62 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Clayton, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the *U.S. Office and Management 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 purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other 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 October 30, 2017 on our consideration of the 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 the Town of Clayton's internal control over financial reporting and compliance.

Anderson Smith + Wike PLLC

Rockingham, NC
October 30, 2017

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, 2017. 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.

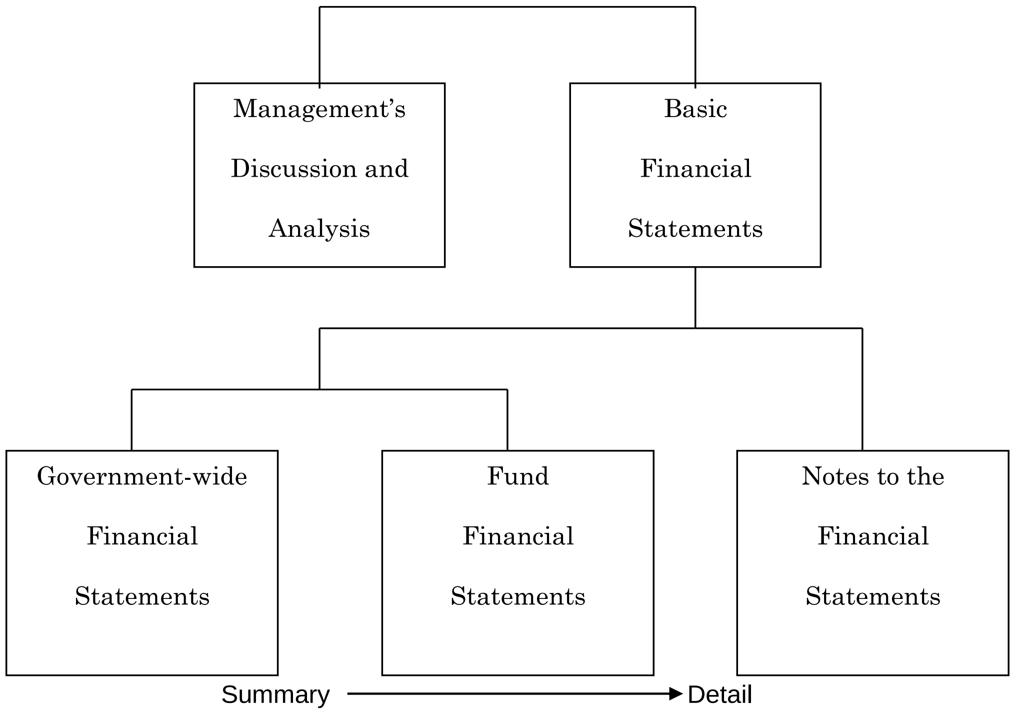
Financial Highlights

- 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 $93,938,801 (*net position*). Of this amount $15,700,299 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The government's total net position increased by $6,710,040, primarily due to lower than expected operating expenditures 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 $9,551,212, an increase of $1,103,521 in comparison with the prior year. Approximately 24.20% of the ending fund balance, or $2,311,401 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $6,440,869, or 32.27% of total general fund expenditures for the fiscal year.
- The Town of Clayton's total debt increased by $6,713,028 (20.76%) during the current fiscal year. The key factors attributable to this increase were the issuance of revenue bonds of $5,350,000 by the Electric System to construct a new substation and an increase in the pension liability for both the LGERS and LEOSSA plans.
- The Town of Clayton maintained its Aa2 and AA bond rating with Moody's Investor Service and Standard & Poor's, respectively.

Overview of the Financial Statement

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

The Town of Clayton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council (Council) about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented in the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council: 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and actual resources and charges.

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

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-56 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 57 of this report.

Government-Wide Financial Analysis

Town of Clayton's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Current and other assets	$11,307,907	$10,330,759	$18,608,343	$21,703,317	$29,916,250	$32,034,076
Capital assets	52,305,227	50,637,863	53,242,450	42,999,036	105,547,677	93,636,899
Total assets	63,613,134	60,968,622	71,850,793	64,702,353	135,463,927	125,670,975
Deferred outflows of resources	2,454,159	595,108	487,896	65,228	2,942,055	660,336
Long-term liabilities	20,157,906	20,030,721	15,768,864	11,185,938	35,926,770	31,216,659
Other liabilities	2,879,940	3,164,093	4,664,591	3,652,246	7,544,531	6,816,339
Total liabilities	23,037,846	23,194,814	20,433,455	14,838,184	43,471,301	38,032,998
Deferred inflows of resources	819,027	856,606	176,853	212,946	995,880	1,069,552
Net position:						
Net investment in capital assets	36,048,100	32,865,035	39,859,166	36,054,238	75,907,266	68,919,273
Restricted	2,302,440	2,290,128	28,796	21,284	2,331,236	2,311,412
Unrestricted	3,859,880	2,357,147	11,840,419	13,640,929	15,700,299	15,998,076
Total net position	$42,210,420	$37,512,310	$51,728,381	$49,716,451	$93,938,801	$87,228,761

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 $93,938,801 as of June 30, 2017. The Town's net position increased by $6,710,040 for the fiscal year ended June 30, 2017, primarily due to increases in both governmental and business-type activities.

By far the largest portion of the Town of Clayton's net position (80.8%) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Clayton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clayton's net investment in capital assets is reported net of related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Clayton's net position, $2,331,236, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $15,700,299 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.

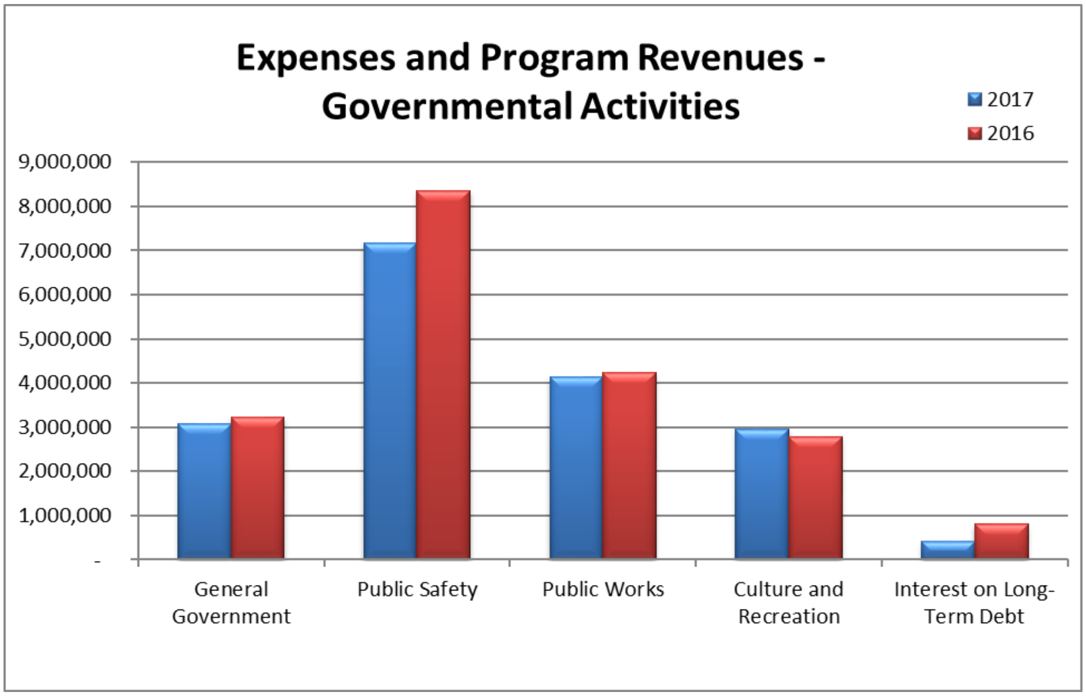
Restricted net position increased by $12,312 for the Town's governmental activities, primarily due to decreased utilization of Powell Bill monies partially offset by an increase for public improvements associated with the CAMPO LAPP capital project fund. There was a slight increase of $7,512 in restricted net position reported for business-type activities due to an increase in the USDA debt service reserve.

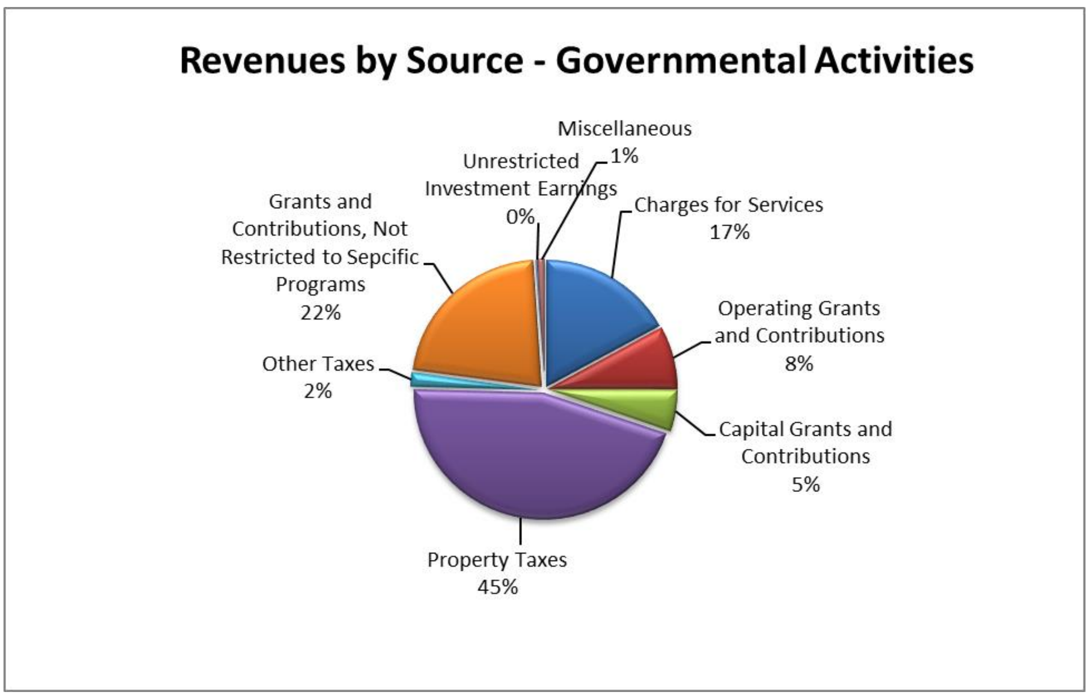
Town of Clayton Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	$ 3,826,995	$ 3,366,016	$22,363,460	$21,173,554	$26,190,455	$24,539,570
Operating grants and contributions	1,796,504	1,782,270	794,406	707,079	2,590,910	2,489,349
Capital grants and contributions	1,166,222	595,913	-	941,142	1,166,222	1,537,055
General revenues:						
Property taxes	10,160,122	9,722,227	-	-	10,160,122	9,722,227
Other taxes	388,786	397,071	-	-	388,786	397,071
Grants and contributions not restricted to specific programs	4,904,578	4,281,555	-	-	4,904,578	4,281,555
Unrestricted investment earnings	67,863	32,758	26,916	14,362	94,779	47,120
Miscellaneous	168,172	312,878	1,856,607	2,419,542	2,024,779	2,732,420
Total revenue	22,479,242	20,490,688	25,041,389	25,255,679	47,520,631	45,746,367
Expenses:						
General government	3,073,268	3,237,533	-	-	3,073,268	3,237,533
Public safety	7,182,282	8,360,913	-	-	7,182,282	8,360,913
Public works	4,147,262	4,230,893	-	-	4,147,262	4,230,893
Culture and recreation	2,957,396	2,793,931	-	-	2,957,396	2,793,931
Interest on long-term debt	420,924	810,830	-	-	420,924	810,830
Water and Sewer	-	-	10,498,489	9,356,037	10,498,489	9,356,037
Electric	-	-	12,530,970	11,497,617	12,530,970	11,497,617
Total expenses	17,781,132	19,434,100	23,029,459	20,853,654	40,810,591	40,287,754
Increase in net position before transfers	4,698,110	1,056,588	2,011,930	4,402,025	6,710,040	5,458,613
Transfers	-	-	-	-	-	-
Increase in net position	4,698,110	1,056,588	2,011,930	4,402,025	6,710,040	5,458,613
Net position, beginning, restated	37,512,310	36,455,722	49,716,451	45,314,426	87,228,761	81,770,148
Net position, June 30	$42,210,420	$37,512,310	$51,728,381	$49,716,451	$93,938,801	$87,228,761

Governmental activities. Governmental activities increased the Town's net position by $4,698,110, thereby accounting for 70% of the total growth in the net position of the Town of Clayton. Key elements of this increase are as follows:

- Property taxes increased 4.5%, or $437,895, primarily due to a higher tax base in conjunction with maintaining a 100% tax collection percentage for registered motor vehicles, which is attributable to a change in State law.
- Sales tax revenues increased 14.6%, or $623,023, due to strong economic growth.
- Expenses net of program revenues decreased by $2,698,490, or 19.7%, which is attributable to the following factors:
  - Charges for services increased by $460,979, or 13.7%, primarily due to increased revenues for building permits and inspection fees related to ongoing development activity.
  - Capital grants and contributions increased by $570,309, or 95.7%, primarily due to State funding received for the Pedestrian Connector project reported in the CAMPO LAPP capital project fund.
  - Interest on long-term debt decreased $389,906, or 48.1%, which is attributable to a non-recurring interest payment resulting from prior year refinancing activity.

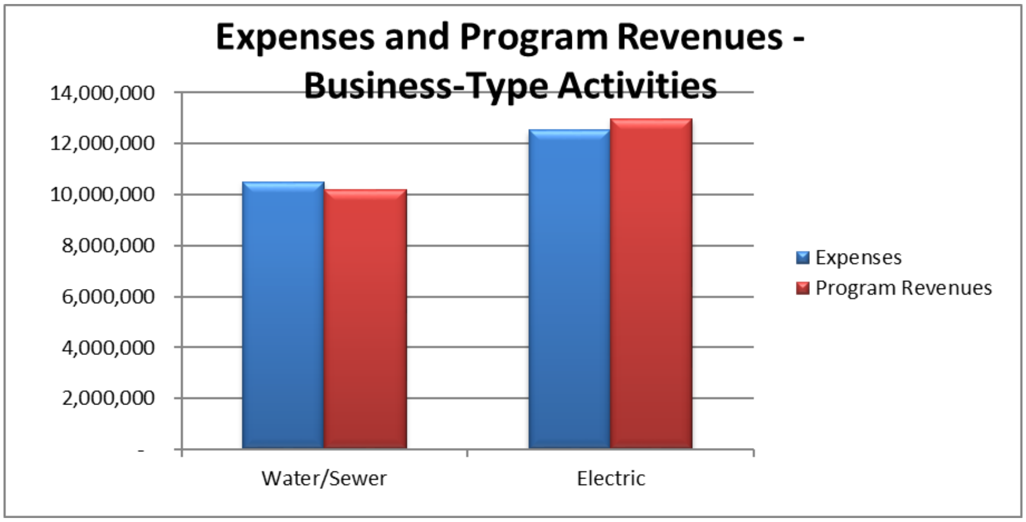

Expenses and Program Revenues - Governmental Activities
2017
2016
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
General Government
Public Safety
Public Works
Culture and Recreation
Interest on Long-Term Debt

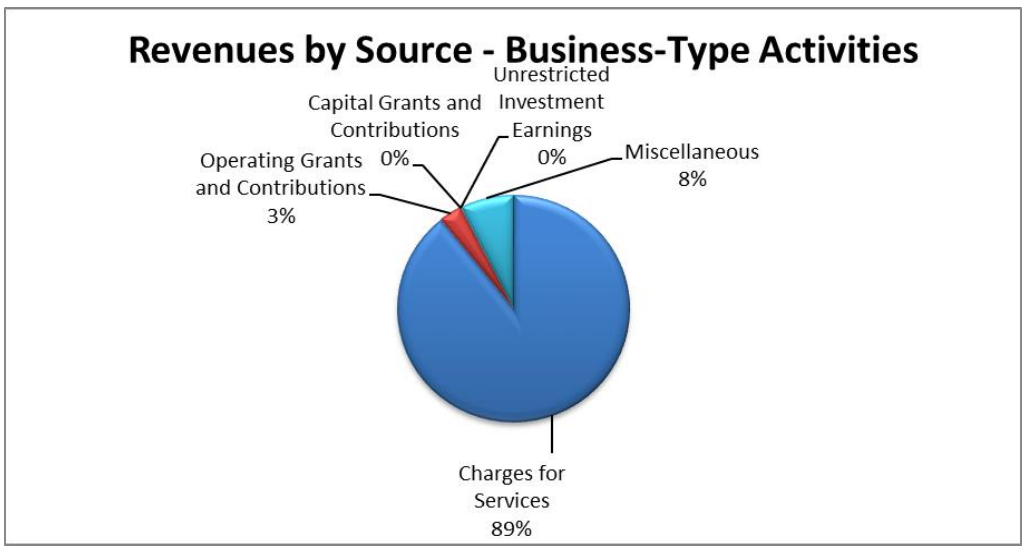

Revenues by Source - Governmental Activities
Miscellaneous 1%
Unrestricted Investment Earnings 0%
Charges for Services 17%
Grants and Contributions, Not Restricted to Sepcific Programs 22%
Operating Grants and Contributions 8%
Other Taxes 2%
Capital Grants and Contributions 5%
Property Taxes 45%

Business-type activities. Business-type activities increased the Town of Clayton's net position by $2,011,930, accounting for a 30% increase in the government's net position. Key elements of this increase are as follows:

Expenses net of program revenues increased by $1,839,714, which is attributable to the following factors:

- Charges for services for business-type activities increased 5.6%, or $1,189,906, primarily due to higher revenues generated by the water distribution, wastewater treatment operations, and electric distribution operations.
- Capacity fees from ongoing new development activity declined $524,250 to $1,378,977.
- Grants and contributions decreased by $853,815, primarily due to a non-recurring developer contribution in the prior year for the Sam's Branch Phase II capital project.
- Expenses increased 10.4%, or $2,175,805, compared to prior year due to a water capacity allocation purchase, increased power purchases, and higher support services costs.





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 $9,551,212 with a net increase in fund balance of $1,103,521. The decrease in the fund balance of the CAMPO LAPP capital project fund due to ongoing construction related to the pedestrian connector project is included in this change.

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 $6,440,869, while total fund balance reached $9,082,696. 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 31.5% 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 45.5% of total general fund expenditures. Fund balance of the Town of Clayton's General Fund increased by $1,376,328 during the current fiscal year. Key components of this change are as follows:

- Revenues from ad valorem taxes increased $450,791, primarily due to a higher tax base.
- Intergovernmental revenues increased $681,093, primarily due to higher sales tax revenues of $623,023 attributable to improvement in the local economy.
- Permits and fees revenues increased $408,429, primarily due to increased residential and commercial activity.
- Miscellaneous revenues decreased $144,706, primarily due to non-recurring cost sharing reimbursements.
- Investment income increased by $35,104, primarily due to higher investment earnings from the North Carolina Capital Management Trust portfolios.
- Total expenditures were slightly lower than the prior year.

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 a 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, amendments to budget unexpected non-recurring revenues to cover higher legal fees, and a $520,507 increase in fund balance appropriations between the original and final amended budget, primarily due to a transfer to the CAMPO LAPP capital project fund to fully fund the expected local contribution to complete the projects currently approved.

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 $7,081,712, and for the Electric Fund, $4,758,707. The total change in net position for the Water and Sewer and the Electric Funds was $1,405,336 and $606,594, respectively. Other factors concerning the finances of these two funds was covered in the discussion of the Town of Clayton's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Clayton's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to $105,547,677 (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 12.7% (a 14% increase for governmental activities and an 86% increase for business-type activities).

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

- In governmental activities, construction in progress of $1,349,325 for the pedestrian connector project; infrastructure additions of $544,318 for street projects; $1,068,993 for acquisition of rolling stock and equipment, and $295,698 for improvements.
- In business-type activities, construction in progress for various capital project funds increased $7,337,583, or $3,239,997 and $4,097,586 in the Water and Sewer Fund and Electric Fund, respectively, in conjunction with a strategic land acquisition of $990,543 and infrastructure improvements of $2,087,829 in the Water and Sewer Fund.
- No major demolitions were recorded this year.

Town of Clayton's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 7,694,921	$ 7,694,921	$ 1,129,143	$ 138,600	$ 8,824,064	$ 7,833,521
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	1,788,551	439,226	10,203,334	2,865,751	11,991,885	3,304,977
Total non-depreciable assets	9,483,472	8,134,147	13,965,590	5,637,464	23,449,062	13,771,611
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	30,843,633	30,547,935	3,862,804	3,189,288	34,706,437	33,737,223
Plant, machinery, and equipment	3,842,102	3,634,976	51,178,224	48,449,941	55,020,326	52,084,917
Vehicles	7,478,288	6,616,421	2,734,065	2,594,210	10,212,353	9,210,631
Infrastructure	18,114,802	17,570,484	-	-	18,114,802	17,570,484
Total depreciable assets	60,278,825	58,369,816	61,375,093	57,833,439	121,653,918	116,203,255
Accumulated depreciation	(17,457,070)	(15,866,100)	(22,098,233)	(20,471,867)	(39,555,303)	(36,337,967)
Total depreciable assets, net	42,821,755	42,503,716	39,276,860	37,361,572	82,098,615	79,865,288
Total	$ 52,305,227	$ 50,637,863	$ 53,242,450	$ 42,999,036	$ 105,547,677	$ 93,636,899

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 $17,045,746. Of this amount, $4,550,000 comprises debt backed by the full faith and credit of the Town of Clayton. The revenues of the associated enterprise fund back $12,495,746. The installment debt is backed by security interest in the property for which it was issued.

Town of Clayton's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General obligation bonds	$ 4,550,000	$ 4,940,000	$ -	$ -	$ 4,550,000	$ 4,940,000
Revenue bonds	-	-	7,398,746	2,329,746	7,398,746	2,329,746
BANs	-	-	5,097,000	5,097,000	5,097,000	5,097,000
Capital leases	-	-	260,102	295,108	260,102	295,108
Installment debt	11,707,127	12,832,828	3,543,394	4,130,075	15,250,521	16,962,903
Compensated Absences	592,097	612,497	122,538	114,879	714,635	727,376
OPEB	655,325	610,900	76,689	73,019	732,014	683,919
Pension related debt (LGERS)	2,729,871	554,074	549,349	106,237	3,279,220	660,311
Pension related debt (LEO)	1,762,104	634,951	-	-	1,762,104	634,951
Total	$ 21,996,524	$ 20,185,250	$ 17,047,818	$ 12,146,064	$ 39,044,342	$ 32,331,314

The Town's total debt increased $6,713,028, or 20.8%, during the current fiscal year primarily due the issuance of revenue bonds for $5,350,000 by the Electric Fund to construct a new substation and higher pension related debt, which was partially offset by the rapid amortization of financed debt.

The Town of Clayton maintained its bond ratings from Moody's Investor Service (Aa2) and Standard and Poor's Corporation (AA).

North Carolina general statutes limit the amount of general obligation debt that a unit of government may issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The current debt limitation for the Town of Clayton is $132,416,536, 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, 2018

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

- The unemployment rate for Johnston County is approximately 3.9%, which reflects continued improvement from a rate of 4.7% a year ago. The State average is 4.2% compared to 5.2% a year ago. The unemployment rate information is not seasonally adjusted.

- Higher median household income. The median household income estimate for the Town was $58,837 compared to $50,512 for Johnston County and $46,868 for the State.

- Ad valorem property tax revenues are projected to increase 5.8%, primarily due to a continued growth in residential housing. The property tax rate remains unchanged. Sales tax revenues are forecasted to grow 12.6%. Actual sales tax growth was 19.1 % compared to prior year and 15.9% higher than budget. The Town does not expect sales tax growth to remain this robust.

- Budget expenditures in the General Fund are forecasted to be $21,418,870, a decrease of 1.3% compared to prior year budget and includes the addition of two full-time staff, one in finance and one in public works. The budget includes a 2.5% cost-of-living adjustment (COLA) in conjunction with a merit pool of 1%.

- The Town has chosen to appropriate $347,497 for spending in the 2018 fiscal year budget, primarily to make critical building repairs along with the drawdown of existing Powell Bill funds to complete high priority street repairs.

- Rate changes in the Water and Sewer Fund include a minimum base charge of $15 per month from $10.10 and a 6% pass-through resulting from a wholesale rate increase. The increases are needed to achieve parity with Johnston County. No rate changes are proposed for the Electric Fund. Comprehensive rate studies are underway in both enterprise funds, which will assess the overall condition, determine an appropriate rate structure, and facilitate capital improvement planning.

All of these factors were considered in preparing the Town of Clayton's budget for the 2018 fiscal year. The budget incorporates the goals and policies adopted by Council.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

June 30, 2017

	Primary Government			Clayton Downtown Development Association
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	$ 8,210,023	$ 11,400,523	19,610,546	$ 6,550
Taxes receivables (net)	30,181	-	30,181	-
Accounts receivable (net)	738,323	3,268,717	4,007,040	-
Due from/to other governments	1,456,026	-	1,456,026	-
Inventories	8,961	994,349	1,003,310	-
Restricted cash and cash equivalents	864,393	2,944,754	3,809,147	-
Total current assets	11,307,907	18,608,343	29,916,250	6,550
Non-current assets				
Capital assets (Note 3)				
Land, non-depreciable improvements and construction in progress	9,483,472	13,965,590	23,449,062	-
Other capital assets, net of depreciation	42,821,755	39,276,860	82,098,615	1,955
Total capital assets	52,305,227	53,242,450	105,547,677	1,955
Total assets	$ 63,613,134	$ 71,850,793	$ 135,463,927	$ 8,505
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	2,454,159	487,896	2,942,055	-
Total assets and deferred outflows of resources	$ 66,067,293	$ 72,338,689	$ 138,405,982	$ 8,505

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Clayton Downtown Development Association
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 1,041,322	$ 2,769,920	$ 3,811,242	$ 374
Customer deposits	-	615,717	615,717	-
Current portion of long-term liabilities	1,838,618	1,341,954	3,180,572	-
Total current liabilities	2,879,940	4,727,591	7,607,531	374
Long-term liabilities				
Net pension liability	2,729,871	549,349	3,279,220	-
Total pension liability	1,762,104	-	1,762,104	
Due in more than one year	15,665,931	15,156,515	30,822,446	-
Total liabilities	23,037,846	20,433,455	43,471,301	374
DEFERRED INFLOWS OF RESOURCES				
Assessments	684,997	157,318	842,315	-
Prepaid taxes	195	-	195	-
Pension deferrals	133,835	19,535	153,370	-
Total deferred inflows of resources	819,027	176,853	995,880	-
NET POSITION				
Net investment of capital assets	36,048,100	39,859,166	75,907,266	1,955
Restricted for:				
Other functions-Powell Bill	310,176	-	310,176	-
Public Improvements	465,271	-	465,271	-
USDA debt service reserve	-	28,796	28,796	-
Public Safety	14,396	-	14,396	-
Stabilization by State Statute	1,509,352	-	1,509,352	-
Cemetery perpetual care-Nonexpendable	3,245	-	3,245	-
Unrestricted	3,859,880	11,840,419	15,700,299	6,176
Total net position	42,210,420	51,728,381	93,938,801	8,131
Total liabilities, deferred inflows of resources and net position	$ 66,067,293	$ 72,338,689	$ 138,405,982	$ 8,505

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit 2***
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Clayton Downtown Development
Primary government								
Governmental activities								
General government operations	$ 3,073,268	$ 1,266,885	$ 114,028	$ -	$ (1,692,355)	$ -	$ (1,692,355)	$ -
Public safety	7,182,282	17,580	1,682,476	-	(5,482,226)	-	(5,482,226)	-
Public works	4,147,262	1,617,747	-	502,591	(2,026,924)	-	(2,026,924)	-
Cultural and recreational	2,957,396	924,783	-	663,631	(1,368,982)	-	(1,368,982)	-
Interest on long-term debt	420,924	-	-	-	(420,924)	-	(420,924)	-
Total governmental activities	17,781,132	3,826,995	1,796,504	1,166,222	(10,991,411)	-	(10,991,411)	-
Business-type activities								
Water and sewer	10,498,489	9,555,071	626,607	-	-	(316,811)	(316,811)	-
Electric	12,530,970	12,808,389	167,799	-	-	445,218	445,218	-
Total business-type activities	23,029,459	22,363,460	794,406	-	-	128,407	128,407	-
Total primary government	$ 40,810,591	$ 26,190,455	$ 2,590,910	$ 1,166,222	$ (10,991,411)	$ 128,407	$ (10,863,004)	$ -
Component unit								
Clayton Downtown Development Association, Inc	$ 76,295	$ -	$ -	$ -	-	-	-	(76,295)
General revenues								
Property taxes, levied for general purposes					10,160,122	-	10,160,122	-
Sales taxes					4,904,578	-	4,904,578	-
Franchise taxes					274,938	-	274,938	-
Alcoholic beverage taxes					84,946	-	84,946	-
Other taxes					28,902	-	28,902	-
Grants and contributions, not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					67,863	26,916	94,779	-
Miscellaneous					168,172	1,856,607	2,024,779	62,706
Total general revenues					15,689,521	1,883,523	17,573,044	62,706
Change in net position					4,698,110	2,011,930	6,710,040	(13,589)
Net position, beginning, previously reported					38,977,528	49,716,451	88,693,979	21,720
Restatement (Note 7)					(1,672,483)	-	(1,672,483)	-
Prior period adjustment (Note 8)					207,265	-	207,265	-
Net position, beginning, restated					37,512,310	49,716,451	87,228,761	21,720
Net position, ending					$ 42,210,420	$ 51,728,381	$ 93,938,801	$ 8,131

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

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit 3***
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Major Funds				
	General	Parks & Rec. Capital Project	CAMPO LAPP Capital Project	Total Non-Major Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 8,206,778	$ -	$ -	$ 3,245	$ 8,210,023
Restricted cash	324,572	238,472	301,349	-	864,393
Receivables, net					
Taxes	30,181	-	-	-	30,181
Accounts	738,323	-	-	-	738,323
Due from other governments	1,456,026	-	-	-	1,456,026
Due from other funds	-	-	-	-	-
Inventories	8,961	-	-	-	8,961
Total assets	$ 10,764,841	$ 238,472	$ 301,349	$ 3,245	$ 11,307,907
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 966,772	$ -	$ 74,550	$ -	$ 1,041,322
Total liabilities	966,772	-	74,550	-	$ 1,041,322
Deferred Inflows of Resources					
Assessments	684,997	-	-	-	684,997
Property tax receivable	30,181	-	-	-	30,181
Prepaid taxes	195	-	-	-	195
Total Deferred Inflows of Resources	715,373	-	-	-	715,373
Fund balances					
Non Spendable					
Inventories	8,961	-	-	-	8,961
Perpetual maintenance	-	-	-	3,245	3,245
Restricted					
Stabilization by State Statute	1,509,352	-	-	-	1,509,352
Streets - Powell Bill	310,176	-	-	-	310,176
Public Improvements	-	238,472	226,799	-	465,271
USDA debt service reserve	-	-	-	-	-
Public Safety-Police	14,396	-	-	-	14,396
Library	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Committed					
Public Improvements	449,090	-	-	-	449,090
Pulbic Safety-Fire	-	-	-	-	-
Assigned					
Public Safety-Fire	2,355	-	-	-	2,355
Subsequent year's expenditures	347,497	-	-	-	347,497
Unassigned	6,440,869	-	-	-	6,440,869
Total fund balances	9,082,696	238,472	226,799	3,245	9,551,212
Total liabilities, deferred inflows of of resources and fund balances	$ 10,764,841	$ 238,472	$ 301,349	$ 3,245	$ 11,307,907

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Fund balance as reported in the balance sheet - governmental funds	$ 9,551,212
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	52,305,227
Deferred outflows of resources related to pensions are not reported in the funds	2,454,159
Liabilities for earned revenues considered deferred inflows of resources in fund statements	30,181
Compensated absences not expected to be materially liquidated with expendable available resources	(592,097)
Net law enforcement officers' pension obligation	-
Other postemployment benefits	(655,325)
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	(16,257,127)
Net pension liability	(2,729,871)
Total pension liability	(1,762,104)
Deferred inflows of resources related to pensions are not reported in the funds	(133,835)
Net position of governmental activities	$ 42,210,420

TOWN OF CLAYTON, NORTH CAROLINA — *Exhibit 4*

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Major Funds				
	General Fund	Parks & Rec. Capital Project	CAMPO LAPP Capital Project	Total Non-Major Fund	Total Governmental Funds
REVENUES					
Ad valorem taxes	$10,084,003	$ -	$ -	$ -	$10,084,003
Other taxes and licenses	89,779	-	-	-	89,779
Unrestricted intergovernmental	6,967,001	-	-	-	6,967,001
Restricted intergovernmental	622,154	-	651,995	-	1,274,149
Permits and fees	1,588,935	-	-	-	1,588,935
Sales and services	2,241,345	-	-	-	2,241,345
Investment earnings	67,862	-	-	1	67,863
Miscellaneous	168,172	-	-	-	168,172
Total revenues	21,829,251	-	651,995	1	22,481,247
EXPENDITURES					
Current					
General government operations	3,409,367	-	-	-	3,409,367
Public safety	7,620,191	-	-	-	7,620,191
Public works	4,377,279	-	-	-	4,377,279
Cultural and recreational	2,615,847	-	-	-	2,615,847
Debt service					
Princpal retirement	1,515,701	-	-	-	1,515,701
Interest and other charges	420,924	-	-	-	420,924
Capital outlay	-	-	1,418,417	-	1,418,417
Total expenditures	19,959,309	-	1,418,417	-	21,377,726
Excess (deficiency) of revenues over expenditures	1,869,942	-	(766,422)	1	1,103,521
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	(493,614)	-	493,614	-	-
Total other financing sources (uses)	(493,614)	-	493,614	-	-
Net change in fund balances	1,376,328	-	(272,808)	1	1,103,521
Fund balance, beginning	7,706,368	238,472	499,607	3,244	8,447,691
Fund balances, ending	$ 9,082,696	$ 238,472	$ 226,799	$ 3,245	$ 9,551,212

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

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit 5**

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, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:			
Net changes in fund balances - total governmental funds			$ 1,103,521
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		3,258,335
	Depreciation		(1,590,970)
Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities			1,105,291
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities			29,668
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		(2,005)
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		20,400
	Pension expense		(697,406)
	Other postemployment benefits		(44,425)
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	-	
	Debt principle paid	1,515,701	1,515,701
Total changes in net position of governmental activities			$ 4,698,110

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit 6**

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

For the Year Ended June 30, 2017

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	$ 9,856,288	$ 9,856,288	$ 10,084,003	$ 227,715
Other taxes and licenses	85,200	85,200	89,779	4,579
Unrestricted intergovernmental	6,919,692	7,059,218	6,967,001	(92,217)
Restricted intergovernmental	583,814	583,814	622,154	38,340
Permits and fees	1,277,284	1,277,284	1,588,935	311,651
Sales and services	2,100,833	2,100,833	2,241,345	140,512
Investment earnings	46,750	46,750	67,862	21,112
Miscellaneous	41,810	121,284	168,172	46,888
Total revenues	20,911,671	21,130,671	21,829,251	698,580
EXPENDITURES				
Current				
General government operations	3,581,027	3,727,398	3,409,367	318,031
Public safety	7,869,433	7,942,657	7,620,191	322,466
Public works	5,287,114	5,300,840	4,377,279	923,561
Cultural and recreational	2,765,066	2,777,638	2,615,847	161,791
Debt service				
Principal retirement	1,343,764	1,524,194	1,515,701	8,493
Interest and other charges	601,355	420,925	420,924	1
Total expenditures	21,447,759	21,693,652	19,959,309	1,734,343
Revenues over (under) expenditures	(536,088)	(562,981)	1,869,942	2,432,923
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	(493,614)	(493,614)	-
Total other financing sources (uses)	-	(493,614)	(493,614)	-
Fund balance appropriated	536,088	1,056,595	-	(1,056,595)
Net change in fund balance	$ -	$ -	1,376,328	$ 1,376,328
Fund balances, beginning			7,706,368	
Fund balances, ending			$ 9,082,696	

TOWN OF CLAYTON, NORTH CAROLINA **_Exhibit 7_**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 7,032,627	$ 4,367,896	$ 11,400,523
Accounts receivable (net) - billed	1,123,791	651,674	1,775,465
Accounts receivable (net) - unbilled	632,723	860,529	1,493,252
Inventories	242,405	751,944	994,349
Restricted cash and cash equivalents	1,528,377	1,416,377	2,944,754
Total current assets	10,559,923	8,048,420	18,608,343
Non-current assets			
Capital assets			
Land, improvements and construction in progress	9,637,970	4,327,620	13,965,590
Other capital assets, net of depreciation	31,934,753	7,342,107	39,276,860
Capital assets, net	41,572,723	11,669,727	53,242,450
Total non-current assets	41,572,723	11,669,727	53,242,450
Total assets	$ 52,132,646	$ 19,718,147	$ 71,850,793
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	275,673	212,223	487,896
Total assets and deferred outflows of resources	$ 52,408,319	$ 19,930,370	$ 72,338,689
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,583,054	$ 1,186,866	$ 2,769,920
Customer deposits	56,925	558,792	615,717
Compensated absences - current	31,159	30,111	61,270
Revenue bond note payable - current	85,000	616,667	701,667
Installment purchases payable - current	525,243	53,774	579,017
Total current liabilities	2,281,381	2,446,210	4,727,591
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	44,460	32,229	76,689
Compensated absences	31,158	30,110	61,268
Net pension liability	310,395	238,954	549,349
Revenue bond note payable - noncurrent	6,410,746	5,383,333	11,794,079
Installment purchases payable - noncurrent	3,224,479	-	3,224,479
Total noncurrent liablilities	10,021,238	5,684,626	15,705,864
Total liabilities	12,302,619	8,130,836	20,433,455
Deferred Inflows of Resources			
Assessments	157,318	-	157,318
Pension deferrals	11,038	8,497	19,535
Total deferred inflows of resources	168,356	8,497	176,853
NET POSITION			
Net investments in capital assets	32,826,836	7,032,330	39,859,166
Restricted for USDA debt service reserve	28,796	-	28,796
Unrestricted	7,081,712	4,758,707	11,840,419
Total net position	39,937,344	11,791,037	51,728,381
Total liabilities, deferred inflows of resources and net position	$ 52,408,319	$ 19,930,370	$ 72,338,689

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

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit 8***
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	$ 9,498,504	$ 12,808,389	$ 22,306,893
Water and sewer taps	56,567	-	56,567
Other operating revenues	626,607	167,799	794,406
Total operating revenues	10,181,678	12,976,188	23,157,866
OPERATING EXPENSES			
Electric operations	-	11,035,811	11,035,811
Water distribution	4,279,274	-	4,279,274
Water preventive maintenance	738,719	-	738,719
Waste collection and treatment	2,427,688	-	2,427,688
Tax reimbursements - General Fund	-	35,250	35,250
Support services - General Fund	1,646,835	1,031,778	2,678,613
Depreciation and amortization	1,262,455	363,911	1,626,366
Total operating expenses	10,354,971	12,466,750	22,821,721
Operating income (loss)	(173,293)	509,438	336,145
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	7,752	19,164	26,916
Interest and other charges	(143,518)	(64,220)	(207,738)
Capacity fees	1,378,977	-	1,378,977
Nutrient offset fees	138,896	-	138,896
Miscellaneous	196,522	142,212	338,734
Total nonoperating revenue (expenses)	1,578,629	97,156	1,675,785
Change in net position	1,405,336	606,594	2,011,930
Total net position, beginning	38,532,008	11,184,443	49,716,451
Total net position, ending	$ 39,937,344	$ 11,791,037	51,728,381

TOWN OF CLAYTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

Exhibit 9
Page 1 of 2

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 9,246,422	$ 12,663,951	$ 21,910,373
Cash paid for goods and services	(7,461,856)	(10,912,750)	(18,374,606)
Cash paid to or on behalf of employees for services	(1,274,361)	(928,736)	(2,203,097)
Other operating revenues	626,607	167,799	794,406
Miscellaneous revenue	196,522	142,212	338,734
Net cash provided by operating activities	1,333,334	1,132,476	2,465,810
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Capacity fees	1,378,977	-	1,378,977
Nutrient offset fees	138,896	-	138,896
Total cash flows from noncapital financing activities	1,517,873	-	1,517,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(6,949,209)	(4,920,573)	(11,869,782)
Principal paid on bond maturities and equipment contracts	(562,840)	(339,846)	(902,686)
Proceeds from debt issuance	-	5,350,000	5,350,000
Interest paid on bond maturities and equipment contracts	(143,518)	(64,220)	(207,738)
Net cash provided (used) by capital and related financing activities	(7,655,567)	25,361	(7,630,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	7,752	19,164	26,916
Net increase (decrease) in cash and cash equivalents	(4,796,608)	1,177,001	(3,619,607)
Balances, beginning	13,357,612	4,607,272	17,964,884
Balances, ending	$ 8,561,004	$ 5,784,273	$ 14,345,277

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	$ (173,293)	$ 509,438	$ 336,145
Adjustments to reconcile operating income to net cash provided by operating activities			
Miscellaneous revenue	196,522	142,212	338,734
Depreciation & amortization	1,262,455	363,911	1,626,366
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(308,649)	(144,438)	(453,087)
(Increase) decrease in inventory	(103,048)	31,502	(71,546)
Increase (decrease) in accounts payable and accrued liabilities	468,488	259,101	727,589
Increase (decrease) in customer deposits	(3,218)	(30,853)	(34,071)
Decrease in postemployment benefits	1,014	2,656	3,670
Decrease in accrued vacation pay	2,739	4,920	7,659
Increase in deferred outflows of resources-pensions	(237,900)	(184,768)	(422,668)
Increase in net pension liability	249,219	193,893	443,112
Decrease in deferred inflows of resources-pensions	(20,995)	(15,098)	(36,093)
Total adjustments	1,506,627	623,038	2,129,665
Net cash provided by operating activities	$ 1,333,334	$ 1,132,476	$ 2,465,810

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit 10**
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2017

	Agency Fund
Assets	
Cash and cash equivalents	$ 1,794,139
Taxes receivable	13,676
Total assets	$ 1,807,815
Liabilities	
Liabilities:	
Intergovernmental payable	1,807,815
Total liabilities	$ 1,807,815

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Clayton Downtown Development Association, Inc.

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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.

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

The Town reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgetary Data

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

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

Deposits and Investments

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

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

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

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

Restricted Assets

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 and CAMPO LAPP Capital Project Fund

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

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

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 bond proceeds of both the Electric Fund and Water and Sewer 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 a $28,796 sinking fund requirement by the USDA.

Restricted Assets (Continued)

General Fund			
	Streets	$	310,176
	Public Safety		14,396
	Parks and Recreation		238,472
	Public Transportation		301,349
Total governmental activities		$	864,393
Business-type Activities			
Electric Fund	Unspent revenue bond proceeds	$	1,416,377
Water and Sewer Fund	Unspent revenue bond proceeds		1,499,581
Water and Sewer Fund	USDA future debt service		28,796
Total Business-type Activities		$	2,944,754
Total Restricted Cash		$	3,809,147

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, 2016.

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, 2017 as internal balances generally represent short-term advances between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resource.

Inventories

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

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

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

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, $50,000; infrastructure, $25,000; and furniture and equipment, $5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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:

Asset Class	Estimated Useful Lives
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 one item that meets this criterion, contributions made to the pension plan in the 2017 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 deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

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

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

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

Long-Term Obligations (Continued)

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

Compensated Absences

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

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

> Inventories – portion of fund balance that is not and available resource because it represents the year-end balance of ending inventories, which are not spendable resources.
>
> Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Clayton Cemetery.

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

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

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

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

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

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

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

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

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

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

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

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

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

Pensions

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

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

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

F. Other

Use of Estimates

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of $11,057,687 and a bank balance of $11,388,168. Of the bank balance, $1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the Association was $6,550 and the bank balance was $6,550. At June 30, 2017, the Town's petty cash fund totaled $2,400.

Investments

At June 30, 2017, the Town of Clayton had $3,093,388 and $11,060,357 invested with the North Carolina Capital Management Trust's Government and Term Portfolio, respectively. The Government Portfolio carried a credit rating of AAAm by Standard and Poor's. The Town's investment in the Term Portfolio is unrated with a duration of 0.09 years. The Term Portfolio is authorized to invest in obligations of the U.S government and agencies, and in high-grade money market instruments as permitted under G.S 159-30 as amended. 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, 2017 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	$ 8,600
Accounts receivable	4,302
	12,902

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

A. Assets (Continued)

Receivables - Allowances for Doubtful Accounts *(Continued)*

Enterprise funds	67,393
Total	$ 80,295

Due from Other Governmental Agencies

At June 30, 2017, funds due from other governmental agencies consisted of the following:

	Governmental Activities			
	General	Non-Major Governmental	Total	Business-type Activities
Local Option Sales Tax	$ 657,555	$ -	$ 657,555	$ -
Franchise Sales Tax	215,754	-	215,754	-
Telecommunication Sales Tax	14,259	-	14,259	-
Video Programming Fees	46,542	-	46,542	-
Solid Waste Disposal Fees	3,012	-	3,012	-
Vehicle & Property taxes	212,232	-	212,232	-
PEG Channel	13,793	-	13,793	-
Claytex Fire District	292,879	-	292,879	-
	$ 1,456,026	$ -	$ 1,456,026	$ -

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	$ 7,694,921	$ -	$ -	$ 7,694,921
Construction in progress	439,226	1,418,416	69,091	1,788,551
Total capital assets not being depreciated	8,134,147	1,418,416	69,091	9,483,472
Capital assets being depreciated				
Buildings and improvements	30,547,935	295,698	-	30,843,633
Equipment	3,634,976	207,126	-	3,842,102
Vehicles and motorized equipment	6,616,421	861,867	-	7,478,288
Infrastructure	17,570,484	544,318	-	18,114,802
Total capital assets being depreciated	58,369,816	1,909,009	-	60,278,825
Less accumulated depreciation				
Buildings	4,789,591	610,158	-	5,399,749
Equipment	2,977,504	187,032	-	3,164,536
Vehicles and motorized equipment	5,171,596	442,375	-	5,613,971
Infrastructure	2,927,409	351,405	-	3,287,814
Total accumulated depreciation	15,866,100	1,590,970	-	17,457,070
Total capital assets being depreciated, net	42,503,716	318,039	-	42,821,755
Governmental activity capital assets, net	$ 50,637,863	$ 1,736,455	$ 69,091	$ 52,305,227

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

A. Assets (Continued)

Capital Assets *(Continued)*

At June 30, 2017, construction in progress was comprised primarily of the public improvement construction projects.

General government	$ 202,500
Public safety	496,794
Public works	518,907
Cultural and recreational	372,769
Total depreciation expense	$ 1,590,970

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	$ 118,600	$ 990,543	$ -	$ 1,109,143
Nitrogen credits	2,633,113	-	-	2,633,113
Construction in progress	2,655,717	4,709,641	1,469,644	5,895,714
Total capital assets not being depreciated	5,407,430	5,700,184	1,469,644	9,637,970
Capital assets being depreciated				
Wastewater capacity allocation rights	3,600,000	-	-	3,600,000
Buildings	1,953,615	525,130	-	2,478,745
Plant and distribution system	36,590,335	2,087,829	-	38,678,164
Furniture and maintenance equipment	1,494,299	-	-	1,494,299
Vehicles	1,368,714	105,709	-	1,474,423
Total capital assets being depreciated	45,006,963	2,718,668	-	47,725,631
Less accumulated depreciation for				
Wastewater capacity allocation rights	1,935,000	180,000	-	2,115,000
Buildings	485,215	34,059	-	519,274
Plant and distribution system	10,545,868	743,627	-	11,289,495
Furniture and maintenance equipment	911,279	152,881	-	1,064,160
Vehicles	651,061	151,888	-	802,949
Total accumulated depreciation	14,528,423	1,262,455	-	15,790,878
Total Capital assets being depreciated, net	30,478,540	1,456,213	-	31,934,753
Water and Sewer Fund Capital Assets – net	$ 35,885,970	$ 7,156,397	$ 1,469,644	$ 41,572,723

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

A. Assets (Continued)

Capital Assets *(Continued)*

	Beginning Balances	Increases	Decreases	Ending Balances
Electric Fund				
Capital assets not being depreciated				
Land	$ 20,000	$ -	$ -	$ 20,000
Construction in progress	210,034	4,107,389	9,803	4,307,620
Total capital assets not being depreciated	230,034	4,107,389	9,803	4,327,620
Capital assets being depreciated				
Buildings	1,235,673	148,386	-	1,384,059
Plant and distribution system	10,124,071	640,454	-	10,764,525
Furniture and maintenance	241,236	-	-	241,236
Vehicles	1,225,496	34,146	-	1,259,642
Total capital assets being depreciated	12,826,476	822,986	-	13,649,462
Less accumulated depreciation for				
Buildings	288,632	23,683	-	312,315
Plant and distribution system	4,463,728	249,247	-	4,712,975
Furniture and maintenance equipment	221,526	4,437	-	225,963
Vehicles	969,558	86,544	-	1,056,102
Total accumulated depreciation	5,943,444	363,911	-	6,307,355
Total capital assets being depreciation, net	6,883,032	459,075	-	7,342,107
Electric Fund				
Capital Assets – net	$ 7,113,066	$ 4,566,464	$ 9,803	$ 11,669,727
Business-type activities capital assets, net	$ 42,999,036			$ 53,242,450

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

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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, 2017 was 7.32% of compensation for general employees and firefighters and 8% 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 $759,610 for the year ended June 30, 2017.

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

1. Pension Plan Obligations (Continued)

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

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

At June 30, 2017, the Town reported a liability of $3,279,220 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2017, the Town's proportion was 0.15451%, which was an increase of 0.00738% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of $685,651. At June 30, 2017, the Town of Clayton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 61,611	$ 114,908
Changes of assumptions	224,597	-
Net difference between projected and actual earnings on pension plan investments	1,812,996	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	53,573	1,701
Town contributions subsequent to the measurement date	759,610	-
Total	$ 2,912,387	$ 116,609

$759,610 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$ 317,669
2019	317,927
2020	875,692
2021	524,883
2022	-
Thereafter	-
	$ 2,036,171

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

1. Pension Plan Obligations (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2016 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.

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

1. Pension Plan Obligations (Continued)

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

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

	1% Decrease (6.25%)	**Discount Rate (7.25%)**	**1% Increase (8.25%)**
Town of Clayton's proportionate share of the net pension liability (asset)	$ 7,783,118	$3,279,220	$ (482,771)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Clayton, NC administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	46
Total	49

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

Summary of Significant Accounting Policies

*Basis of Accounti*ng – 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, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Morality rates are based on the RP-2014 Mortality Tables and the Mortality Improvement Scale MP-2015.

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 $52,675 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, 2017 the Town reported total pension liability of $1,762,104. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of $126,618.

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	36,761
Town benefit payments and plan administrative expense made subsequent to the measurement date	29,668	-
Total	$ 29,668	$ 36,761

$29,668 reported as deferred outflows of resources related to pensions resulting from benefit payments and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$ 6,783
2019	6,783
2020	6,783
2021	6,783
2022	6,783
Thereafter	2,846
	$ 36,761

$29,432 paid as benefits came due and $236 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	**Discount Rate (3.86%)**	**1% Increase (4.86%)**
Total pension liability	$ 1,916,852	$1,762,104	$ 1,620,079

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

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

	2017
Beginning balance	$1,725,158
Service Cost	72,517
Interest on total pension liability	60,648
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	-
Changes of assumptions and other inputs	(43,544)
Benefit payments	(52,675)
Other changes	-
Ending balance of the total pension liability	$1,762,104

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, 2015 valuation were based on the results of an actual experience study for the period January 1, 2010 through December 31, 2014

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at 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 $125,339 and $292,207 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

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

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

Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at 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, 2016, the State contributed $13,900,000 to the plan. The Town of Clayton's proportionate share of the State's contribution is $13,701.

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

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

At June 30, 2017, 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 $46,700. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the Town recognized pension expense of $13,701 and revenue of $13,701 for support provided by the State. At June 30, 2017, 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

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

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

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

e. Other Postemployment Benefit

Healthcare Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2015, 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	128	41
Total	130	42

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

The current annual required contribution (ARC) rate is 0.7% of annual covered payroll. For the current year, the Town contributed $8,810 or 0.1% of annual covered payroll. Effective February 1, 2016, the Town obtained healthcare coverage through the State Health Plan and through private insurers prior to that. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.06% and 0.04% of covered payroll, respectively. The Town's contributions totaled $8,810 in fiscal year 2017. Retirees are responsible for obtaining their own health insurance. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

e. Other Postemployment Benefit *(Contnued)*

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

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

Annual required contribution	$ 55,682
Interest on net OPEB obligation	27,357
Adjustment to annual required contribution	(26,134)
Annual OPEB cost (expense)	56,905
Contributions made	(8,810)
Increase (decrease) in net OPEB obligation	48,095
Net OPEB obligation, beginning of year	683,919
Net OPEB obligation, end of year	$ 732,014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	86,200	12.47%	643,019
2016	56,832	28.61%	683,919
2017	56,905	15.48%	732,014

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $498,322. The covered payroll (annual payroll of active employees covered by the plan) was $8,271,771, and the ratio of the UAAL to the covered payroll was 6.02 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

e. Other Postemployment Benefit *(Continued)*

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

2. Other Employment Benefit

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

Source	Amount
Contributions to pension plan in current fiscal year	$ 759,610
Benefit payments made and administrative expenses for LEOSSA	29,668
Differences between expected and actual experience	61,611
Changes of assumptions	224,597
Net difference between projected and actual	1,812,996
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,573

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

Prepaid taxes (General Fund)	$ 195
Taxes Receivable, less penalties (General Fund)	30,181

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

B. Liabilities (Continued)

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

Community Development Assessments (General Fund)	684,997
Special Assessments (Water Fund)	157,318
Changes in assumptions	36,761
Differences between expected and actuarial experience	114,908
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,701

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of $2 million per occurrence, property coverage of $73.5 million, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for 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, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Debt

Long-term debt obligations of the Town at June 30, 2017 consist of the following:

	Serviced by	
General Obligation Bonds	Governmental Activities	Business-type Activities
$5,000,000 General Obligation Bonds, Series 2009A dated July 21, 2009 and maturing in annual installments of $250,000 through August 2029, interest ranging from 3.00% to 4.375	$ 3,250,000	$ -
$2,000,000 General Obligation Bonds, Series 2012 dated April 13, 2012 And maturing in annual installments of $140,000 to $120,000 through February 2027, interest ranging from .35% to 2.7%	1,300,000	-
Total general obligation bonds	$ 4,550,000	$ -

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

6. Long-Term Debt *(Continued)*

	Serviced by Governmental Activities	Serviced by Business-type Activities
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 1.50%	$ -	$ 1,398,746
Electric System Revenue Bond, Series 2014 dated May 15, 2014 and maturing in annual installments of $130,000 through May 2019; interest at 1.50%	-	260,000
Electric System Revenue Bond, Series 2015 dated June 16, 2015 and maturing in annual installments of $130,000 through June 2020; interest at 1.50%	-	390,000
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%	-	4,826,000
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%	-	271,000
Electric System Revenue Bond, Series 2016 dated September 22, 2016 and maturing in 2031; interest at 2.09%	-	5,350,000
Total revenue bonds	$ -	$ 12,495,746
Capital leases		
Community Center Refunding; contract of $5,402,000 due in Annual installment maturing in July 2029; interest at 2.1%	$ 4,961,000	$ -
2000 Town Hall/Cultural Arts Complex; contract of $5,000,000; due in monthly installments of $24,510 for principal beginning July 2001; interest at 4.47%	294,263	-
2004 Main Fire Station; contract of $1,542,530; due in monthly installments of $8,570 for principal beginning March 2004; interest at 3.59%	171,393	-
2016 Park Land Refunding; contract for $852,000; due in annual installments of variable principal starting in 2016; interest at 2.15%	722,000	-
2008 Fire Truck; contract of $ 410,000; due in monthly installments of $3,980; interest at 3.11%	31,471	-
2016 Clayton Law Enforcement Center Refunding; contract of $5,626,000 annual installments of variable principal starting in 2016; interest at 2.2%	5,527,000	-
2015 Vactor truck capital lease; contract of $339,000; due in annual Installments of $44,307 including interest of 3.15%	-	260,102

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

6. Long-Term Debt *(Continued)*

	Serviced by Governmental Activities	Serviced by Business-type Activities
Capital leases *(Continued)*		
2008 Sanitary Sewer Loan; contract of $3,600,000; due in annual installments of $180,000; interest at 2.10%	-	1,980,000
2007 Sanitary Sewer Loan; contract for $3,921,798; due in annual installments of $257,117 plus interest at 2.205%.	-	1,285,586
1998 Sanitary Sewer Project; contract for $1,007,888; due in annual installments of $50,394; interest at 2.91%	-	104,034
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
2012 Rolling Stock; contract of $386,499; due in monthly installments of $6,753; interest at 1.22%	-	53,774
Total Capital leases	11,707,127	3,803,496
Total outstanding	16,257,127	16,299,242
Less current portion	1,542,570	1,280,684
	$ 14,714,557	$ 15,018,558

At June 30, 2017, the Town of Clayton had a legal debt margin of $132,416,536

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2017:

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017	Current Portion of Balance
Governmental activities:					
General obligation bonds	$ 4,940,000	$ -	$ 390,000	$ 4,550,000	$390,000
Capital leases	12,832,828	-	1,125,701	11,707,127	1,152,570
Compensated absences	612,497	437,546	457,946	592,097	296,048
Other postemployment benefits	610,900	44,425	-	655,325	-
Net pension liability (LGERS)	554,074	2,175,797	-	2,729,871	-
Total pension obligation (LEO)	634,951	1,127,153	-	1,762,104	-
Governmental activity long-term liabilities	$ 20,185,250	$ 3,784,921	$ 1,973,647	$21,996,524	$1,838,618
Business-type activities:					
Revenue bonds	$ 7,426,746	$ 5,350,000	$ 281,000	$ 12,495,746	$701,667
Capital leases	4,425,183	-	621,687	3,803,496	579,017
Other postemployment benefits	73,019	3,670	-	76,689	-
Net pension liability (LGERS)	106,237	443,112	-	549,349	-
Compensated absences	114,879	86,799	79,140	122,538	61,270
Business-type activity long-term liabilities	$ 12,146,064	$5,883,581	$ 981,827	$17,047,818	$1,341,954

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

6. Long-Term Debt *(Continued)*

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences and net pension obligation, at June 30, 2017, including interest, are as follows:

	Bond obligation		Capital leases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities						
2018	$ 390,000	$ 152,819	$ 1,152,570	$ 243,810	$ 1,542,570	$ 396,629
2019	390,000	142,475	950,557	222,581	1,340,557	365,056
2020	390,000	129,988	914,000	202,654	1,304,000	332,642
2021	390,000	117,187	914,000	182,977	1,304,000	300,164
2022	390,000	104,388	911,000	163,282	1,301,000	267,670
2023-2027	1,850,000	330,817	4,023,000	543,856	5,873,000	874,673
Thereafter	750,000	48,594	2,842,000	133,357	3,592,000	181,951
Total	4,550,000	1,026,268	11,707,127	1,692,517	16,257,127	2,718,785
Business-type activities						
2018	$ 701,667	$ 401,162	$ 579,017	$ 81,399	$ 1,280,684	$ 482,561
2019	704,666	318,274	526,382	69,052	1,231,048	387,326
2020	577,667	304,003	475,538	56,915	1,053,205	360,918
2021	451,666	291,583	585,442	46,254	1,037,108	337,837
2022	454,667	280,982	437,117	32,129	891,784	313,111
2023-2027	2,323,333	1,242,283	900,000	75,600	3,223,333	1,317,883
Thereafter	7,282,080	3,191,975	300,000	3,780	7,582,080	3,195,755
	12,495,746	6,030,262	3,803,496	365,129	16,299,242	6,395,391
Total	$17,045,746	$ 7,056,530	$15,510,623	$ 2,057,646	$32,556,369	$ 9,114,176

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, 2017 are as follows:

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

6. Long-Term Debt *(Continued)*

Revenue Bonds *(Continued)*

	Water & Sewer	Electric
Operating revenues	$10,181,678	$12,976,188
Operating expenses	9,092,516	12,102,839
Net Revenues	$ 1,089,162 [1]	$ 873,349 [1]
20% Unrestricted Net Position	N/A [2]	990,160 [2]
Income Available for Debt Service	$ 1,089,162	$ 1,863,509
Debt service, principal and interest paid (Revenue bond only)	$ 70,691	$ 323,035
Debt service coverage ratio	15.41	5.77
Debt service, principal and interest paid (All indebtedness)	$ 706,358	$ 404,066
Debt service coverage ratio	1.54	4.61

[1] Per rate covenants, this does not include depreciation expense of $1,262,455 and $363,911, respectively.
[2] Per rate covenants, this does not apply to the Water and Sewer System Revenue Bond.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses to repay $6.701 million in water and sewer system revenue bonds issued in September 2013 and September 2017. Proceeds from the bonds provided financing for the construction of an elevated water storage tank and sewer force main. 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 $11,669,846. Principal and interest paid for the current year and total customer net revenues were $70,691 and $1,089,162, 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 $6,856,162. Principal and interest paid for the current year and total customer net revenues were $323,035 and $873,349, respectively.

C. Interfund Balances and Activity

Transfers to/from Other Funds at June 30, 2017, consist of the following:

From the General Fund to the CAMPO LAPP Project	$493,614

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2017, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of $13,701 for the 55 employed Firefighter who perform firefighting duties for the Town's fire department. The employees elected to be members of the Firefighter and Rescue Worker's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a $10 monthly contribution paid by each member, investment income, and a state appropriation.

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

6. Long-Term Debt *(Continued)*

On-Behalf Payments for Fringe Benefits and Salaries *(Continued)*

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of $15,512 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, 2017. Under state law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible Firefighter or their departments.

NOTE 3 - JOINT VENTURES

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The State passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for supplemental retirement benefits made to retired Firefighter and for dues paid to the Firefighter's Pension Plan on-behalf of the employee members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2017, the Town reported revenues and expenditures for the payments of $15,512 made through the Firefighter's Relief Fund.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2017. 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, 2017 were $9,156,810.

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	$ 9,082,696
Less:	
Inventories	8,961
Stabilization by State Statute	1,509,352
Streets-Powell Bill	310,176
Public Improvements	449,090
Public Safety	14,396
Appropriate Fund Balance in 2017 Budget	347,497
Working Capital / Fund Balance Policy	4,090,585
Remaining Fund Balance	2,352,639

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 – CHANGES IN ACCOUNTIG PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* in the fiscal year ended June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased $1,672,483.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended, June 30, 2017 the Town discovered Deferred Outflows of Resources reported for the fiscal year ended June 30, 2016 was understated due to an error in calculating the amount of pension contributions subsequent to the measurement date. As a result, the net position for the governmental activities increased $207,265.

Required Supplemental Financial Data

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

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

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

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2015	$ -	$ 498,322	$ 498,322	0%	$ 8,271,771	6.02%
12/31/2012	-	736,319	736,319	0%	6,968,937	10.57%
12/31/2009	-	837,653	837,653	0%	7,599,455	11.02%
12/31/2008	-	1,005,859	1,005,859	0%	7,268,327	13.84%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2017	55,682	15.82%
2016	55,682	28.61%
2015	85,185	12.61%
2014	82,704	11.14%
2013	103,836	8.18%
2012	96,465	5.76%

Notes to the Required Schedules:

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

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market vlaue
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical trend assumptions	
Pre-Medicare trend rate	0.00% - 0.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%
Cost of living adjustments	None

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

	2017	2016	2015	2014
Clayton's proportion of net pension liability (asset) %	-0.15451%	-0.14713%	0.13908%	0.13910%
Clayton's proportion of net pension liability (asset) $	$ 3,279,220	$ 660,311	$ (820,219)	$ 1,676,689
Clayton's covered-employee payroll	$ 8,663,284	$ 7,892,069	$ 7,465,635	$ 7,234,128
Clayton's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	37.85%	8.37%	-10.99%	23.18%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

***** 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.

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

	2017	2016	2015	2014
Contractually required contribution	$ 394,103	$ 352,125	$ 331,272	$ 300,173
Contributions in relation to the contractually required contribution	$ 394,103	$ 352,125	$ 331,272	$ 300,173
Contribution defciency (excess)	$ -	$ -	$ -	$ -
Clayton's covered-employee payroll	$ 9,661,892	$ 8,663,284	$ 7,892,069	$ 7,465,635
Contributions as a percentage of covered-employee payroll	4.08%	4.06%	4.20%	4.02%

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

	2017	2016	2015
Clayton's proportionate share of the net pension liability %	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	$ 46,700	$ 46,361	$ 42,834
Total	$ 46,700	$ 46,361	$ 42,834
Clayton's covered-employee payroll	$ 974,364	$ 895,826	$ 698,205
Clayton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.79%	5.18%	6.13%
Plan fiduciary net position as a percentage of the total pension liability	84.94%	91.40%	93.42%

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

	2017
Beginning balance	$ 1,725,158
Service Cost	72,517
Interest on total pension liability	60,648
Changes in benefit terms	-
Differences between expected and actuarial experience	-
Changes of assumptions and other inputs	(43,544)
Benefit payments	(52,675)
Other changes	-
Ending balance of the total pension liability	$ 1,762,104

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability	$ 1,762,104	$ 1,725,158	$ 1,094,305	$ 1,016,980	$ 911,025	$ 769,822	$ 672,393	$ 796,120	$ 545,290
Covered payroll	2,475,010	2,475,010	2,131,150	2,100,941	2,075,282	2,105,132	2,020,788	2,131,334	2,044,877
Total pension liability as a percentage of covered payroll	71.20%	69.70%	51.35%	48.41%	43.90%	36.57%	33.27%	37.35%	26.67%

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.

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.

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

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

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

For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	$ -	$10,049,672	$ -
Penalties and interest	-	34,331	-
Total	9,856,288	10,084,003	227,715
Other taxes and licenses:			
Motor vehicle licenses	-	78,124	-
Payments in lieu of taxes	-	11,655	-
Total	85,200	89,779	4,579
Unrestricted intergovernmental:			
Local option sales tax	-	3,845,911	-
ABC profit distribution	-	114,028	-
Gasoline tax refunds	-	103	-
Utilities sales tax	-	959,773	-
Piped natural gas sales tax	-	37,923	-
Telecommunications sales tax	-	60,971	-
Video programming fees	-	184,516	-
Beer and wine tax	-	84,946	-
Tax Reimbursements	-	35,250	-
Reimbursement from rural fire department	-	1,643,580	-
Total	7,059,218	6,967,001	(92,217)
Restricted intergovernmental:			
Powell Bill allocation	-	502,591	-
State grants	-	11,636	-
Federal grants	-	-	-
Controlled substance tax	-	4,538	-
PEG channel support	-	55,172	-
On-behalf of payments - Fire	-	29,213	-
First responder subsidy	-	6,398	-
Solid waste disposal tax	-	12,606	-
Total	583,814	622,154	38,340
Permits and fees:			
Alarm response fees	-	6,300	-
Recreation fees in lieu	-	315,750	-
Building permits	-	976,962	-
Inspection and rezoning fees	-	289,923	-
Total	1,277,284	1,588,935	311,651

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	11,280	-
Refuse collection fees	-	1,521,192	-
Cemetery lots and fees	-	96,555	-
Public safety contributions	-	3,285	-
Recreation fees and contributions	-	381,907	-
Clayton Center Cultural Arts	-	200,187	
Library fees and contributions	-	26,939	-
Total	2,100,833	2,241,345	140,512
Investment earnings	46,750	67,862	21,112
Miscellaneous:			
Miscellaneous	-	10,206	-
Sale of surplus property	-	14,400	-
Lease revenue	-	15,660	-
Reimbursable projects	-	9,387	-
Damage and insurance reimbursement	-	118,519	-
Total	121,284	168,172	46,888
Total Revenues	21,130,671	21,829,251	698,580
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	204,558	-
Other operating expenditures	-	135,954	-
Reimbursement - proprietary funds	-	(109,821)	-
Total	-	230,691	-
Administration:			
Salaries and employee benefits	-	522,714	-
Other operating expenditures	-	401,555	-
Capital outlay	-	100,651	-
Reimbursement - proprietary funds	-	(419,438)	-
Total	-	605,482	-
Human Resources:			
Salaries and employee benefits	-	250,942	-
Other operating expenditures	-	95,910	-
Reimbursement - proprietary funds	-	(51,611)	-
Total	-	295,241	-
Special Appropriations:			
Citizen Boards	-	16,705	-
Cultural arts and economic development	-	45,000	-
Total	-	61,705	-

	2017		
	Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Other operating expenditures	-	260,112	-
Reimbursement - proprietary funds	-	(32,100)	-
Total	-	228,012	-
Total General Government	1,573,619	1,421,131	152,488
Financial Services:			
Administration:			
Salaries and employee benefits	-	390,743	-
Other operating expenditures	-	330,885	-
Reimbursement - proprietary funds	-	(264,619)	-
Total	-	457,009	-
Customer Services:			
Salaries and employee benefits	-	574,428	-
Other operating expenditures	-	124,664	-
Reimbursement - proprietary funds	-	(800,713)	-
Total	-	(101,621)	-
Information Services:			
Salaries and employee benefits	-	163,165	-
Other operating expenditures	-	125,263	-
Contract services	-	766,756	-
Reimbursement - proprietary funds	-	(273,289)	-
Total	-	781,895	-
Total Financial Services	1,247,618	1,137,283	110,335
Community Development Services:			
Planning and Zoning:			
Salaries and employee benefits	-	574,230	-
Other operating expenditures	-	66,113	-
Capital outlay	-	54,088	-
Total	-	694,431	-
Downtown and Economic Development			
Salaried and employee benefits	-	61,772	-
Other operating expenditures	-	94,750	-
Total	-	156,522	-
Total Community Development Services	906,161	850,953	55,208
Total General Government Operations	3,727,398	3,409,367	318,031

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)			
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	308,308	-
Vehicle maintenance and fuel	-	905	-
Other operating expenditures	-	215,567	-
Total	-	524,780	-
Police Investigation:			
Salaries and employee benefits	-	673,013	-
Vehicle maintenance and fuel	-	11,806	-
Other operating expenditures	-	90,688	-
Capital outlay	-	40,068	-
Total	-	815,575	-
Police Patrol:			
Salaries and employee benefits	-	1,786,584	-
Vehicle maintenance and fuel	-	77,855	-
Other operating expenditures	-	129,032	-
Capital outlay	-	175,907	-
Total	-	2,169,378	-
Police Special Operations			
Salaries and employee benefits	-	735,585	-
Vehicle maintenance and fuel	-	27,275	-
Other operating expenditures	-	70,153	-
Capital outlay	-	95,424	-
Total	-	928,437	-
Total Law Enforcement	4,631,206	4,438,170	193,036
Fire Protection:			
Salaries and employee benefits	-	1,976,324	-
Vehicle maintenance and fuel	-	58,408	-
Other operating expenditures	-	524,440	-
Capital outlay	-	593,636	-
On Behalf of Payments-Fire	-	29,213	-
Total	-	3,182,021	-
Total Fire Protection	3,311,451	3,182,021	129,430
Total Public Safety	7,942,657	7,620,191	322,466
Public Works:			
Administration:			
Salaries and employee benefits	-	342,477	-
Other operating expenditures	-	67,954	-
Capital outlay	-	71,867	-
Reimbursement - proprietary funds	-	(355,146)	-
Total	-	127,152	-

	2017		
	Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)			
Public Works: (Continued)			
Inspections:			
Salaries and employee benefits	-	320,175	-
Vehicle maintenance and fuel	-	4,006	-
Other operating expenditures	-	51,186	-
Total	-	375,367	-
Engineering:			
Salaries and employee benefits	-	241,377	-
Other operating expenditures	-	18,893	-
Reimbursement - proprietary funds	-	(185,362)	-
Total	-	74,908	-
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	188,866	-
Other operating expenditures	-	53,656	-
Reimbursement - proprietary funds	-	(49,274)	-
Total	-	193,248	-
Streets:			
Salaries and employee benefits	-	384,291	-
Vehicle maintenance and fuel	-	18,705	-
Street lights	-	73,785	-
Other operating expenditures	-	201,191	-
Capital outlay	-	594,678	-
Reimbursement - proprietary funds	-	(36,350)	-
Total	-	1,236,300	-
Property Maintenance:			
Salaries and employee benefits	-	637,830	-
Vehicle maintenance and fuel	-	25,072	-
Other operating expenditures	-	299,463	-
Capital outlay	-	82,379	
Reimbursement - proprietary funds	-	(100,889)	-
Total	-	943,855	-
Sanitation:			
Yard waste services	-	279,293	-
Trash hauling fee	-	543,112	-
Landfill fees	-	261,952	-
Recycling efforts	-	341,803	-
Miscellaneous activities	-	289	-
Total	-	1,426,449	-
Total Public Works	5,300,840	4,377,279	923,561

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	846,420	-
Vehicle maintenance and fuel	-	8,874	-
Other operating expenditures	-	569,488	-
Total Parks & Recreation	1,502,391	1,424,782	77,609
Cultural & Performing Arts:			
Salaries and employee benefits	-	397,035	-
Other operating expenditures	-	236,077	-
Total Cultural & Performing Arts	685,386	633,112	52,274
Library Operations:			
Salaries and employee benefits	-	442,445	-
Other operating expenditures	-	84,288	-
Capital outlay	-	31,220	-
Total Library Operations	589,861	557,953	31,908
Total Cultural and Recreational	2,777,638	2,615,847	161,791
Debt Service:			
Principal retirement	-	1,515,701	-
Interest and fees	-	420,924	-
Total Debt Service	1,945,119	1,936,625	8,494
Total Expenditures	21,693,652	19,959,309	1,734,343
REVENUES OVER (UNDER) EXPENDITURES	(562,981)	1,869,942	2,432,923
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Transfer to CAMPO LAPP Project	(493,614)	(493,614)	-
Total other financing sources (uses)	(493,614)	(493,614)	-
Fund balance appropriated	1,056,595	-	(1,056,595)
Net change in fund balance	$ -	1,376,328	$ 1,376,328
Fund balance, beginning		7,706,368	
Fund balance, ending		$ 9,082,696	

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit A-2***
CAPITAL PROJECTS FUND
PARKS & RECREATION CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual: Prior Years	Actual: Current Year	Actual: Total to Date	Variance Positive (Negative)
REVENUES:					
Interest revenue	$ -	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-	-
EXPENDITURES:					
Capital outlay:					
Professional services	62,000	61,528	-	61,528	472
Land acquisition	288,000	-	-	-	288,000
Total expenditures	350,000	61,528	-	61,528	288,472
REVENUES OVER (UNDER) EXPENDITURES	$ (350,000)	$ (61,528)	$ -	$ (61,528)	$ 288,472
OTHER FINANCING SOURCES:					
Special revenue fund	300,000	300,000	-	300,000	-
Transfer from General Fund	50,000	-	-	-	(50,000)
Total other financing sources:	350,000	300,000	-	300,000	(50,000)
Net change in fund balance	$ -	$ 238,472	$ -	$ 238,472	$ 238,472
Fund balance, beginning			238,472		
Fund balance, ending			$ 238,472		

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit A-3***
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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenue	$ 2,979,154	$ 104,823	$ 651,995	$ 756,818	$ (2,222,336)
Total Revenues	2,979,154	104,823	651,995	756,818	(2,222,336)
EXPENDITURES:					
Capital outlay:					
Construction	3,746,305	23,417	1,414,448	1,437,865	2,308,440
Design	211,000	186,741	3,969	190,710	20,290
Total expenditures	3,957,305	210,158	1,418,417	1,628,575	2,328,730
REVENUES OVER (UNDER) EXPENDITURES	$ (978,151)	$ (105,335)	$ (766,422)	$ (871,757)	$ 106,394
OTHER FINANCING SOURCES:					
Transfer from General Fund	978,151	604,942	493,614	1,098,556	120,405
Total other financing sources:	978,151	604,942	493,614	1,098,556	120,405
Net change in fund balance	$ -	$ 499,607	$ (272,808)	$ 226,799	$ 226,799
Fund balance, beginning			499,607		
Fund balance, ending			$ 226,799		

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, 2017

Exhibit B-1

	Permanent Fund Horne Cemetery Fund	Total Non-Major Governmental Fund
ASSETS		
Cash and cash equivalents	$ 3,245	$ 3,245
Total assets	$ 3,245	$ 3,245
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	-	-
Fund balance		
Perpetual maintenance	3,245	3,245
Total fund balance	3,245	3,245
Total liabilities and fund balances	$ 3,245	$ 3,245

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit B-2**
HORNE CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment Earnings	$ -	$ 1	$ 1
EXPENDITURES			
Cemetery Care	-	-	-
Revenues over expenditures	$ -	$ 1	$ 1
Fund balance, beginning		3,244	
Fund balance, ending		$ 3,245	

ENTERPRISE FUNDS

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

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

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

Sam's Branch Phase II Project Fund – This fund is used to account for Phase II of the Sam's Branch Interceptor project that will provide infrastructure to an unserved area and support future abandonment of one or more sanitary sewer lift stations.

East Clayton Industrial Area (ECIA) Lift Station Project Fund – This fund is used to account for grant and other revenues used for construction of a new lift station to serve both current and future expansion within the ECIA.

Rollingwood Gravity Sewer Extension Project Fund – This fund is used to account for the replacement of the existing lift stations with gravity service to Rollingwood and the surrounding area to improve operational efficiency by providing flow and treatment flexibility.

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.

TOWN OF CLAYTON, NORTH CAROLINA — **Exhibit C-1**
WATER AND SEWER FUND — **Page 1 of 2**
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	$ -	$ 5,036,652	$ -
Sewer charges	-	4,461,852	-
Connection and tap fees	-	56,567	-
Total	9,340,889	9,555,071	214,182
Other operating revenues	858,033	626,607	(231,426)
Total operating revenues	10,198,922	10,181,678	(17,244)
Nonoperating revenues:			
Investment earnings	-	7,444	-
Capacity fees	-	1,378,977	-
Nutrient offset fees	-	138,896	-
Miscellaneous	-	196,522	-
Total nonoperating revenues	5,824,437	1,721,839	(4,102,598)
Total revenues	16,023,359	11,903,517	(4,119,842)
EXPENDITURES:			
Water Distribution Operations:			
Water purchases	-	2,865,334	-
Salaries and employee benefits	-	520,081	-
Meter replacements	-	123,561	-
Bad debt expense	-	17,826	-
Other operating expenditures	-	758,395	-
Total water distribution	-	4,285,197	-
Preventative Maintenance:			
Salaries and employee benefits	-	261,133	-
Chemicals	-	122,082	-
Supplies	-	4,044	-
Other operating expenditures	-	351,460	-
Total preventative maintenance	-	738,719	-
Water Treatment:			
Salaries and employee benefits	-	386,881	-
Chemicals	-	29,170	-
Supplies	-	18,860	-
Contract Services	-	1,269,861	-
Other operating expenditures	-	722,916	-
Total water treatment	-	2,427,688	-
Total water distribution and treatment	12,735,574	7,451,604	5,283,970

TOWN OF CLAYTON, NORTH CAROLINA — *Exhibit C-1*
WATER AND SEWER FUND — *Page 2 of 2*
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)			
Debt service:			
Principal	$ -	$ 562,840	$ -
Interest	-	143,518	-
Total debt service	706,358	706,358	-
Capital outlay:			
Water distribution	-	1,408,018	
Water prevention	-	203,635	
Water treatment	-	586,118	-
Total capital outlay	3,030,325	2,197,771	832,554
Reimbursement - General Fund:			
Support services - General Fund	1,646,835	1,646,835	-
Total expenditures	18,119,092	12,002,568	6,116,524
REVENUES OVER (UNDER) EXPENDITURES	(2,095,733)	(99,051)	1,996,682
Fund balance appropriated	2,095,733	-	(2,095,733)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	(99,051)	(99,051)

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

REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		$ (99,051)
Reconciling items:		
Capital outlay		2,197,771
Principal retirement		562,840
Other postemployment benefits		(1,014)
Vacation accrual		(2,739)
Increase in deferred outflows of resources - pensions		237,900
Increase in net pension liability		(249,219)
Dencrease in deferred inflows of resources - pensions		20,995
Depreciation & Amortization		(1,262,455)
Interest income from Capital Projects Fund		308
Total Reconciling items		1,504,387
Change in net position		$ 1,405,336

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit C-2**
WATER AND SEWER CAPITAL PROJECTS FUND -
RALEIGH/CLAYTON SEWER PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
REVENUES					
Miscellaneous	$ 3,850,000	$ 255,000	$ -	$ 255,000	$ (3,595,000)
Interest earnings	-	92	308	400	400
Total revenues	3,850,000	255,092	308	255,400	(3,594,600)
EXPENDITURES:					
Clayton capacity charges	807,400	807,366	-	807,366	34
Construction	4,930,200	536,378	3,812,520	4,348,898	581,302
Design services	492,500	307,342	184,721	492,063	437
Easements	271,500	271,075	-	271,075	425
Construction inspection	87,000	-	-	-	87,000
Geotechnical investigation	13,200	13,200	-	13,200	-
Contingency	490,000	16,022	-	16,022	473,978
Total expenditures	7,091,800	1,951,383	3,997,241	5,948,624	1,143,176
REVENUES OVER (UNDER) EXPENDITURES	$(3,241,800)	$(1,696,291)	$(3,996,933)	$(5,693,224)	$ (2,451,424)
OTHER FINANCING SOURCES:					
Proceeds from revenue bond	3,241,800	5,097,000	-	5,097,000	1,855,200
Total other financing sources	3,241,800	5,097,000	-	5,097,000	1,855,200
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	$ 3,400,709	$(3,996,933)	$ (596,224)	$ (596,224)
Fund balance, beginning			3,400,709		
Fund balance, ending			$ (596,224)		

TOWN OF CLAYTON, NORTH CAROLINA **_Exhibit C-3_**
WATER AND SEWER CAPITAL PROJECTS FUND - SAM'S BRANCH PHASE II
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES					
Developer contributions	$ 941,142	$ 941,142	$ -	$ 941,142	$ -
Miscellaneous	-	-	-	-	$ -
Total revenues	941,142	941,142	-	941,142	-
EXPENDITURES:					
Professional services	171,425	107,944	11,690	119,634	51,791
Construction	1,284,989	1,105,095	30,106	1,135,201	149,788
Total expenditures	1,456,414	1,213,039	41,796	1,254,835	201,579
REVENUES OVER (UNDER) EXPENDITURES	$ (515,272)	$ (271,897)	$ (41,796)	$ (313,693)	$ 201,579
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	515,272	-	-	-	(515,272)
Total other financing sources	515,272	-	-	-	(515,272)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	$ (271,897)	$ (41,796)	$ (313,693)	$ (313,693)
Fund balance, beginning			(271,897)		
Fund balance, ending			$ (313,693)		

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit C-4**
WATER AND SEWER CAPITAL PROJECTS FUND -
ECIA LIFT STATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual: Prior Years	Actual: Current Year	Actual: Total to Date	Variance Positive (Negative)
REVENUES					
Grants	$ 2,645,500	$ -	$ -	$ -	$ (2,645,500)
Miscellaneous	-	-	-	-	$ -
Total revenues	2,645,500	-	-	-	(2,645,500)
EXPENDITURES:					
Professional services	800,000	-	575,912	575,912	224,088
Sewer line improvements	3,888,000	-	-	-	3,888,000
Contingency	103,000	-	-	-	103,000
Total expenditures	4,791,000	-	575,912	575,912	4,215,088
REVENUES OVER (UNDER) EXPENDITURES	$(2,145,500)	$ -	$ (575,912)	$ (575,912)	$ 1,569,588
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	2,145,500	-	-	-	(2,145,500)
Total other financing sources	2,145,500	-	-	-	(2,145,500)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	$ -	$ (575,912)	$ (575,912)	$ (575,912)
Fund balance, beginning			-		
Fund balance, ending			$ (575,912)		

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit C-5**
WATER AND SEWER CAPITAL PROJECTS FUND -
R0LLINGWOOD GRAVITY SEWER EXTENSION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
REVENUES					
Grants	$ -	$ -	$ -	$ -	$ -
Miscellaneous	-	-	-	-	$ -
Total revenues	-	-	-	-	-
EXPENDITURES:					
Professional services	19,100	-	12,494	12,494	6,606
Easements	8,000	-	7,938	7,938	62
Sewer line improvements	782,750	-	116,057	116,057	666,693
Contingency	78,850	-	-	-	78,850
Total expenditures	888,700	-	136,489	136,489	752,211
REVENUES OVER (UNDER) EXPENDITURES	$ (888,700)	$ -	$ (136,489)	$ (136,489)	$ 752,211
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
Water and Sewer fund	888,700	-	-	-	(888,700)
Total other financing sources	888,700	-	-	-	(888,700)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	$ -	$ (136,489)	$ (136,489)	$ (136,489)
Fund balance, beginning			-		
Fund balance, ending			$ (136,489)		

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Electricity sales	$ -	$ 12,519,566	$ -
Connection fees	-	37,949	-
Penalties	-	250,874	-
Total	12,476,276	12,808,389	332,113
Other operating revenues	83,000	167,799	84,799
Total operating revenues	12,559,276	12,976,188	416,912
Nonoperating revenues:			
Investment earnings	-	18,849	-
Damage reimbursement	-	63,541	-
Miscellaneous	-	78,671	-
Total nonoperating revenues	68,340	161,061	92,721
Total revenues	12,627,616	13,137,249	509,633
EXPENDITURES:			
Electric operations:			
Electric power purchased	-	9,156,810	-
Salaries and employee benefits	-	929,385	
Contracted maintenance	-	377,389	-
Vehicle maintenance	-	27,283	-
Bad Debt expense	-	66,561	-
Other operating expenditures	-	476,780	-
Total electric operations	11,035,977	11,034,208	1,769
Debt service:			
Principal	-	339,846	-
Interest	-	64,220	-
Total debt service	404,066	404,066	-
Capital outlay	871,313	813,183	58,130
Reimbursement - General Fund:			
Taxes	35,250	35,250	
Support services	1,031,778	1,031,778	-
Total reimbursement	1,067,028	1,067,028	-

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Total expenditures	13,378,384	13,318,485	59,899
REVENUES OVER (UNDER) EXPENDITURES	$ (750,768)	$ (181,236)	$ 569,532
Fund balance appropriated	750,768	-	(750,768)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	(181,236)	(181,236)

RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:	
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ (181,236)
Reconciling items:	
Capital outlay	813,183
Principal retirement	339,846
Other postemployment benefits	(2,656)
Vacation accrual	(4,920)
Increase in deferred outflows of resources - pensions	184,768
Increase in net pension liability	(193,893)
Dencrease in deferred inflows of resources - pensions	15,098
Depreciation	(363,911)
Interest income from Capital Projects Fund	315
Total Reconciling items	787,830
Change in net position	$ 606,594

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit C-7***
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, 2017

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to date	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		

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit C-8**
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, 2017

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to date	Positive (Negative)
REVENUES					
Interest earnings	$ -	$ -	$ 315	$ 315	$ 315
Total revenues	-	-	315	315	315
EXPENDITURES:					
Construction	5,106,642	-	4,103,890	4,103,890	1,002,752
Contingency	243,358	-	3,500	3,500	239,858
Total expenditures	5,350,000	-	4,107,390	4,107,390	1,242,610
REVENUES OVER (UNDER) EXPENDITURES	$ (5,350,000)	$ -	$ (4,107,075)	$ (4,107,075)	$ 1,242,925
OTHER FINANCING SOURCES:					
Proceeds from revenue bond	5,350,000	-	5,350,000	5,350,000	-
Total other financing sources	5,350,000	-	5,350,000	5,350,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	$ -	$ 1,242,925	$ 1,242,925	$ 1,242,925
Fund balance, beginning			-		
Fund balance, ending			$ 1,242,925		

Agency Fund

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

Agency Fund

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

TOWN OF CLAYTON, NORTH CAROLINA **Exhibit D-1**
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and cash equivalents	$ 1,903,586	$ 1,837,591	$ 1,947,038	$ 1,794,139
Taxes receivable	13,851	13,676	13,851	13,676
Total assets	$ 1,917,437	$ 1,851,267	$ 1,960,889	$ 1,807,815
LIABILITIES				
Intergovernmental payable	1,917,437	1,851,267	1,960,889	1,807,815
Total liabilities	$ 1,917,437	$ 1,851,267	$ 1,960,889	$ 1,807,815

Other Schedules

This section contains additional information on property taxes.

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

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	$ -	$ 10,240,537	$ 10,235,809	4,729
2015-2016	2,109	-	1,122	987
2014-2015	574	-	136	439
2013-2014	5,418	-	712	4,706
2012-2013	7,852	-	760	7,092
2011-2012	6,414	-	203	6,211
2010-2011	4,615	-	93	4,522
2009-2010	8,030	-	3,818	4,213
2008-2009	5,643	-	113	5,530
2007-2008	355	-	-	355
2006-2007	65	-	65	-
	$ 41,074	$ 10,240,537	$ 10,242,830	$ 38,781

Plus: Uncollected 2016-2017 ad valorem taxes receivable on annually registered vehicles	-
Less: Allowance for uncollectible accounts General Fund	8,600
Ad valorem taxes receivable - net	$ 30,181
Reconcilement with revenues	
Ad valorem taxes - General Fund	$ 10,084,003
Reconciling items:	
Interest collected	(34,331)
EDIG Rebate	170,591
Releases/adjustments	22,567
Subtotal	158,827
Total collections and credits	$ 10,242,830

TOWN OF CLAYTON, NORTH CAROLINA ***Exhibit E-2***
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2017

	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	$ 1,837,639,142	$0.550	$ 10,107,035	$ 9,097,312	$ 1,009,723
Penalties	-		-	-	-
Total	1,837,639,142		10,107,035	9,097,312	1,009,723
Discoveries:					
Current years taxes	19,235,256	0.550	105,794	105,683	111
Prior year taxes	5,172,464	0.536	27,709	27,709	-
Total	24,407,720		133,503	133,392	111
Abatements:					
Current years taxes	(3,626,084)		(19,943)	(14,786)	(5,158)
Total	(3,626,084)		(19,943)	(14,786)	(5,158)
Total property valuation	$ 1,858,420,778				
Net levy			10,220,594	9,215,918	1,004,676
Uncollected taxes at June 30, 2017			4,729	4,729	-
Current year's taxes collected			$ 10,215,865	$ 9,211,189	$ 1,004,676
Current levy collection percentage			99.95%	99.95%	100.00%

COMPLIANCE SECTION

ASW ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2017, and the related notes to the financial statements, which collectively comprises the Town of Clayton, North Carolina's basic financial statements, and have issued our report thereon dated October 30, 2017.

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.

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Compliance and other matters

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

Purpose of this Report

The purpose of this report is solely is 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.

Anderson Smith + Wike PLLC

Rockingham, NC
October 30, 2017

ASW ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal 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 Federal Program

We have audited the compliance of Town of Clayton, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Clayton's major Federal programs for the year ended June 30, 2017. The Town of Clayton's major Federal 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 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 applicable sections of *Title 2 US Code of Federal 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 federal program. An audit includes examining, on a test basis, evidence about the Town of Clayton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2017.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 federal 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 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 a 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 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

Anderson Smith + Wike PLLC

Rockingham, NC
October 30, 2017

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TOWN OF CLAYTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified that are not considered to be material weaknesses	*None Noted*
Noncompliance material to financial statements noted	*No*

<u>Federal Awards</u>

Internal control over major Federal programs:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified that are not considered to be material weaknesses	*None Noted*
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 State Single Audit Implementation Act	*No*

Identification of major Federal program:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
20.205	TIP Project – EL-5100 OB (Pedestrian Connector)

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	*No*

<u>State Awards</u>

None

Section II – Financial Statement Findings

None reported

Section III – Federal 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, 2017

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Direct & - Pass-through Expenditures	State Expenditures	Local Expenditures
U.S. Department of Transportation					
NCDOT TIP Project - EL-5100 OB (Pedestrian Connector)	20.205		756,818	-	-
Federal Emergency Management Agency/Department of Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		83,370	27,790	-
Total assistance federal programs			840,188	27,790	-
STATE GRANTS					
N.C. Department of Transportation					
Powell Bill	N/A	9.9000	-	380,530	-
Total assistance state programs			-	380,530	-
Total assistance			$ 840,188	$ 408,320	$ -

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 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.

FISCAL YEAR ENDED JUNE 30, 2017

KEY GROWTH RATES & POLICY COMPLIANCE

KEY GROWTH RATES – GENERAL FUND

Sales Tax Revenue; Property Tax Revenue; Assessed Value

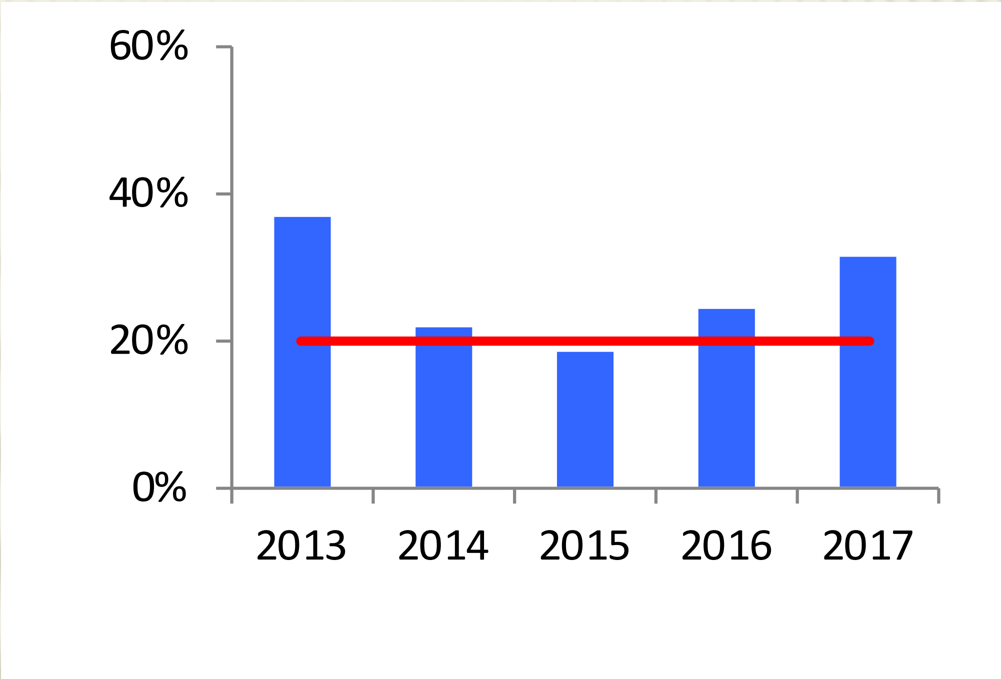
Fiscal Year	Sales Tax Revenue	Growth
2013	2,594,116	
2014	2,690,464	3.7%
2015	2,978,962	10.7%
2016	3,227,971	8.4%
2017	3,845,911	19.1%
Total Growth		**48.3%**
5-Year Avg. Growth		**8.2%**

Fiscal Year	Property Tax Revenue	Growth
2013	7,984,694	
2014	8,587,613	7.6%
2015	8,741,219	1.8%
2016	9,633,212	10.2%
2017	10,084,003	4.7%
Total Growth		**26.3%**
5-Year Avg. Growth		**4.8%**

Fiscal Year	Total Assessed Value	Growth
2013	1,550,639,465	
2014	1,651,386,248	6.5%
2015	1,688,412,928	2.2%
2016	1,791,480,793	6.1%
2017	1,858,420,778	3.7%
Total Growth		**19.8%**
5-Year Avg. Growth		**3.7%**

FUND BALANCE RATIO – GENERAL FUND

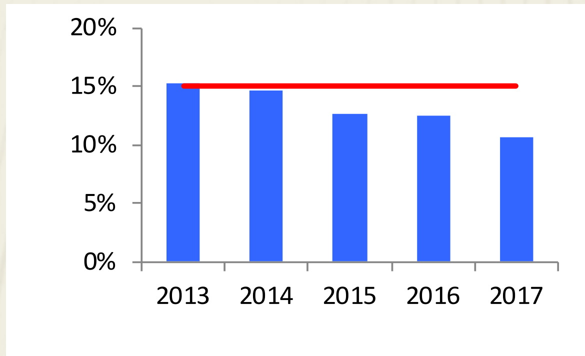
Unassigned Fund Balance as a Percentage of Net Expenditures



2017 = 31.5%, Policy = 20%, Expectation = Min. of 30%

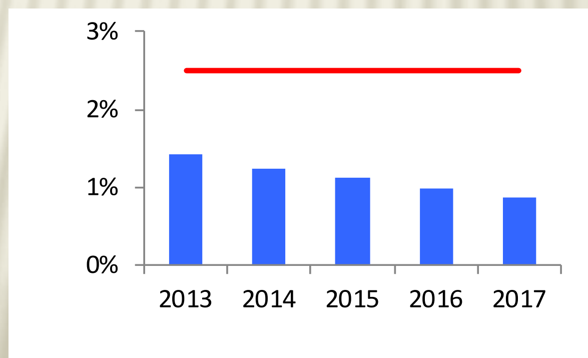
DEBT RATIOS - GENERAL FUND

Debt Service Compared to Total Governmental Expenditures Less Capital Outlay



2017 = 10.7%, Policy = 15%, Expectation = Max. of 13%

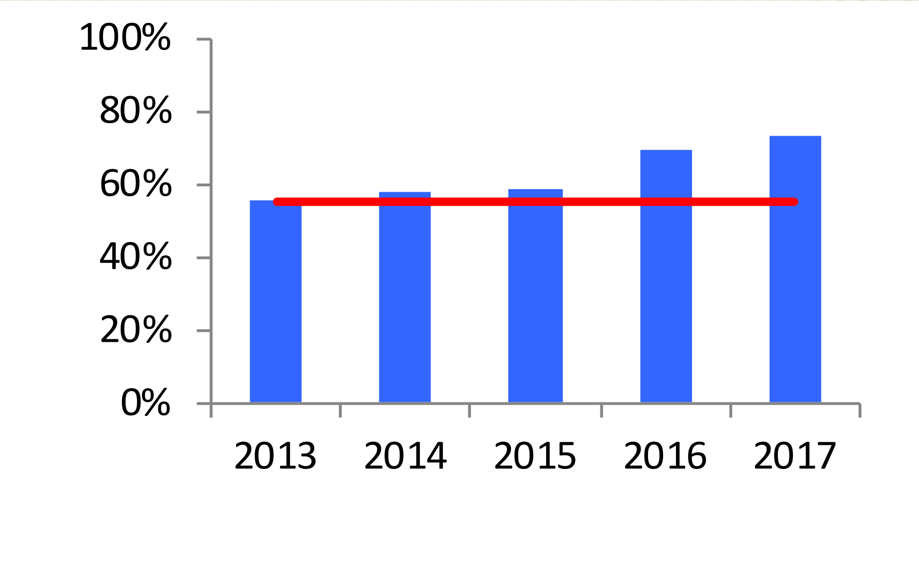
Debt as a Percentage of Assessed Value



2017 = 0.9%, Policy = 2.5%

DEBT RATIOS - GENERAL FUND

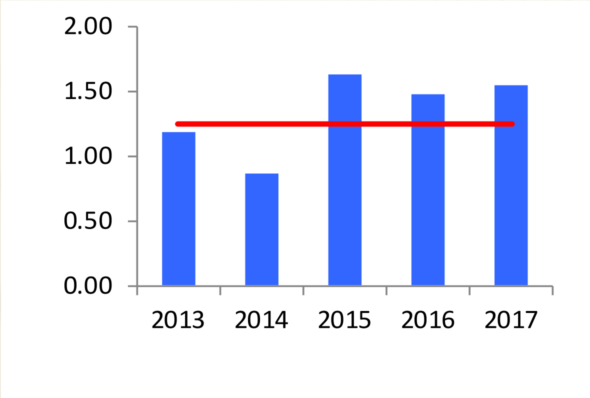
10-YEAR PAYOUT RATIO



2017 = 73.3%, Policy = 55%

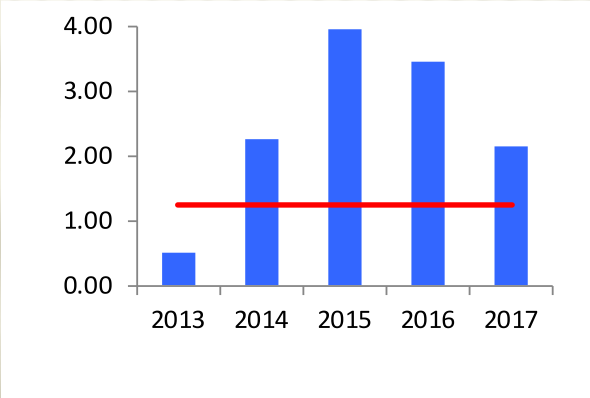
DEBT SERVICE COVERAGE RATIO - ENTERPRISE FUNDS

Water & Sewer Fund



2017 = 1.54, Policy = 1.25, Expectation = Min. of 1.50

Electric Fund

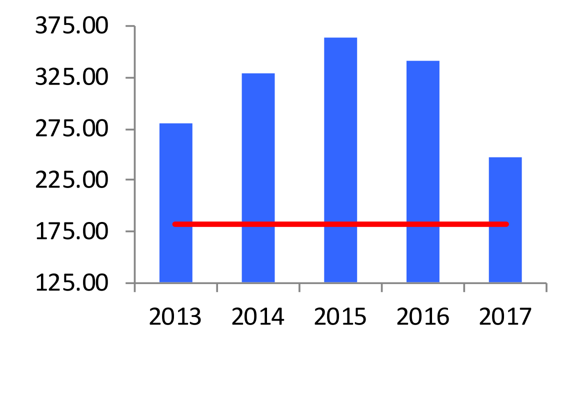


2017 = 2.16, Policy = 1.25, Expectation = Min. of 1.50

The policy benchmarks for the Enterprise Funds are financial indicators to evaluate future performance and financial condition.

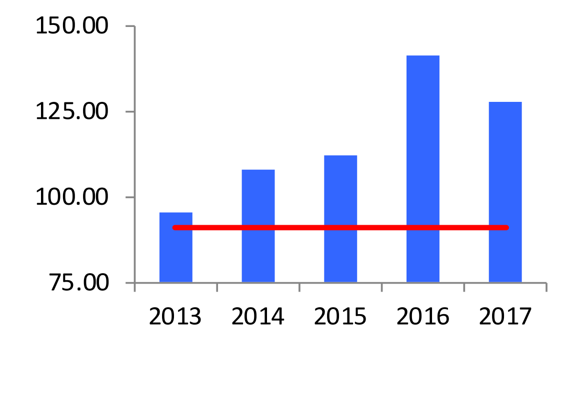
OPERATING DAYS CASH ON HAND - ENTERPRISE FUNDS

Water & Sewer Fund



2017 = 247.89, Policy = 182.50, Expectation = Min. of 200.75

Electric Fund



2017 = 127.88, Policy = 91.25, Expectation = Min. of 98.55

The policy benchmarks for the Enterprise Funds are financial indicators to evaluate future performance and financial condition.

QUESTIONS

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Items Scheduled for the Regular Meeting

Item Title

RWAC Parcel Acceptance

Presenter

David DeYoung – Economic & Community Development Director

Summary/Description

The Town of Clayton has desired additional access points into the Riverwood Athletic Club to improve traffic circulation and public safety. As the development has progressed, additional points of access have been added including a new entrance to the subdivision from Covered Bridge Road. This new access will be constructed as a part of Phase 1 of the Walton Farms subdivision.

In addition to the above, the Town identified a potential new access point from Covered Bridge Road to Payton Drive. This potential access is possible through a parcel that is owned by the developer of the Riverwood subdivision. Town staff approached the developer about the subject parcel and construction of a potential road connection. During discussions the developer indicated that had no plans for the property and would deed it to the Town for a potential future connection into the subdivision.

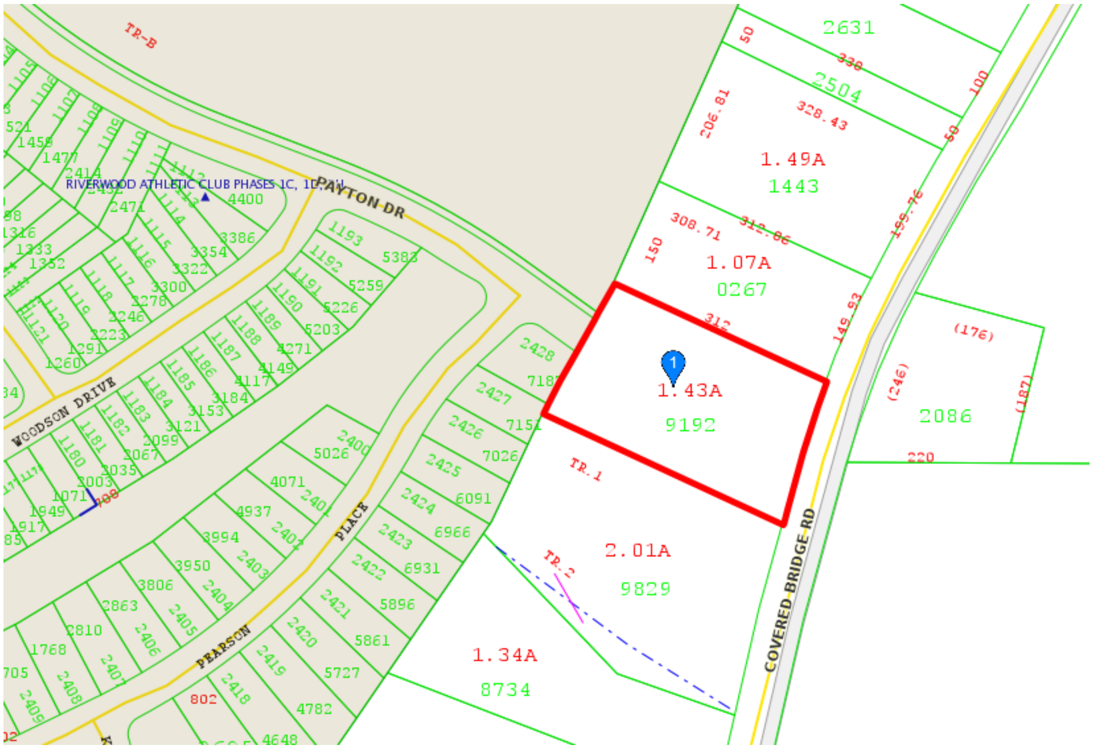
Based on the above, staff is requesting Town Council acceptance of a 1.43 acre parcel at the east end of Payton Drive (Riverwood Athletic Club).

Requested Action

Place on Consent Agenda

Additional Documents To Be Included in Agenda Packet

- Non-Warranty Deed Transferring the property to the Town of Clayton
- Sketch of Parcel



RIVERWOOD ATHLETIC CLUB PHASES 1C, 1D, 1H
PAYTON DR
WOODSON DRIVE
PEARSON
PLACE
COVERED BRIDGE RD
2631
2504
1.49A
1443
1.07A
0267
1.43A
9192
2086
TR. 1
2.01A
9829
1.34A
8734

Filed in JOHNSTON COUNTY, NC CRAIG OLIVE, Register of Deeds Filed 10/19/2017 12:25:14 PM
DEED BOOK: 5045 PAGE: 39-41 INSTRUMENT # 2017548505
Real Estate Excise Tax: $0.00 Deputy/Assistant Register of Deeds: Marilyn Moore

Prepared by and Hold for: Kristoff Law Offices, P.A.
The property conveyed herein is not Grantor's principal residence

Revenue Stamps: $0
Parcel ID No.: 16I02026C

NORTH CAROLINA
JOHNSTON COUNTY

NON-WARRANTY DEED

THIS DEED made this 2nd day of October, 2017, by and between RIVERWOOD ON THE NEUSE, LLC, a North Carolina limited liability company, **Grantor**, whose address is 400 Riverwood Drive, Clayton, North Carolina 27527; and TOWN OF CLAYTON, a North Carolina municipal corporation, **Grantee**, whose address is P.O. Box 879, Clayton, North Carolina 27528 (the designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.);

WITNESSETH:

THAT the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has remised, released, and quitclaimed and by these presents does hereby remise, release, surrender and forever quitclaim unto said Grantee, its heirs, successors, administrators and assigns, all of their present and future right, title and interest unto the Grantee, in and to that certain lot or parcel of land situated in Wilders Township, Johnston County, North Carolina and more particularly described as follows:

See Exhibit "A" which is attached hereto and incorporated herein by reference.

For chain of title, see Deed Book 2017, Page 123, Johnston County Registry.

SUBJECT, HOWEVER, to the following Exceptions:

1. Ad Valorem taxes for the year 2017 and thereafter;
2. Easements, Restrictions, Rights-of-Way, and other appurtenances of record in the Johnston County Registry.

TO HAVE AND TO HOLD the above-described lands and premises, together with all appurtenances thereunto belonging, or in anywise appertaining, unto the Grantee, its heirs, successors, administrators and assigns forever so that neither the Grantor nor any other entity claiming in or through the Grantor's behalf shall or will hereafter claim or demand any right or title to the premises or any portion thereof, but that such legal entity and every one of them shall, by these presents, be excluded and forever barred.

IN WITNESS WHEREOF, the Grantor has hereunto set his hand and seal, or if corporate, has caused this instrument to be signed in the corporate name by its duly authorized officers and its seal to be hereunto affixed by the authority of its Board of Directors, the day and year first above written.

RIVERWOOD ON THE NEUSE, LLC,
a North Carolina limited liability company

By: ______________________(SEAL)
Manager

NORTH CAROLINA
JOHNSTON COUNTY

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Fred J Smith Jr.

Date: 10/3/17

Patricia D Green

Print Name: Patricia D Green

My Commission Expires: May 2, 2021

PATRICIA D. GREEN
NOTARY PUBLIC
Wake County, North Carolina
My Commission Expires May 2, 2021

Exhibit "A"

BEGINNING on the western right-of-way of the Clayton-Archer Lodge Road at the southeastern corner of Lot #4 on the map hereinafter referred to, a common corner with Lot #5 on said map; thence with the northeastern line of said Lot #4, North 56 degrees 14 minutes West 345 feet to the northeast corner of Lot #4; thence, North 28 degrees 14 minutes East 200 feet along the line of Raleigh Rescue Mission to the northwest corner of Lot #9 on said map; thence with the southwestern line of Lot #9 South 56 degrees 14 minutes East 312 feet to a point on the western right-of-way of the said Clayton-Archer Lodge Road, being the southwest corner of Lot #9; thence with the said right-of-way in a southwesterly direction 200 feet to the point and place of BEGINNING and being Lots # 5, 6, 7 and 8 in accordance with a map entitled "R.W. Winston, Jr., Wilders Township, Johnston County, North Carolina," dated March 21, 1962 by Ragsdale Engineers, Smithfield, North Carolina.

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

New Business

Item Title

Service Agreement with Archer Lodge Fire Department for RWAC

Presenter

Lee Barbee, Fire Chief

Summary/Description

In 2000, the Town of Clayton entered into a Service Agreement with the Archer Lodge Fire Department to provide fire service for the Riverwood Athletic Club. At the time, RWAC did not connect to Clayton, and much of the new neighborhood fell outside the Clayton Fire Department's five-mile response area. ALFD had been protecting the land before its development, and the Town reached an agreement for ALFD to continue providing fire service to the entire RWAC area. Over the years, the agreement has benefited both the Town and ALFD.

With the upcoming Walton Farm expansion of RWAC – which will connect the neighborhood to Covered Bridge Road just north of the intersection with Loop Road – as well as a potential entrance onto Payton Drive from Covered Bridge Road, CFD will have shorter routes to access RWAC. The new entrances would place much of the neighborhood inside CFD's five-mile response area. Accordingly, the Clayton Fire Department could take over some of the area currently served by ALFD. Funds the Town of Clayton previously paid to ALFD for fire service could, instead, be invested in the Clayton Fire Department.

The Town's contract with ALFD is due for renewal on January 1, 2018. The current contract requires Clayton give ALFD one year's notice before changing the Service Agreement. The proposed Service Agreement would take effect January 1, 2018 and extend our agreement at the current rate for one year. On January 1, 2019, the new agreement would allow the Town of Clayton to reduce the service area that ALFD is paid to cover, provided one or more new entrances to RWAC have been completed.

Requested Action

Place on Consent Agenda

Additional Documents To Be Included in Agenda Packet

Archer Lodge Amendment Three to Service Agreement
Exhibit A, B & C Maps

STATE OF NORTH CAROLINA

COUNTY OF JOHNSTON

THIRD AMENDMENT AND SUPPLEMENT TO SERVICE AGREEMENT

This THIRD AMENDMENT AND SUPPLEMENT TO SERVICE AGREEMENT (this "Amendment") is entered into this _____ day of ______, 2018 by and between the TOWN OF CLAYTON, NORTH CAROLINA, a municipal corporation organized and existing under the laws of the State of North Carolina (the "Town"), and the ARCHER LODGE VOLUNTEER FIRE DEPARTMENT, a corporation organized and existing under the laws of the state of North Carolina (the "ALVFD") (collectively, the "Parties").

WITNESSETH:

WHEREAS, the ALVFD provides fire prevention services, fire suppression services, first responder services, and related emergency response services (the "Services") within a certain geographic area in Johnston County, North Carolina (the "Area");

WHEREAS, the Parties entered into a Service Agreement (the "Original Agreement") on May 8th, 2000 under which the ALFVD agreed to perform the Services for the Riverwood Athletic Club for a term of 10 years;

WHEREAS, the parties further agreed to two extensions of the Original Agreement by Amendment; and,

WHEREAS, the Original Agreement and the subsequent Amendments have served the Town, the ALVFD, and the citizens well and acceptably; and

WHEREAS, Riverwood Athletic Club has begun a new phase of development with new road connectivity to Covered Bridge Road; and

WHEREAS, due to this enhanced connectivity certain areas of Riverwood Athletic Club will become within the five mile response area of the Town of Clayton Fire Department as seen on Exhibit B in dark pink; and

WHEREAS, the Town plans to undertake the construction of an exit from Payton Drive to Covered Bridge Road; and

WHEREAS, due to this additional enhanced connectivity certain additional areas of Riverwood Athletic Club will become within the five mile response area of the Town of Clayton Fire Department as seen on Exhibit B in yellow; and

WHEREAS, both parties wish to extend the term of the Original Agreement, as amended, for the benefit of both parties, the residents, businesses, and property owners in the Riverwood Athletic Club and other Annexed Properties;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and stipulations contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Term**. The term of the Agreement shall be extended for three years beginning January 1, 2018 unless sooner terminated pursuant to Paragraph 7 of this Amendment; provided however, the Parties may renew the Agreement for successive one (1) year terms by executing a written agreement prior to expiration of the then-current term or renewal term.

2. **Service**. The ALVFD shall provide the Services to the Properties shown in Exhibit A on call, on demand and as otherwise needed, with service as equivalent as possible to the service enjoyed by the majority of the residents and properties within the Area, and in compliance with all applicable laws and regulations through December 31, 2018. Beginning January 1, 2019 ALVFD shall provide the Services to the Properties shown in Exhibit C on call, on demand and as otherwise needed, with service as equivalent as possible to the service enjoyed by the majority of the residents and properties within the Area, and in compliance with all applicable laws and regulations through June 30, 2020. If the service areas shown in Exhibit B is not reflected in the Town's five mile response area by January 1, 2019, ALVFD agrees to continue to serve these areas under the terms of the existing agreement until such time as these areas come into the five mile response area or the expiration of this agreement, whichever comes first.

3. **Annexed Properties**. "Annexed Properties" will only include properties annexed by the Town following the submittal of an annexation petition and the Town's subsequent enactment of an annexation ordinance, as provided in Sections 160A-31 and 160A-58.1 of the North Carolina General Statutes. The Town shall provide to the ALVFD the location and, if available, the expected nature of development of any property to be included among the Annexed Properties at least six (6) months prior to the Town's adoption of an ordinance formally annexing the property.

4. **Compensation**. The Town shall pay to the ALVFD on a quarterly basis twenty-five percent (25%) of the estimated annual Archer Lodge Fire District property tax revenue that would have been derived from the taxable real property located within the Properties if those Properties had remained in the Archer Lodge Fire District and not been annexed by the Town. The Town shall calculate each quarterly payment based on the then-prevailing tax rate in the Archer Lodge Fire District.

5. **Call Pay**. Paragraph 4 of the Original Agreement is deleted in its entirety, and the Town shall not be responsible for paying "call pay" to the ALVFD for Services performed after the date of this Amendment.

6. **Reconciliation**. Prior to February 1 of each calendar year during the Term and any renewal term, the Town shall calculate and compare (i) the total payments made by the Town to the ALVFD pursuant to the Agreement during the immediately preceding calendar year with (ii) the gross estimated revenue the ALVFD would have derived from the Properties during that calendar year if all of the Properties had been constituencies of the Town for the entire calendar year. If the amount in (i) exceeds the amount in (ii), then the ALVFD shall immediately remit the difference to the Town. If the amount in (ii) exceeds the amount in (i), then the Town shall immediately remit the difference to the ALVFD. The compensation referenced in Paragraphs 4 and 6 of this Amendment and in Paragraph 10 of the Original Agreement shall be the only compensation or other remuneration to which the ALVFD shall be entitled for any performance or other actions or omissions by the ALVFD pursuant to the Agreement.

7. **Termination**. Paragraph 9 of the Original Agreement is amended to provide that either party may

terminate the Agreement at any time by giving one (1) year's prior written notice to the other party.

8. **Notice.** The notice addresses in Paragraph 16 of the Original Agreement are amended as follows:

if to the Town: Mr. Adam Lindsay
Town Manager
111 E. Second Street
Post Office Box 879
Clayton, North Carolina 27520

with a copy to: Katherine Ross, Esq.
Town Attorney
Post Office Box 389
Raleigh, North Carolina 27602-0389

if to the ALVFD: Mr. Philip Driver, Chief
Archer Lodge Volunteer Fire Department
6483 Covered Bridge Road
Clayton, North Carolina 27520

with a copy to: James W. Narron, Esq.
Narron, O'Hale, and Whittington, P.A.
Post Office Box 1567
Smithfield, North Carolina 27577

9. Full Force and Effect. The provisions of the Original Agreement shall remain in full force and effect unless amended by this Amendment. To the extent the Original Agreement conflicts with this Amendment, this Amendment will control.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year first above written.

TOWN OF CLAYTON, NORTH CAROLINA

By: ________________________________
Jody L. McLeod, Mayor

ATTEST:

____
Kimberly Moffett, Town Clerk

[AFFIX CORPORATE SEAL]

TOWN OF CLAYTON, NORTH CAROLINA

By: ________________________________

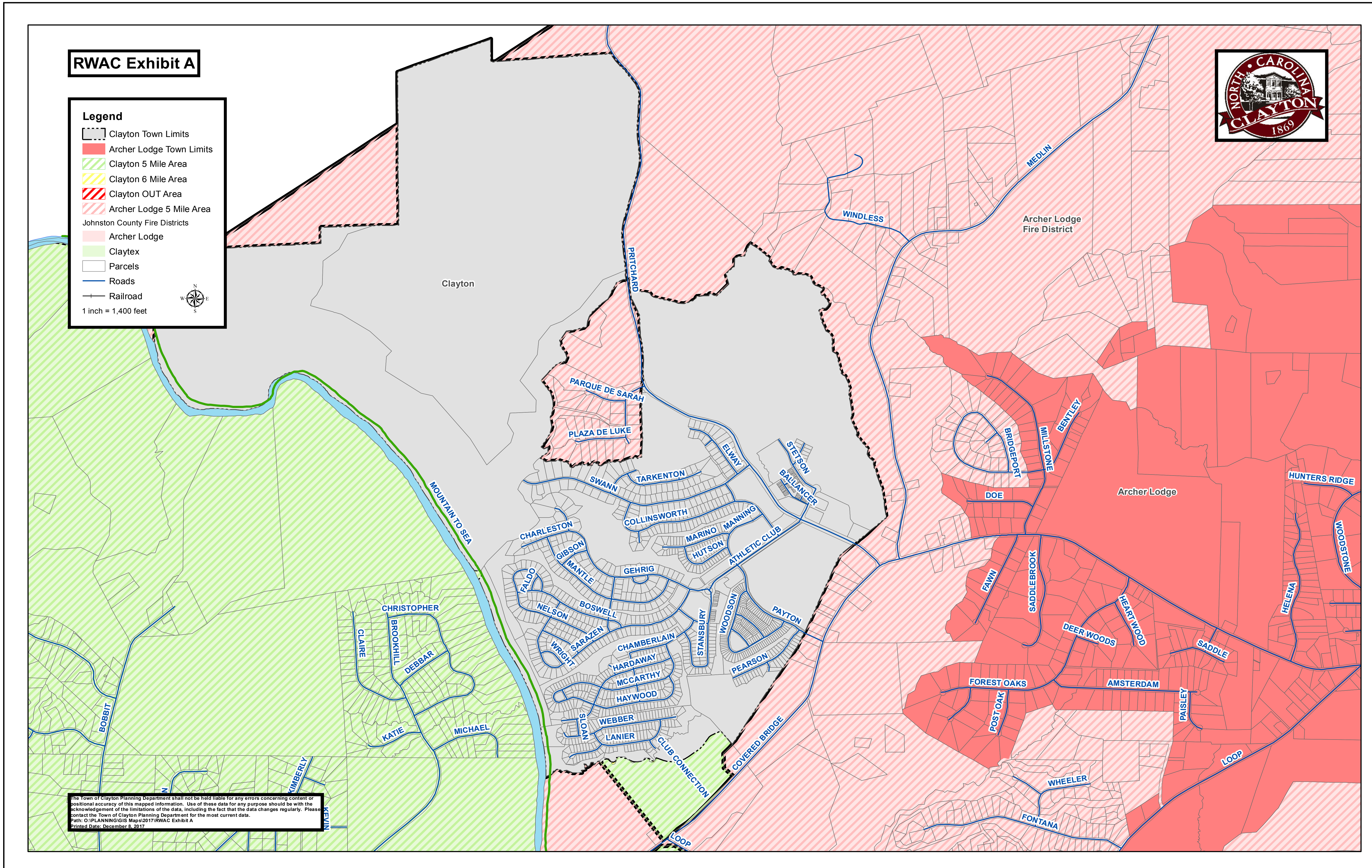
______________________, President

ATTEST:

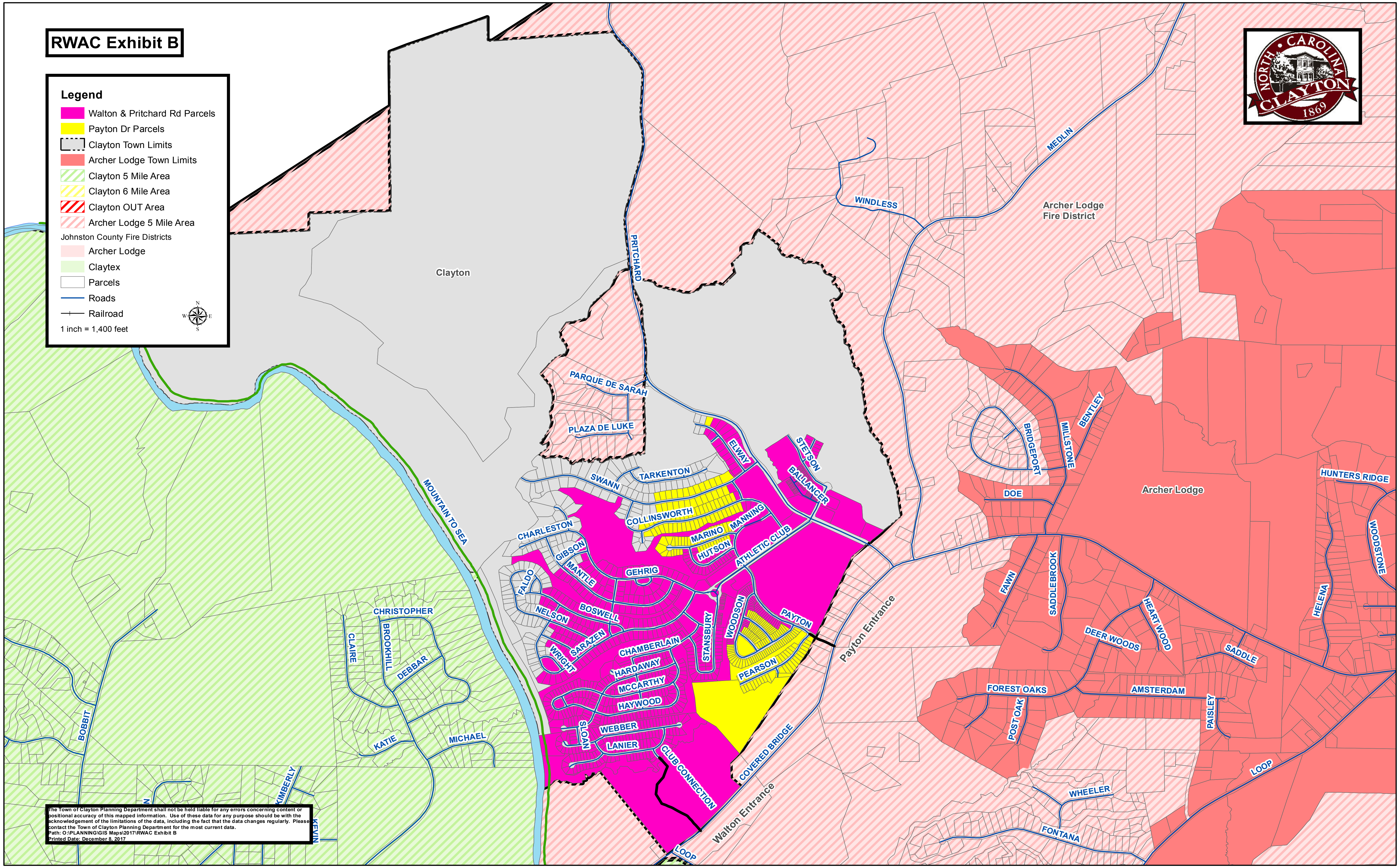
____

[SEAL]

PPAB 1438740v2



RWAC Exhibit A
Legend
Clayton Town Limits
Archer Lodge Town Limits
Clayton 5 Mile Area
Clayton 6 Mile Area
Clayton OUT Area
Archer Lodge 5 Mile Area
Johnston County Fire Districts
Archer Lodge
Claytex
Parcels
Roads
Railroad
N
S
E
W
1 inch = 1,400 feet
NORTH CAROLINA
CLAYTON
1869
Clayton
Archer Lodge
Archer Lodge Fire District
PRITCHARD
MEDLIN
WINDLESS
PARQUE DE SARAH
PLAZA DE LUKE
MOUNTAIN TO SEA
ELWAY
STETSON
BALLANCER
TARKENTON
SWANN
COLLINSWORTH
MARINO
MANNING
HUTSON
ATHLETIC CLUB
CHARLESTON
GIBSON
MANTLE
GEHRIG
FALDO
NELSON
BOSWELL
SARAZEN
WRIGHT
CHAMBERLAIN
HARDAWAY
MCCARTHY
HAYWOOD
WEBBER
SLOAN
LANIER
CLUB CONNECTION
STANSBURY
WOODSON
PAYTON
PEARSON
COVERED BRIDGE
LOOP
CHRISTOPHER
CLAIRE
BROOKHILL
DEBBAR
KATIE
MICHAEL
BOBBIT
KIMBERLY
KEVIN
BRIDGEPORT
MILLSTONE
BENTLEY
DOE
FAWN
SADDLEBROOK
DEER WOODS
HEARTWOOD
SADDLE
FOREST OAKS
POST OAK
AMSTERDAM
PAISLEY
HUNTERS RIDGE
WOODSTONE
HELENA
WHEELER
FONTANA
The Town of Clayton Planning Department shall not be held liable for any errors concerning content or positional accuracy of this mapped information. Use of these data for any purpose should be with the acknowledgement of the limitations of the data, including the fact that the data changes regularly. Please contact the Town of Clayton Planning Department for the most current data.
Path: O:\PLANNING\GIS Maps\2017\RWAC Exhibit A
Printed Date: December 8, 2017


RWAC Exhibit B
Legend
Walton & Pritchard Rd Parcels
Payton Dr Parcels
Clayton Town Limits
Archer Lodge Town Limits
Clayton 5 Mile Area
Clayton 6 Mile Area
Clayton OUT Area
Archer Lodge 5 Mile Area
Johnston County Fire Districts
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GIBSON
MANTLE
GEHRIG
FALDO
NELSON
BOSWELL
SARAZEN
WRIGHT
CHAMBERLAIN
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WOODSON
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HARDAWAY
MCCARTHY
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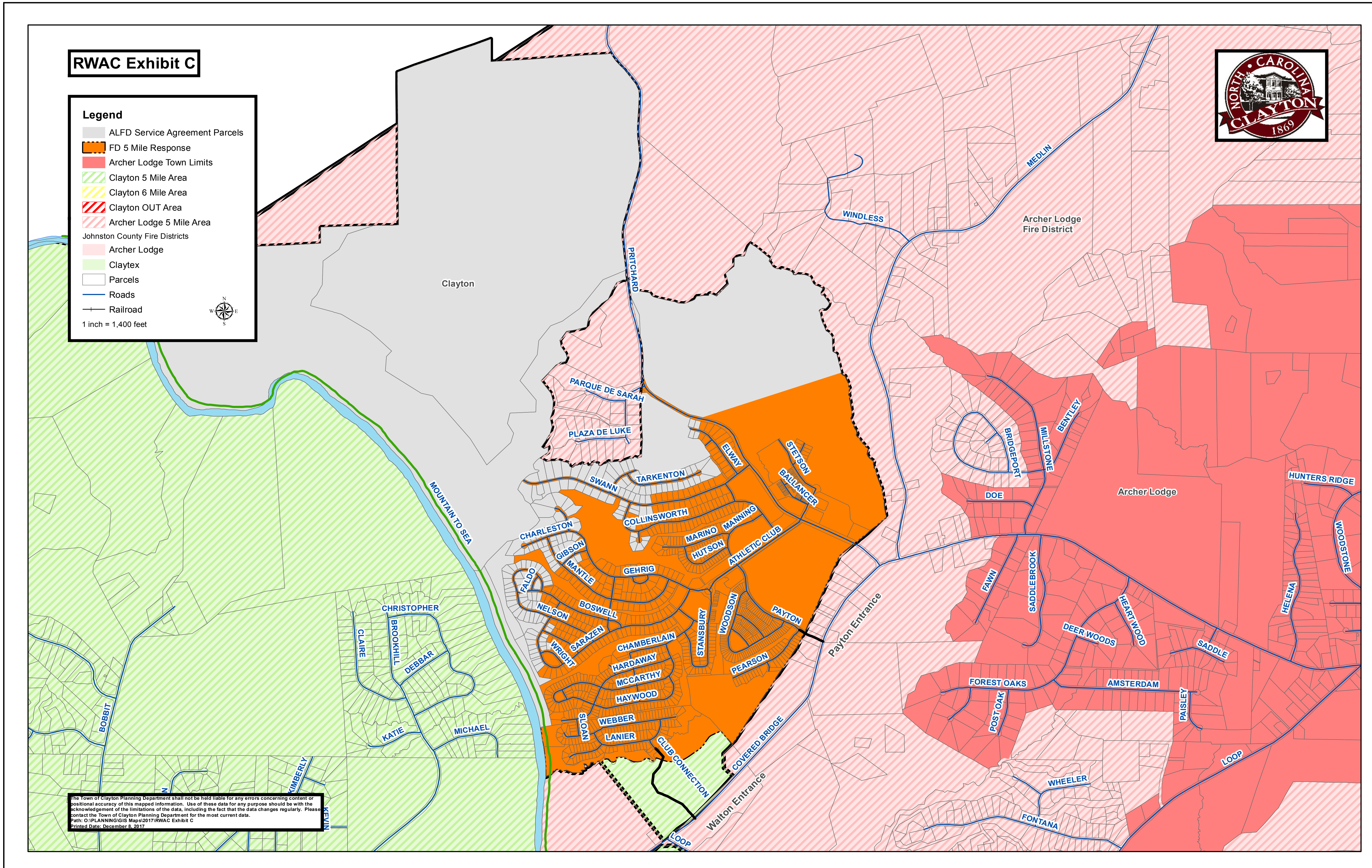

RWAC Exhibit C
Legend
ALFD Service Agreement Parcels
FD 5 Mile Response
Archer Lodge Town Limits
Clayton 5 Mile Area
Clayton 6 Mile Area
Clayton OUT Area
Archer Lodge 5 Mile Area
Johnston County Fire Districts
Archer Lodge
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FALDO
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BOSWELL
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Path: O:\PLANNING\GIS Maps\2017\RWAC Exhibit C
Printed Date: December 8, 2017

Town Council Agenda Cover Sheet

Meeting Date **Agenda Location**

December 18, 2017 Items Scheduled for the Regular Meeting

Item Title

Volunteer Advisory Board Appointment Recommendation

Presenter *(Name & Title)*

Kimberly Moffett, Town Clerk

Summary/Description

An application was received for the in-town vacancy on the Library Advisory Board. Staff conducted an interview and is recommending appointment of Natasha Ellis-Smith to the Library Advisory Board with a term expiration of 12/31/2019.

Requested Action

Place on Consent Agenda

Additional Documents to Be Included in Agenda Packet

Application

ADVISORY BOARD CANDIDATE APPLICATION

The Town of Clayton welcomes and appreciates your interest in serving the Town. This application is designed to gather information to evaluate your qualifications. Candidates may be interviewed prior to appointment.

If requesting consideration for more than one, please submit a separate application for each board.

CHOOSE ONE:

- ☐ **Planning & Zoning Board**
- ☐ **Board of Adjustment**
- ☐ **Downtown Development Assoc.**
- ☑ **Clayton Library Board**
- ☐ **Recreation Advisory Committee**
- ☐ **Fire Dept. Advisory Board**
- ☐ **Public Arts Advisory Board**

PLEASE NOTE: In accordance with North Carolina law, this application is a public record and will be disclosed upon request and without notice. If there is any information you do not want released to the public, please do not include it.

Please type or use dark ink.

Name: Natasha Ellis-Smith

Mailing Address: 1643 Kenmore Drive Clayton NC 27520

Physical HOME Address: 1643 Kenmore Drive Clayton NC 27520

Phone Number (HOME): 678-736-3639 **(WORK)** ____________

FAX Number: ____________ **Mobile Number:** 678-736-3639

Email Address: natasha.ellis32@gmail.com

***Female** ☑ ***Male** ☐ ***Race** African American

Employer: Duke University/Duke Technology Health Systems

Occupation: IT Analyst

*This information is voluntary and is requested for the sole purpose of assuring that a cross section of the community is appointed; NC GS 143-157.1.

Residency within the Town limits or ETJ (extra territorial jurisdiction) is required for membership on most Council advisory boards.

Length of residence in Clayton: 10 years

Do you live in the Clayton town limits: **Yes** ☑ **No** ☐ **ETJ: Yes** ☐ **No** ☐

How did you find out about this board or committee? Facebook ☐ **Website** ☑ **TV** ☐ **Newspaper** ☐ **Email** ☐ **Twitter** ☐ **Mail** ☐ **Other** ________________

Outline your qualifications and why you wish to serve the board/committee you indicated.

1). Leadership - Currently North Carolina State Officer in Zeta Phi Beta Sorority

2). Organizational, Collaboration, and Policy experience - Leadership positions held with various Organizations. 3) Advocate - Currently serve as March of Dimes Coordinator, organizing events or Fund raisers in order to bring awareness to the MOD mission of saving babies

State why you would be an asset to this board or committee. Since Libraries are community hubs connecting people to information; This committee needs a someone like me with great communication, organization, advocacy, and collaboration skills. In order to better serve the community.

Do you anticipate a conflict of interest if asked to serve as a member on the requested board or committee? **No** ☑ **Yes** ☐ **If Yes, explain:**

PLEASE LIST CURRENT AND PREVIOUS SERVICE TO THE COMMUNITY, CIVIC CLUBS, ETC., ACTIVITY AND ANY SPECIAL TALENTS.

Boards/Committees/Civic	From	To
NPHC of Raleigh Durham	07/15	present
Zeta Phi Beta Sorority, Inc	10/2002	present

Natasha Ellis-Smith Digitally signed by Natasha Ellis-Smith DN: cn=Natasha Ellis-Smith, o=Duke University, ou, email=natasha.ellis@duke.edu, c=US Date: 2017.11.07 08:49:42 -05'00'

Signature

11/07/2017

Date

- Please do not submit resumes or attachments.
- This application is a **public record**.
- Information in the application will be considered in making appointments.
- Candidates may be interviewed prior to appointment.
- If not initially appointed to serve, this application will remain active until August 1 of the following year.

Applications are to be turned in to the Town Clerk in person (111 East Second Street), by mail (Town of Clayton, PO BOX 879, Clayton, NC 27528) or by email (kmoffett@townofclaytonnc.org)

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Consent Agenda

Item Title

2017-185 ANX Town of Clayton Property Powhatan Rd.

Presenter *(Name & Title)*

David DeYoung, Economic & Community Development Director

Summary/Description

The Town of Clayton has been working with the YMCA, Novo Nordisk and Johnston County to combine three properties together to house the future Regional Wastewater Treatment Facility. The subject properties are generally located on the west side of Powhatan Road just south of the NCRR railroad tracks.

This collaboration included property swaps between the Town of Clayton and the YMCA, which will ultimately relocate the YMCA to Amelia Church Road, and land donations from Novo and the County. Now that the land transfers have occurred, the Town has combined these properties into one property in preparation for the construction of the new facility.

Through this item, staff is requesting annexation of the property from the ETJ into town limits.

Requested Action

Place on Consent Agenda

Additional Documents To Be Included in Agenda Packet

Application
Plat
Maps
Legal Description
Public Notice
Resolution Setting Public Hearing

Town of Clayton
Planning Department
111 E. Second Street, Clayton, NC 27520
P.O. Box 879, Clayton, NC 27528
Phone: 919-553-5002
Fax: 919-553-1720

PETITION FOR VOLUNTARY ANNEXATION

VOLUNTARY ANNEXATION: Upon receipt of a valid petition signed by all of the owners of real property in the area described therein, the Town may annex an area either contiguous or not contiguous to its primary corporate limits when the area meets the standards set out under North Carolina General Statutes 160A-31 and 160A-58.1.

Applications are due by 5pm on the first working day of each month.

Request Information

☐ **Contiguous Annexation** ☒ **Non-Contiguous Annexation**

The following items must accompany an annexation petition:

To be completed by the applicant:	Included?	
	Yes	No
1. Petition for Annexation with original signatures	☒	☐
2. A boundary plat of the area to be annexed meeting requirements of the Plat Checklist (included in this application packet).	☒	☐
3. Legal Description (metes and bounds)	☒	☐

PROCESS:

Review by Staff: The Planning, Engineering and Public Works Departments review the annexation submission. Comments will be sent to the applicant.

Annexation Plat Submission: After the map and legal description are deemed sufficient by the Town, the applicant is required to submit two (2) Mylar annexation plats to the Planning Department.

Town Council Meeting: The Town Council will pass a resolution directing the Town Clerk to investigate the annexation petition. The Town Clerk will present to the Town Council a Certificate of Sufficiency indicating that the annexation petition is complete. A resolution setting the date of the public hearing is then approved.

Legal Advertisement: A legal advertisement will be published no more than 25 days and no less than 10 days prior to the date of the public hearing.

Public Hearing/Town Council Meeting: The Town Council will either adopt or deny an ordinance to extend the corporate limits of the Town of Clayton.

Recordation: If the annexation is approved by the Town Council, the Annexation Plats shall be recorded at the appropriate county Register of Deeds.

Petition for Voluntary Annexation Application – Property Information
COMPLETE IF PROPERTY IS OWNED BY INDIVIDUAL (S)

Submittal Date: 11/22/2017 **Petition No.: 2017-185**

To the Town Council of the Town of Clayton, North Carolina:

1. I/We the undersigned owner(s)* of real property respectfully request that the area described in Paragraph 2 below be annexed to the Town of Clayton, North Carolina.

   *If the owner of real property is a corporation or religious entity, attach a copy of the articles of incorporation describing who is/are authorized to sign with the petition.

2. The area to be annexed is ____contiguous, __X__ non-contiguous to the Town of Clayton, North Carolina and the boundaries of such territory are as provided in the boundary plat attached hereto.

3. If contiguous, this annexation will include all intervening rights-of-way for streets, railroads, and other areas as stated in G.S. 160A-31(f), unless otherwise stated in the annexation amendment.

4. Attached is a statement of the schedule for full development of the property to be annexed, which includes the type, number, and estimated value of planned improvements, if applicable.

Total acreage to be annexed:	22.03 Acres
Existing housing units:	NA
Population of acreage to be annexed:	NA
Existing Zoning District*:	I-1(Industrial Light) & R-E (Residential Estate)
Proposed Town Zoning District*:	I-1(Industrial Light)
Reason for petitioner to annex:	X Receive Town Services
	____ Other (please specify): ____

5. **I/We** acknowledge that any zoning vested rights acquired pursuant to G.S. 160A-385.1 or G.S. 153A-344.1 must be declared and identified on this petition. I/We further acknowledge that failure to declare such rights on this petition shall result in a termination of vested rights previously acquired for the property. (If zoning vested rights are claimed, indicate below and attach proof.)

DAVID DEE YOUNG
Please Print — Signature

Please Print — Signature

STATE OF NORTH CAROLINA
COUNTY OF JOHNSTON

Sworn and subscribed before me, Jennifer Proctor, a Notary Public for the above State and County, this 28th day of, November, 20 17.

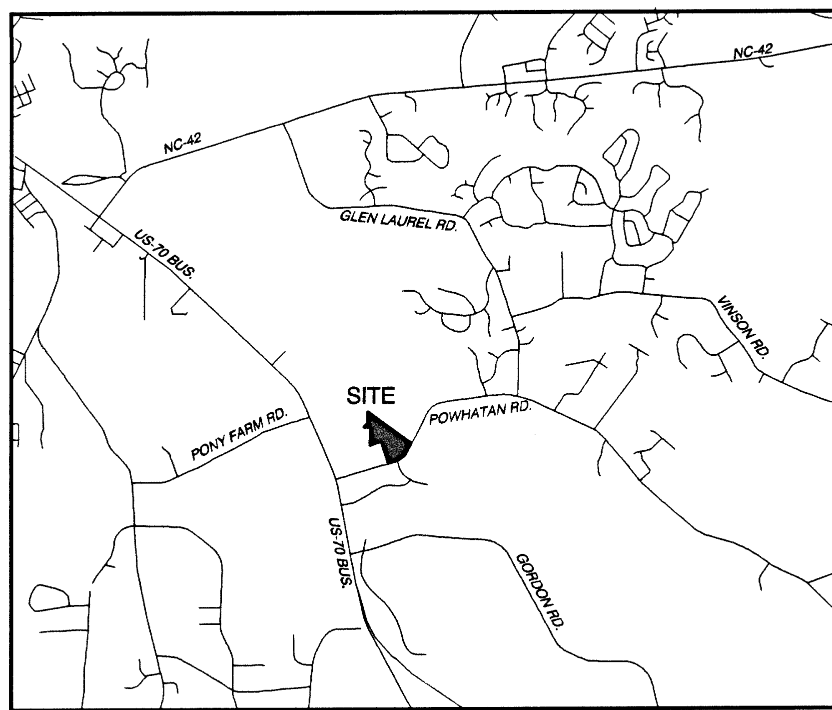
SEAL
JENNIFER PROCTOR
Notary Public
Johnston County
North Carolina

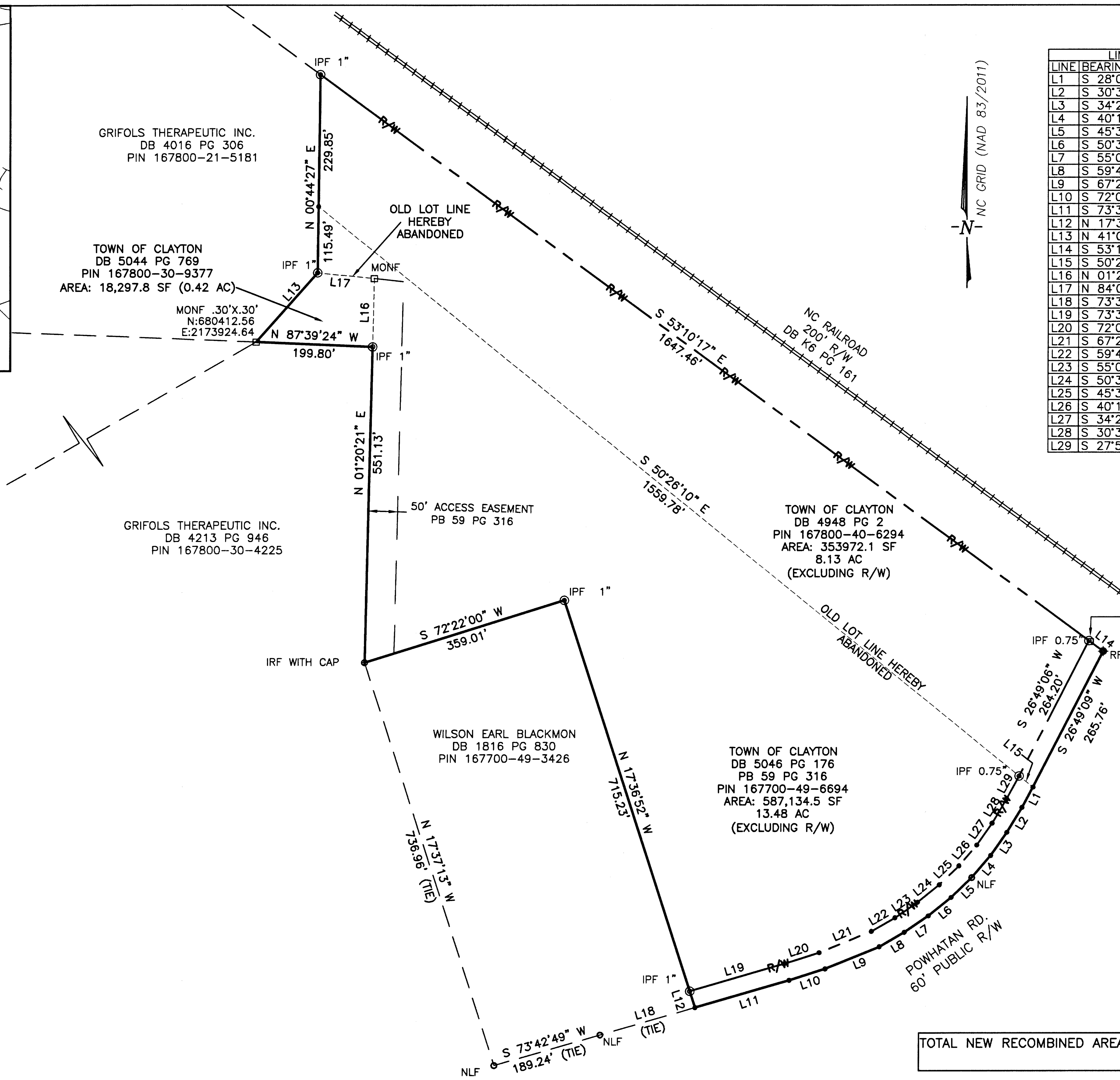
Jennifer Proctor
Notary Public

My Commission Expires: ____________________

Voluntary Annexation Plat Checklist

#	Required Plat Items
1.	Fully dimensioned by metes and bounds, and the location of intersecting boundary lines of the existing town limits, labeled and distinctly marked. Include full right-of-way if the area on both sides is or will be in the corporate limits.
2.	Any utility easements with metes and bounds.
3.	Accurate locations and descriptions of all monuments, markers and control points.
4.	Ultimate right-of-way widths on all streets.
5.	Entitle "ANNEXATION MAP FOR THE TOWN OF CLAYTON" OR "SATELLITE ANNEXATION MAP FOR THE TOWN OF CLAYTON," as appropriate.
6.	Name of property owner(s).
7.	Name, seal, and registration of Professionally Licensed Surveyor (PLS).
8.	Date of the survey and map preparation; a north arrow indicating whether the index is true magnetic North Carolina grid (NAD 83 of NAD 27) or deed; graphic scale; and declination.
9.	Names of the township, county, and state.
10.	A detailed vicinity map.
11.	Include address of property if assigned.
12.	Show all contiguous or non-contiguous town limits.
13.	The following certification must be placed on the map near a border to allow the map to be sealed: Annexation #________________ I, David DeYoung, AICP, Planning Director, Clayton, North Carolina certify this is a true and exact map of annexation adopted the ________ day of ____________, ________, by the Town Council. I set my hand and seal to the Town of Clayton, __________________. Day/Month/Year ________________________________ David DeYoung AICP
14.	Leave 2 inch by 2 inch space for the county Register of Deeds stamp on the plat. All final plats must be stamped and signed before they can be accepted by the Town.





LINE TABLE		
LINE	BEARING	DISTANCE
L1	S 28°03'30" W	39.91'
L2	S 30°30'29" W	50.73'
L3	S 34°29'40" W	48.74'
L4	S 40°10'15" W	50.44'
L5	S 45°32'00" W	49.59'
L6	S 50°31'57" W	50.41'
L7	S 55°09'35" W	49.99'
L8	S 59°45'06" W	50.00'
L9	S 67°26'24" W	99.98'
L10	S 72°09'10" W	64.98'
L11	S 73°34'26" W	168.21'
L12	N 17°38'08" W	29.95'
L13	N 41°05'15" E	160.51'
L14	S 53°14'19" E	30.44'
L15	S 50°26'10" E	30.74'
L16	N 01°23'09" E	119.11'
L17	N 84°04'24" W	97.54'
L18	S 73°38'19" W	169.79'
L19	S 73°33'19" W	168.47'
L20	S 72°09'10" W	63.37'
L21	S 67°26'24" W	96.73'
L22	S 59°45'06" W	46.78'
L23	S 55°09'35" W	47.58'
L24	S 50°31'57" W	47.89'
L25	S 45°32'00" W	46.88'
L26	S 40°10'15" W	47.55'
L27	S 34°29'40" W	46.21'
L28	S 30°30'29" W	49.04'
L29	S 27°54'23" W	45.44'

TOTAL NEW RECOMBINED AREA: 959,404.4 SF
22.02 AC

NOTES

1. HORIZONTAL CONTROL (NAD83/2011) ESTABLISHED BY GPS OBSERVATIONS AND COMPUTED USING NORTH CAROLINA GEODETIC SOCIETY VIRTUAL REFERENCE STATION SERVICE (VRS).
2. AREA COMPUTED BY COORDINATE METHOD.
3. ALL DISTANCES ARE HORIZONTAL GROUND.
4. DASHED LINES ARE NOT SURVEYED.
5. THE INFORMATION CONTAINED HEREON IS SUBJECT TO THE FINDINGS OF A COMPLETE AND ACCURATE OPINION OF TITLE, AND TO THOSE EXCEPTIONS AND EASEMENTS OF RECORD, IF ANY, NOTED THEREON.
6. FLOOD NOTE: BY GRAPHIC PLOTTING ONLY, THIS SITE IS NOT IN A FLOOD HAZARD AREA ACCORDING TO FLOOD INSURANCE RATE MAP NUMBER 3720167700J AND 3720167800J, BOTH BEARING AN EFFECTIVE DATE OF 12/2/2005.

SURVEY CERTIFICATE

I, ADAM C. HALES, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF NORTH CAROLINA, DO HEREBY CERTIFY THAT THIS PLAT WAS DRAWN UNDER MY SUPERVISION FROM AN ACTUAL SURVEY PERFORMED UNDER MY SUPERVISION, USING THE REFERENCES SHOWN HEREON; THAT THE BOUNDARIES NOT SURVEYED ARE SHOWN AS NOTED OR AS DASHED LINES FROM INFORMATION FOUND IN REFERENCES AS SHOWN HEREON; THAT THE RATIO OF PRECISION AS CALCULATED IS 1:10000, OR HIGHER. THAT THIS MAP WAS PREPARED IN ACCORDANCE WITH NORTH CAROLINA GENERAL STATUTES 47-30, AS AMENDED.

WITNESS MY ORIGINAL SIGNATURE AND SEAL THIS THE 28th DAY OF November AD, 2017.

PROFESSIONAL LAND SURVEYOR — LICENSE # L-4980

I, ADAM C. HALES, PROFESSIONAL LAND SURVEYOR NO. L-4980 CERTIFY TO ONE OR MORE OF THE FOLLOWING AS CHECKED BELOW:

■ *D. THAT THIS PLAT IS OF A SURVEY OF ANOTHER CATEGORY, SUCH AS THE RECOMBINATION OF EXISTING PARCELS, A COURT-ORDERED SURVEY OR OTHER EXCEPTION TO THE DEFINITION OF A SUBDIVISION;*

ADAM C. HALES, PROFESSIONAL LAND SURVEYOR No. L-4980

CERTIFICATION REQUIRED ON RECOMBINATION PLATS

THIS PLAT REPRESENTS A RECOMBINATION OF PREVIOUSLY RECORDED PARCELS OF LAND AND DOES NOT CONSTITUTE A SUBDIVISION AS SPECIFIED BY THE NORTH CAROLINA GENERAL STATUES. APPROVAL FOR RECORDATION BY THE TOWN OF CLAYTON IS GRANTED BY CERTIFICATION BELOW.

11-29-2017 — Beth Swanson
DATE — PLANNING DIRECTOR – TOWN OF CLAYTON, NC

CERTIFICATE OF OWNERSHIP AND DEDICATION

I HEREBY CERTIFY THAT I AM THE OWNER OF THE PROPERTY SHOWN AND DESCRIBED HEREON, WHICH IS LOCATED IN THE SUBDIVISION JURISDICTION OF THE TOWN OF CLAYTON AND THAT I HEREBY ADOPT THIS SUBDIVISION PLAN WITH MY FREE CONSENT, ESTABLISH MINIMUM SETBACK LINES, AND DEDICATE ALL STREETS, ALLEYS, PARKS AND OTHER SITES AND EASEMENTS TO PUBLIC OR PRIVATE USE AS NOTED.

11-29-17
DATE — OWNER

REVIEW OFFICER'S CERTIFICATE

STATE OF NORTH CAROLINA
COUNTY OF JOHNSTON
Jeni R. Sanderford, REVIEW OFFICER OF JOHNSTON COUNTY, CERTIFY THAT THE MAP OR PLAT TO WHICH THIS CERTIFICATION IS AFFIXED MEETS ALL STATUTORY REQUIREMENTS FOR RECORDING.
11/29/2017
DATE — REVIEW OFFICER

GRAPHIC SCALE
150 0 75 150 300 600
(IN FEET)
1 inch = 150 ft.

Book 86 Page 30

JOHNSTON COUNTY REGISTER OF DEEDS

STATE OF NORTH CAROLINA, JOHNSTON COUNTY

THIS INSTRUMENT WAS PRESENTED FOR REGISTRATION AND RECORDING THIS 29th DAY OF November 2017
AT 4:03:48 PM
Craig Olive — REG. OF DEEDS — BY — ASST. REG. OF DEEDS Deputy

LEGEND

RRF	◆	RAIL ROAD SPIKE FOUND
MONF	⊡	MONUMENT FOUND
IRF	⊜	IRON ROD FOUND
IPF	◎	IRON PIPE FOUND
NLF	o	NAIL FOUND
IRS	⊕	IRON ROD SET
	•	COMPUTED POINT
	———	PROPERTY LINE
	– – – –	NON-SURVEYED LINE
	—R/W—	RIGHT-OF-WAY LINE
	— — —	EASEMENT LINE
	++++	RAILROAD

Dewberry
Dewberry Engineers Inc.
2610 WYCLIFF RD.
SUITE 410
RALEIGH, NC 27607
PHONE: 919.881.9939
FAX: 919.881.9923
NCBELS # F-0929

RECOMBINATION PLAT
FOR
TOWN OF CLAYTON
3798 POWHATAN ROAD, CLAYTON, NORTH CAROLINA 27527
CLAYTON TOWNSHIP, JOHNSTON COUNTY

NORTH CAROLINA PROFESSIONAL SEAL L-4980 LAND SURVEYOR ADAM C. HALES 11/28/17

JOHNSTON COUNTY
CLAYTON TOWNSHIP

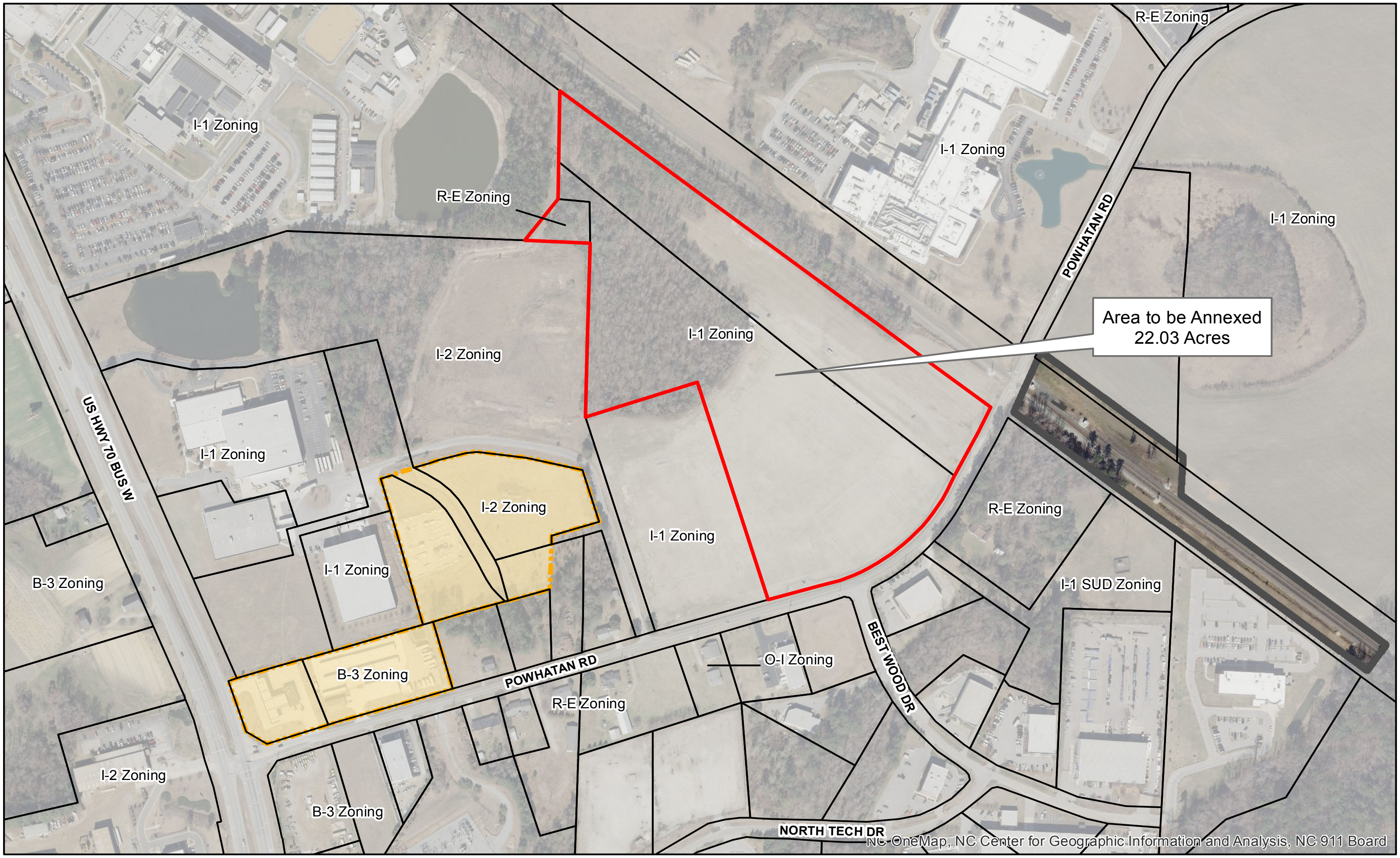
#	DATE	BY	DESCRIPTION

REVISIONS

DRAWN BY ACH
APPROVED BY ACH
CHECKED BY
DATE 11/28/17
TITLE

RECOMBINATION PLAT
FOR
TOWN OF CLAYTON

PROJECT NO. 50099013
SHEET NO. 1 OF 1



Legend

- Area to be Annexed
- Clayton Town Limits
- Clayton ETJ
- Parcels

Produced by: TOC Planning
November 22, 2017

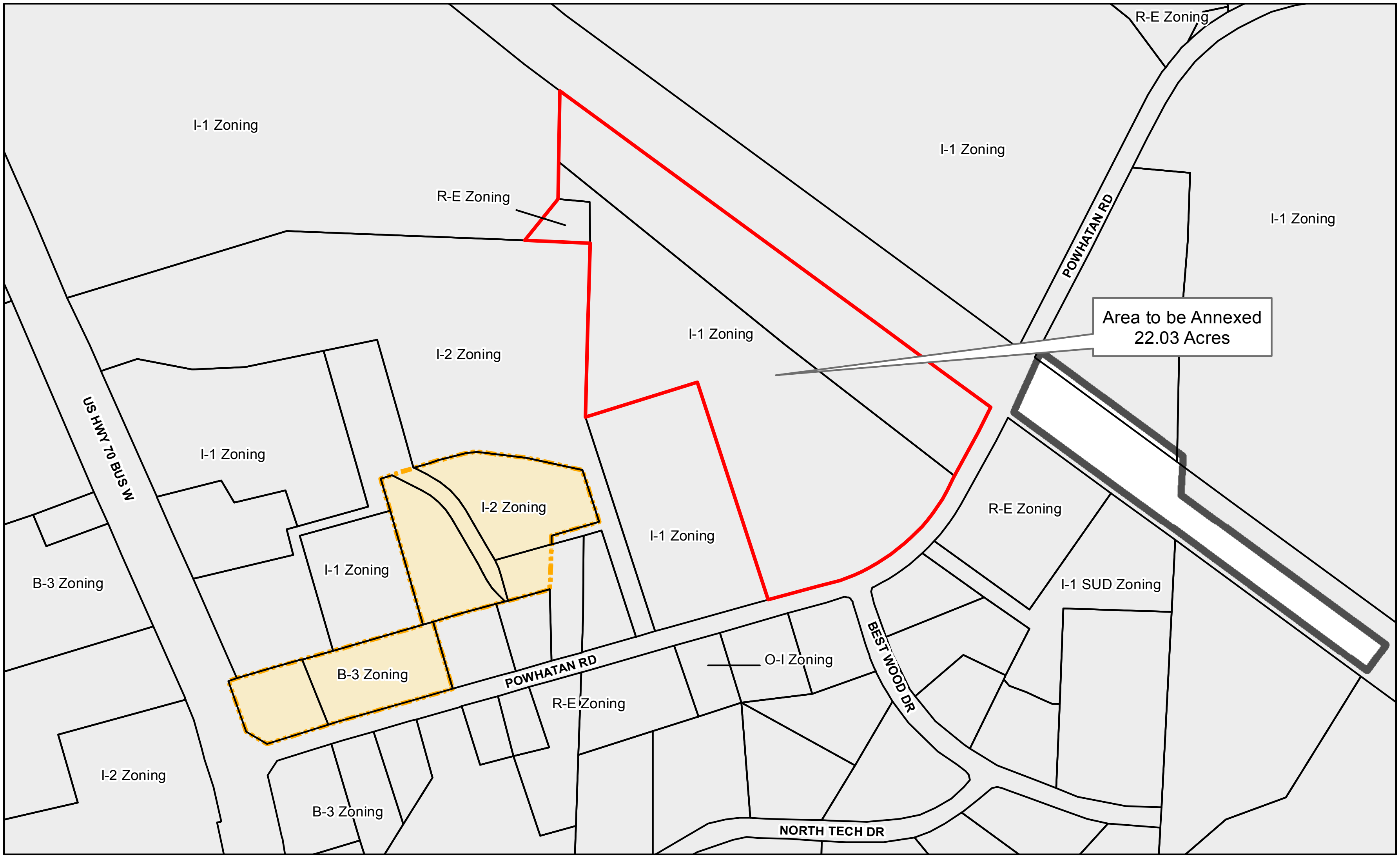
Annexation Map

Applicant(s): Town of Clayton
Property Owner(s): Town of Clayton
Parcel Number(s) 05I05019E, 05I05017B, 05E99010H
File Number(s): 2017-185-ANX

N
W E
S

1 inch = 400 feet

Disclaimer: Town of Clayton assumes no legal responsibility for the information represented here.



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N W E S

1 inch = 400 feet

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Town of Clayton Legal Description

Beginning at a concrete monument, said monument being the southwest corner of a parcel owned by Town of Clayton (PIN # 167800309377); said point also being the southeast corner of a parcel owned by Grifols Therapeutics Inc. (PIN # 167800215181), having coordinates of N: 680412.56 and E: 2173924.64 (NAD83/2011); thence from said point of beginning, N 41°05'15" E a distance of 160.51' to an iron pipe; thence, N 00°44'27" E a distance of 345.34' to an iron pipe; said iron pipe being located on the southern right of way of the railroad; thence along and with said right of way, S 53°10'17" E a distance of 1647.46' to an iron pipe; said iron pipe being located on the northern right of way line of Powhatan Road; thence leaving said railroad right of way and along and with said road right of way, S 26°48'54" W a distance of 264.24' to an iron pipe; thence, S 27°54'23" W a distance of 45.44' to a point; thence, S 30°30'29" W a distance of 49.04' to a point; thence, S 34°29'40" W a distance of 46.21' to a point; thence, S 40°10'15" W a distance of 47.55' to a point; thence, S 45°32'00" W a distance of 46.88' to a point; thence, S 50°31'57" W a distance of 47.89' to a point; thence, S 55°09'35" W a distance of 47.58' to a point; thence, S 59°45'06" W a distance of 46.78' to a point; thence, S 67°26'24" W a distance of 96.73' to a point; thence, S 72°09'10" W a distance of 63.37' to a point; thence, S 73°33'19" W a distance of 168.47' to an iron pipe; thence leaving said right of way, N 17°36'52" W a distance of 715.23' to an iron pipe; thence, S 72°22'00" W a distance of 359.01' to an iron rod; thence, N 01°20'21" E a distance of 551.13' to an iron pipe; thence, N 87°39'24" W a distance of 199.80' to the **Point of Beginning** containing 959,404.4 SF (22.03 acres) more or less according to a recombination plat for Town of Clayton prepared by Dewberry Engineers Inc. dated November 28, 2017.

PUBLIC NOTICE

The Clayton Town Council has called a public hearing at 6:30 PM on Tuesday, January 2, 2018, at Town Hall, 111 E. Second Street, on the question of annexing the following described non-contiguous property owned by the Town of Clayton:

The area proposed for annexation is described as the following: Lying and being in Clayton Township, Johnston County, North Carolina and being more particularly described as follows:

BEGINNING at a concrete monument, said monument being the southwest corner of a parcel owned by Town of Clayton (PIN # 167800309377); said point also being the southeast corner of a parcel owned by Grifols Therapeutics Inc. (PIN # 167800215181), having coordinates of N: 680412.56 and E: 2173924.64 (NAD83/2011); thence from said point of beginning, N 41°05'15" E a distance of 160.51' to an iron pipe; thence, N 00°44'27" E a distance of 345.34' to an iron pipe; said iron pipe being located on the southern right of way of the railroad; thence along and with said right of way, S 53°10'17" E a distance of 1647.46' to an iron pipe; said iron pipe being located on the northern right of way line of Powhatan Road; thence leaving said railroad right of way and along and with said road right of way, S 26°48'54" W a distance of 264.24' to an iron pipe; thence, S 27°54'23" W a distance of 45.44' to a point; thence, S 30°30'29" W a distance of 49.04' to a point; thence, S 34°29'40" W a distance of 46.21' to a point; thence, S 40°10'15" W a distance of 47.55' to a point; thence, S 45°32'00" W a distance of 46.88' to a point; thence, S 50°31'57" W a distance of 47.89' to a point; thence, S 55°09'35" W a distance of 47.58' to a point; thence, S 59°45'06" W a distance of 46.78' to a point; thence, S 67°26'24" W a distance of 96.73' to a point; thence, S 72°09'10" W a distance of 63.37' to a point; thence, S 73°33'19" W a distance of 168.47' to an iron pipe; thence leaving said right of way, N 17°36'52" W a distance of 715.23' to an iron pipe; thence, S 72°22'00" W a distance of 359.01' to an iron rod; thence, N 01°20'21" E a distance of 551.13' to an iron pipe; thence, N 87°39'24" W a distance of 199.80' to the Point of Beginning containing 959,404.4 SF (22.03 acres) more or less according to a recombination plat for Town of Clayton prepared by Dewberry Engineers Inc. dated November 28, 2017.

This is an open meeting and the public is invited to attend.

Kimberly A. Moffett, CMC
Town Clerk
Town of Clayton
919-553-5002 ext. 5004

Clayton News-Star

Please advertise on the following date:

December 20, 2017

Affidavit of publication required.

Resolution #2017-37

ANNEXATION PETITION 2017-185-ANX
Town Properties on Powhatan Road
Parcels: 05I05019E, 05I05017B, 05E99010H
Owners: Town of Clayton
Non-Contiguous; 22.03 acres

TOWN OF CLAYTON
RESOLUTION STATING THE INTENT OF
THE TOWN OF CLAYTON TO ANNEX PROPERTY OWNED BY
THE TOWN OF CLAYTON WHICH IS NOT CONTIGUOUS TO
THE EXISTING MUNICIPAL BOUNDARIES

BE IT RESOLVED by the Clayton Town Council of the Town of Clayton that:

Section 1. It is the intent of the Clayton Town Council, pursuant to G.S. 160A-58.7, to annex the property described in Section 2, which is owned by the Town of Clayton.

Section 2. Lying and being in Clayton Township, Johnston County, North Carolina and being more particularly described as follows:

> BEGINNING at a concrete monument, said monument being the southwest corner of a parcel owned by Town of Clayton (PIN # 167800309377); said point also being the southeast corner of a parcel owned by Grifols Therapeutics Inc. (PIN # 167800215181), having coordinates of N: 680412.56 and E: 2173924.64 (NAD83/2011); thence from said point of beginning, N 41°05'15" E a distance of 160.51' to an iron pipe; thence, N 00°44'27" E a distance of 345.34' to an iron pipe; said iron pipe being located on the southern right of way of the railroad; thence along and with said right of way, S 53°10'17" E a distance of 1647.46' to an iron pipe; said iron pipe being located on the northern right of way line of Powhatan Road; thence leaving said railroad right of way and along and with said road right of way, S 26°48'54" W a distance of 264.24' to an iron pipe; thence, S 27°54'23" W a distance of 45.44' to a point; thence, S 30°30'29" W a distance of 49.04' to a point; thence, S 34°29'40" W a distance of 46.21' to a point; thence, S 40°10'15" W a distance of 47.55' to a point; thence, S 45°32'00" W a distance of 46.88' to a point; thence, S 50°31'57" W a distance of 47.89' to a point; thence, S 55°09'35" W a distance of 47.58' to a point; thence, S 59°45'06" W a distance of 46.78' to a point; thence, S 67°26'24" W a distance of 96.73' to a point; thence, S 72°09'10" W a distance of 63.37' to a point; thence, S 73°33'19" W a distance of 168.47' to an iron pipe; thence leaving said right of way, N 17°36'52" W a distance of 715.23' to an iron pipe; thence, S 72°22'00" W a distance of 359.01' to an

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Section 3. The property described in Section 2 is not contiguous to the current municipal boundaries.

Section 4. A public hearing on the question of annexation of the non- contiguous area described herein will be held at Town Hall at 6:30 PM on Tuesday, January 2, 2018.

Section 5. Notice of the public hearing shall be published once in the Clayton News-Star, a newspaper having general circulation in the Town of Clayton, at least 10 days prior to the date of the public hearing.

Duly adopted this 18th day of December 2017 while in regular session.

Jody L. McLeod
Mayor

ATTEST:

Kimberly A. Moffett, CMC, NCCMC
Town Clerk

Town Council Agenda Cover Sheet

Meeting Date

December 18, 2017

Agenda Location

Items Scheduled for the Regular Meeting

Item Title

ECIA Water & Wastewater Infrastructure Project Funding Request

Presenter

Rich Cappola – Director of Engineering & Inspections

Summary/Description

Request to allocate $200,000 from the Water/Sewer Enterprise Fund to the East Clayton Industrial Area (ECIA) Water & Wastewater Infrastructure Project. Funds will be used to construct Phase 1 of the project to include a sewer main located on the Regional Wastewater Pre-Treatment Facility project site, and provide some additional funding for Engineering and Project Administration needs.

Requested Action

Place on Consent Agenda

Additional Documents To Be Included in Agenda Packet

Memo to the Town Manager

Engineering & Inspections
111 East Second Street
Clayton, North Carolina 27520

The Premier Community *For Active Families*

MEMORANDUM

TO: Adam Lindsay – Town Manager

CC: Nancy Medlin –Deputy Town Manager
Tim Simpson – Public Works & Utilities Director
Robert McKie – Finance Director

FROM: Rich Cappola – Director of Engineering & Inspections

DATE: December 13, 2017

SUBJECT: East Clayton Industrial Area (ECIA) Water & Wastewater Infrastructure Improvements Phase 1 Fund Appropriation Request

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Construction of the Regional Waste Water Pre-Treatment Facility (WWPTF) is planned to begin in early 2018. A portion of the Town's existing sanitary sewer system (approximately 700 Linear Feet) needs to be relocated to facilitate the construction of the WWPTF. This work was planned as part of a larger town project referred to as the *East Clayton Industrial Area (ECIA) Water & Wastewater Infrastructure Improvements,* however the two project schedules are not currently aligned.

The recommended solution is to phase the ECIA project, which will expedite the construction schedule for this portion by relocating the sanitary sewer main to the ultimate location planned as part of the overall project. Staff is working towards receiving bids by late December with the expectation that a contact can be entered into and construction may start as soon as possible in early January 2018 with completion occurring in mid/late February 2018. To achieve this expedited schedule, a fund balance appropriation is required to meet Finance pre-audit requirements and allow the Town Manager to execute the contract.

Staff is requesting a Water/Sewer fund allocation to the existing ECIA Project Fund ("638") in the amount of $200,000 to cover Phase 1 Construction and some additional Engineering and Administration costs associated with the project. A future request will be submitted for the remainder of the project once the overall schedule is developed.

P.O. Box 879 • Clayton, North Carolina 27528 • Office (919)553-5002 • Fax (919)553-8919

www.townofclaytonnc.org

Ordinance # 2018-01-01

Town of Clayton
Amendment to the Capital Project Budget Ordinance

BE IT HEREBY ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF CLAYTON that the following amendments shall be made to the ECIA Lift Station Project Capital Budget Ordinance:

Fund: 638 – ECIA Lift Station Project

Line Item	Previous Appropriation	Adjustment	Revised Appropriation
Revenues			
638-49 81 Due from Water & Sewer Fund	$2,145,500	+200,000	$2,345,500
Expenditures			
638-58 31 Sewer Line Improvements	$3,888,000	+200,000	$4,088,000

Explanation: Amend the capital project budget ordinance to reflect the relocation of a portion of the Town's gravity sanitary sewer line to facilitate construction of a Public Wastewater Pretreatment Facility. This amendment is required for compliance with G.S. 159-13.2.

Duly adopted this ____ day of ___________, 2018 while in regular session.

____
Jody L. McLeod
Mayor

Attest:

____
Kimberly A. Moffett, CMC, NCCMC
Town Clerk