FINANCIAL STATEMENTS

Town Of Clayton

Kent County, Delaware

December 31, 2014

TOWN OF CLAYTON

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Papaleo, Rosen & Chelf, P.A. CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of Clayton
Clayton, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Delaware, as of and for the year ended December 31, 2014, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, each major fund, and the aggregate remaining fund information of the Town of Clayton, Delaware, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Town Council
Town of Clayton

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 35 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clayton, Delaware's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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, the combining nonmajor fund financial statements 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 March 23, 2015, on our consideration of the Town of Clayton, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clayton, Delaware's internal control over financial reporting and compliance.

Papaleo, Rosen & Chelf, P.A.

Papaleo, Rosen & Chelf, PA
Wilmington, Delaware
March 23, 2015

This discussion and analysis of the Town of Clayton, Delaware (the "Town") provides an overview of the Town's financial performance for the fiscal year ended December 31, 2014. Please read it in conjunction with the Town's financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at December 31, 2014, by $6.4 million (net position). Of this amount, $(32) thousand (unrestricted net position) deficit may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net position increased by $16 thousand. The current year increase in the Town's net position is due primarily to an increase in the electric fund charges. Also, trash rates increased from $21.20 to $22.20 per month during 2014.

As of December 31, 2014, the Town's governmental funds reported combined ending fund balances of $3 million, an increase of $41 thousand as compared to the prior year. The current year increase in fund balance can be attributed to the increase in franchise fees and interfund transfers.

As of December 31, 2014, the Town's proprietary funds reported a combined net position of $2.7 million, which was the same when compared to the prior year. Electric billing rates remained the same for 2014. Electric rates were $11.94 for the first 45 kw and $0.1404 per kw thereafter. Sewer billing rates remained the same as the prior year at $16.50 for 2,000 gallons with each additional 1,000 gallons for $5.00. Water billing rates remained the same as the prior year at $9.50 for 2,000 gallons with each additional 1,000 gallons for $4.00.

Overview Of The Financial Statements

The financial statements consist of three parts – management's discussion and analysis, the basic financial statements and required supplementary information. This discussion and analysis is intended to serve as an introduction to the Town of Clayton's basic financial statements. The Town of Clayton's basic financial statements are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are entity-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the entity-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Entity-Wide Financial Statements. The entity-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting.

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods.

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, and licensing and inspection. Business-type activities consist of the Town's electric distribution system and water supply and sewage collection system.

Fund Financial Statements. Traditional readers of government financial statements will find the fund financial statement presentation more familiar where the focus is on the Town's most significant funds. 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 uses fund accounting to ensure and demonstrate fiscal accountability. The Town uses governmental and proprietary fund financial statements to provide more detailed information about the Town's most significant funds rather than the Town as a whole.

Governmental Funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statements of Net Position and Activities) and governmental funds is described in a reconciliation.

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like entity-wide financial statements, provide both long and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the Town's proprietary funds. The proprietary funds are used to report the same functions presented as business-type activities in the entity-wide financial statements. The Town uses proprietary funds to account for its electric distribution system and water supply and sewage collection system. The Town purchases 100 percent of its electric supply requirements from the Delaware Municipal Electric Corporation ("DEMEC") under a long-term full requirements service contract. In addition, the Town is charged a fee by the Town of Smyrna and Kent County to discharge the Town's proportionate share of wastewater into their respective facilities under an operating contract.

Notes To The Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town. A budgetary comparison schedule has been provided for the General Fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Entity-Wide Financial Analysis

The following table presents a summary of the Statement of Net Position for the Town as of December 31, 2014, and 2013:

Table 1 – Condensed Statement Of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other assets	$ 3,859,938	$ 3,804,738	$ 843,575	$ 824,196	$ 4,703,513	$ 4,628,934
Capital assets, net	1,123,906	976,636	2,952,306	3,087,230	4,076,212	4,063,866
TOTAL ASSETS	4,983,844	4,781,374	3,795,881	3,911,426	8,779,725	8,692,800
LIABILITIES						
Current liabilities	810,426	828,027	411,100	438,325	1,221,526	1,266,352
Noncurrent liabilities	436,200	294,635	711,307	736,800	1,147,507	1,031,435
TOTAL LIABILITIES	1,246,626	1,122,662	1,122,407	1,175,125	2,369,033	2,297,787
NET POSITION						
Invested in capital assets, net of related debt	1,083,868	956,158	2,311,049	2,408,791	3,394,917	3,364,949
Restricted	3,047,358	2,801,577	-0-	-0-	3,047,358	2,801,577
Unrestricted (deficit)	(394,008)	(99,023)	362,425	327,510	(31,583)	228,487
TOTAL NET POSITION	$ 3,737,218	$ 3,658,712	$ 2,673,474	$ 2,736,301	$ 6,410,692	$ 6,395,013

Invested in capital assets, net of related debt decreased as a result of depreciation expense exceeding capital additions for the year. The largest portion of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to residents and are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position increased due to the accumulation of resources restricted to public works projects and future growth initiatives.

Table 2 – Changes In Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	$ 586,009	$ 586,433	$ 3,323,843	$ 3,284,432	$ 3,909,852	$ 3,870,865
Operating grants and contributions	146,746	158,993	-0-	-0-	146,746	158,993
Capital grants and contributions	64,189	-0-	-0-	-0-	64,189	-0-
General revenues:						
Taxes	550,198	513,868	-0-	-0-	550,198	513,868
Investment earnings	1,299	3,205	289	769	1,588	3,974
Franchise fees	45,231	60,359	-0-	-0-	45,231	60,359
Miscellaneous	5,668	1,958	-0-	-0-	5,668	1,958
Transfers/Contributions	839,273	754,451	-0-	-0-	839,273	754,451
TOTAL REVENUES	2,238,613	2,079,267	3,324,132	3,285,201	5,562,745	5,364,468
EXPENSES						
General government	435,307	376,137	-0-	-0-	435,307	376,137
Public safety	1,124,676	1,052,069	-0-	-0-	1,124,676	1,052,069
Public works	557,204	413,394	-0-	-0-	557,204	413,394
Licensing and inspection	42,920	31,648	-0-	-0-	42,920	31,648
Electric operations	-0-	-0-	1,876,715	1,791,104	1,876,715	1,791,104
Water/Sewer operations	-0-	-0-	670,971	734,323	670,971	734,323
Transfers	-0-	-0-	839,273	754,451	839,273	754,451
TOTAL EXPENSES	2,160,107	1,873,248	3,386,959	3,279,878	5,547,066	5,153,126
INCREASE (DECREASE) IN NET POSITION	78,506	206,019	(62,827)	5,323	15,679	211,342
NET POSITION, BEGINNING OF YEAR	3,658,712	3,452,693	2,736,301	2,730,978	6,395,013	6,183,671
NET POSITION, END OF YEAR	$ 3,737,218	$ 3,658,712	$ 2,673,474	$ 2,736,301	$ 6,410,692	$ 6,395,013

Governmental Activities

The cost of all governmental activities in 2014 was $2.2million. The amount that taxpayers ultimately financed for these activities through Town taxes was $550 thousand, or 25 percent. Other costs were paid by those who directly benefited from the programs ($586 thousand, or 27 percent) or by government agencies and organizations that subsidized funding with intergovernmental aid and contributions ($1 million, or 48 percent).

Charges for services remained consistent with prior year in building permit and impact fees which can be attributed to the continued development within Town limits. Increases in taxes relate primarily to an increase in transfer taxes from the prior year in the amount of $(24) thousand and an increase in property taxes of $12 thousand. The increase in transfer taxes is due to an increase in development within Town limits; the increase in property taxes is due to additional assessments related to development in prior years.

As indicated by the governmental program expenses, general government programs accounted for 20 percent of the Town's governmental activities and remained consistent with prior year amounts. Public safety expenses accounted for 52 percent of the Town's governmental activities, public works expenses accounted for 2 percent, and licensing and inspection expenses accounted for 26 percent, all consistent with prior year amounts.

Business-Type Activities And Proprietary Funds

Charges for services represent the principal revenue source for the Town's business-type activities and proprietary funds were $3.3 million which was consistent with the prior year. The overall expenses of the business-type activities increased by approximately 3 percent. Expense increases are due to an increase in electric purchased.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of December 31, 2014, the Town's governmental funds reported combined ending fund balances of $3 million, which is consistent with the prior year. Approximately 107 percent, or $3.3 million, constitutes fund balance reserved for special purposes, leaving a deficit of $(239) thousand.

The General Fund is the chief operating fund of the Town. As of December 31, 2014, the total of the General Fund was approximately $174 thousand, of which $(239) thousand is unreserved and undesignated, $201 thousand has been designated by the Town to fund future costs for post-employment benefits, $54 thousand has been reserved for future police pension costs, $123 thousand has been reserved for future public works costs, and $35 thousand has been reserved for inventory and prepaid costs. The fund balance decreased by $132 thousand during the year ended December 31, 2014.

The other major fund of the Town is the Impact Fees Fund which is used to accumulate resources for future growth initiatives as mandated by law.

Significant changes in revenues and expenditures for the governmental funds are consistent with the prior analysis of the governmental activities revenues and expenses. Other financing sources consisted of transfers from the proprietary funds to subsidize the government's primary governmental operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the Town's budget and actual results can be found on page 35. There were no amendments to the original budget. A summary of significant variations between budget amounts and actual results are as follows:

- Transfer tax revenue was $128 thousand more than budget due to the timing of the completion of development projects and the sale of the associated properties.
- Charges for services revenue was $35 thousand more than budget due to increased permits and trash fees collected.
- Intergovernmental revenues were $52 thousand more than budget due to additional grant funding.
- General government expenditures were $53 thousand less than budget due to less paid for repairs and equipment.
- Public safety expenses were over budget by $109 thousand due to an increase in health benefits, maintenance, and equipment for the public safety department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of December 31, 2014, amounted to $4.1 million, net of accumulated depreciation. Capital assets include land, building and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure. Current year additions of $239 thousand exceeded depreciation expense of $227 thousand.

More detailed information about the Town's capital assets is presented in the notes to the basic financial statements.

Debt Administration

During the year ended December 31, 2014, the Town paid approximately $37 thousand to bring the total debt to approximately $641 thousand through the Delaware Department of Natural Resources and Environmental Control to finance the Town's water treatment facilities.

More detailed information about the Town's long-term liabilities is presented in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The primary economic factor affecting the budget for the Town of Clayton is the residential housing market. Industrial and commercial activities are minimal. Impact fees imposed upon new residential construction support infrastructure improvements. Permit fees and transfer taxes support the operations of Public Works and Administrative department operations, respectively.

Rates for taxes and fees for services will remain consistent in 2015 in relation to 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, please contact the Town of Clayton, 414 Main Street, P. O. Box 1130, Clayton, Delaware 19938-1130.

TOWN OF CLAYTON
STATEMENT OF NET POSITION
DECEMBER 31, 2014
(With Summarized Comparative Data for December 31, 2013)

	Governmental Activities	Business-Type Activities	Totals 2014	Totals 2013 *
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,136,033	$ 663,150	$ 3,799,183	$ 3,835,685
Taxes receivable	31,148	-0-	31,148	28,905
Accounts receivable	8,549	99,064	107,613	91,269
Other receivables	85,771	-0-	85,771	56,814
Inventory	5,030	70,815	75,845	39,930
Prepaid expenses	31,112	3,134	34,246	36,250
Due from other fund	562,295	7,412	569,707	540,081
Total Current Assets	3,859,938	843,575	4,703,513	4,628,934
Noncurrent Assets:				
Capital assets, net	1,123,906	2,952,306	4,076,212	4,063,866
TOTAL ASSETS	$ 4,983,844	$ 3,795,881	$ 8,779,725	$ 8,692,800
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current Liabilities:				
Accounts payable	$ 66,114	$ 207,132	$ 273,246	$ 257,225
Due to other fund	569,707	-0-	569,707	540,081
Impact fee escrows	76,475	-0-	76,475	170,230
Accrued salaries and benefits	37,838	9,086	46,924	59,925
Accrued interest	1,886	7,268	9,154	8,890
Loan payable	24,821	38,200	63,021	47,082
Accrued compensated absences	33,585	14,304	47,889	49,254
Utility deposits	-0-	135,110	135,110	133,665
Total Current Liabilities	810,426	411,100	1,221,526	1,266,352
Noncurrent Liabilities:				
Accrued compensated absences	61,169	21,456	82,625	83,767
Post-employment benefits	359,814	86,794	446,608	295,833
Loan payable	15,217	603,057	618,274	651,835
Total Noncurrent Liabilities	436,200	711,307	1,147,507	1,031,435
TOTAL LIABILITIES	1,246,626	1,122,407	2,369,033	2,297,787
NET POSITION				
Invested in capital assets, net of related debt	1,083,868	2,311,049	3,394,917	3,364,949
Unrestricted (deficit)	(394,008)	362,425	(31,583)	228,487
Restricted for police	54,207	-0-	54,207	59,277
Restricted for public works	168,141	-0-	168,141	149,641
Restricted for future growth initiatives	2,825,010	-0-	2,825,010	2,592,659
TOTAL NET POSITION	3,737,218	2,673,474	6,410,692	6,395,013
TOTAL LIABILITIES AND NET POSITION	$ 4,983,844	$ 3,795,881	$ 8,779,725	$ 8,692,800

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
							Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2014	2013 *
GOVERNMENTAL ACTIVITIES								
General government	$ 435,307	$ 7,808	$ 1,950	$ -0-	$ (425,549)	$ -0-	$ (425,549)	$ (369,105)
Public safety	1,124,676	84,196	103,680	14,443	(922,357)	-0-	(922,357)	(866,384)
Public works	557,204	445,486	41,116	49,746	(20,856)	-0-	(20,856)	98,535
Licensing and inspection	42,920	48,519	-0-	-0-	5,599	-0-	5,599	9,132
TOTAL GOVERNMENTAL ACTIVITIES	2,160,107	586,009	146,746	64,189	(1,363,163)	-0-	(1,363,163)	(1,127,822)
BUSINESS-TYPE ACTIVITIES								
Electric	1,876,715	2,530,375	-0-	-0-	-0-	653,660	653,660	724,413
Water/Sewer	670,971	793,468	-0-	-0-	-0-	122,497	122,497	34,592
TOTAL BUSINESS-TYPE ACTIVITIES	2,547,686	3,323,843	-0-	-0-	-0-	776,157	776,157	759,005
TOTAL PRIMARY GOVERNMENT	$ 4,707,793	$ 3,909,852	$ 146,476	$ 64,189	$ (1,363,163)	$ 776,157	$ (587,006)	$ (368,817)
GENERAL REVENUE								
Real estate taxes					$ 339,519	$ -0-	$ 339,519	$ 326,554
Real estate transfer taxes					210,679	-0-	210,679	187,314
Franchise fees					45,231	-0-	45,231	60,359
Interest income					1,299	289	1,588	3,974
Miscellaneous					5,668	-0-	5,668	1,958
TRANSFERS					839,273	(839,273)	-0-	-0-
TOTAL GENERAL REVENUES AND TRANSFERS					1,441,669	(838,984)	602,685	580,159
CHANGE IN NET POSITION					78,506	(62,827)	15,679	211,342
NET POSITION, BEGINNING OF YEAR					3,658,712	2,736,301	6,395,013	6,183,671
NET POSITION, END OF YEAR					$ 3,737,218	$ 2,673,474	$ 6,410,692	$ 6,395,013

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(With Summarized Comparative Data for December 31, 2013)

	General Fund	Impact Fees Fund	Nonmajor Governmental Funds	Totals 2014	Totals 2013 *
ASSETS					
Cash and cash equivalents	$ 715,404	$ 2,372,608	$ 48,021	$ 3,136,033	$ 3,137,121
Taxes receivable	31,148	-0-	-0-	31,148	28,905
Accounts receivable	8,549	-0-	-0-	8,549	6,573
Other receivables	72,319	13,452	-0-	85,771	56,814
Inventory	5,030	-0-	-0-	5,030	14,918
Prepaid expenses	31,112	-0-	-0-	31,112	31,968
Due from other funds	2,116	559,879	300	562,295	528,439
TOTAL ASSETS	$ 865,678	$ 2,945,939	$ 48,321	$ 3,859,938	$ 3,804,738
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 21,298	$ 44,454	$ 362	$ 66,114	$ 26,653
Impact fee escrows	-0-	76,475	-0-	76,475	170,230
Accrued salaries and benefits	37,838	-0-	-0-	37,838	46,749
Accrued compensated absences	33,585	-0-	-0-	33,585	33,213
Due to other funds	567,592	-0-	2,115	569,707	540,081
TOTAL LIABILITIES	660,313	120,929	2,477	783,719	816,926
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property taxes	31,148	-0-	-0-	31,148	28,905
TOTAL DEFERRED INFLOWS OF RESOURCES	31,148	-0-	-0-	31,148	28,905
FUND BALANCES:					
Unassigned	(239,525)	-0-	-0-	(239,525)	(73,058)
Committed for:					
Post-employment benefits	201,095	-0-	-0-	201,095	183,502
Restricted for police	53,843	-0-	364	54,207	59,277
Restricted for public works	122,661	-0-	45,480	168,141	149,641
Restricted for future growth initiatives	-0-	2,825,010	-0-	2,825,010	2,592,659
Nonspendable	36,143	-0-	-0-	36,143	46,886
TOTAL FUND BALANCES	174,217	2,825,010	45,844	3,045,071	2,958,907
TOTAL LIABILITIES AND FUND BALANCES	$ 865,678	$ 2,945,939	$ 48,321	$ 3,859,938	$ 3,804,738

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2014

TOTAL GOVERNMENTAL FUND BALANCES		$ 3,045,071
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.		1,123,906
Some of the Town's assets are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds.		31,148
Long-term liabilities, including loans payable that are not due and payable in the current period and, therefore, are not reported in the funds.		
Loans payable	$ (40,038)	
Post-employment benefits	(359,814)	
Accrued interest	(1,886)	(401,738)
Expenses accrued for compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		(61,169)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,737,218

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

	General Fund	Impact Fees Fund	Nonmajor Governmental Funds	Totals 2014	Totals 2013 *
REVENUES					
Taxes:					
Property taxes	$ 337,276	$ -0-	$ -0-	$ 337,276	$ 317,891
Transfer taxes	210,679	-0-	-0-	210,679	187,314
Special assessment/impact fees	-0-	142,000	-0-	142,000	168,500
Charges for services	358,126	-0-	-0-	358,126	337,635
Intergovernmental	161,794	-0-	49,141	210,935	158,993
Licenses and fees	7,808	-0-	-0-	7,808	6,892
Fines and forfeits	78,076	-0-	-0-	78,076	73,406
Franchise fees	45,231	-0-	-0-	45,231	60,359
Interest income	344	939	16	1,299	3,205
Miscellaneous	86	580	-0-	666	1,958
TOTAL REVENUES	1,199,420	143,519	49,157	1,392,096	1,316,153
EXPENDITURES					
Current:					
General government	406,148	-0-	-0-	406,148	361,187
Public safety	968,087	-0-	7,505	975,592	928,498
Public works	423,684	44,454	36,288	504,426	378,019
Licensing and inspection	42,920	-0-	-0-	42,920	31,648
Debt Service:					
Principal	26,159	-0-	-0-	26,159	114,328
Interest	1,401	-0-	-0-	1,401	1,303
Capital outlays	219,928	-0-	19,350	239,278	24,195
TOTAL EXPENDITURES	2,088,327	44,454	63,143	2,195,924	1,839,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(888,907)	99,065	(13,986)	(803,828)	(523,025)
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	5,000	-0-	-0-	5,000	-0-
Loan proceeds	45,719	-0-	-0-	45,719	-0-
Transfers in	706,601	133,286	-0-	839,887	793,951
Transfers out	-0-	-0-	(614)	(614)	(39,500)
TOTAL OTHER FINANCING SOURCES	757,320	133,286	(614)	889,992	754,451
NET CHANGES IN FUND BALANCES	(131,587)	232,351	(14,600)	86,164	231,426
FUND BALANCES, BEGINNING OF YEAR	305,804	2,592,659	60,444	2,958,907	2,727,481
FUND BALANCES, END OF YEAR	$ 174,217	$ 2,825,010	$ 45,844	$ 3,045,071	$ 2,958,907

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS		$ 86,164
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlays ($239,278) exceeds depreciation ($92,008).		147,270
Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.		2,242
The issuance of long-term debt (e.g. loans payable) provide 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, however, has any effect on net position.		(19,560)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financial resources but are recognized in the statement of activities as they accrue. The following differences, therefore, occurred between the statement of activities and the governmental funds.		
Compensated absences	$ (1,464)	
Accrued interest	(684)	
Net OPEB obligation	(135,462)	(137,610)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 78,506

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2014
(With Summarized Comparative Data for December 31, 2013)

	Electric Fund	Water And Sewer Fund	Totals 2014	Totals 2013 *
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 663,148	$ 2	$ 663,150	$ 698,564
Accounts receivable	63,095	35,969	99,064	84,696
Inventory	61,130	9,685	70,815	25,012
Prepaid expenses	1,567	1,567	3,134	4,282
Due from other funds	7,412	-0-	7,412	11,642
Total Current Assets	796,352	47,223	843,575	824,196
Noncurrent Assets:				
Capital assets, net	1,085,790	1,866,516	2,952,306	3,087,230
TOTAL ASSETS	$ 1,882,142	$ 1,913,739	$ 3,795,881	$ 3,911,426
LIABILITIES AND NET POSITION				
Current Liabilities:				
Accounts payable	$ 143,565	$ 63,567	$ 207,132	$ 230,572
Accrued salaries and benefits	4,543	4,543	9,086	13,176
Accrued interest	-0-	7,268	7,268	7,689
Loan payable	-0-	38,200	38,200	37,182
Accrued compensated absences	7,152	7,152	14,304	16,041
Utility deposits	135,110	-0-	135,110	133,665
Total Current Liabilities	290,370	120,730	411,100	438,325
Noncurrent Liabilities:				
Accrued compensated absences	10,728	10,728	21,456	24,062
Post-employment benefits	43,397	43,397	86,794	71,481
Loan payable	-0-	603,057	603,057	641,257
Total Noncurrent Liabilities	54,125	657,182	711,307	736,800
TOTAL LIABILITIES	344,495	777,912	1,122,407	1,175,125
NET POSITION				
Invested in capital assets, net of related debt	1,085,790	1,225,259	2,311,049	2,408,791
Unrestricted (Deficit)	451,857	(89,432)	362,425	327,510
TOTAL NET POSITION	1,537,647	1,135,827	2,673,474	2,736,301
TOTAL LIABILITIES AND NET POSITION	$ 1,882,142	$ 1,913,739	$ 3,795,881	$ 3,911,426

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

	Electric Fund	Water and Sewer Fund	Totals 2014	Totals 2013 *
OPERATING REVENUES				
User service charges	$ 2,467,618	$ 758,385	$ 3,226,003	$ 3,182,855
Other operating revenue	62,757	35,083	97,840	101,577
Total Operating Revenue	2,530,375	793,468	3,323,843	3,284,432
OPERATING EXPENSES				
Electric purchased	1,560,853	-0-	1,560,853	1,484,879
Utility tax	13,687	-0-	13,687	12,924
Sewer charges	-0-	290,702	290,702	323,027
System upgrades and maintenance	22,125	90,079	112,204	108,421
Salaries and wages	103,081	103,081	206,162	218,785
Employee benefits	43,101	43,101	86,202	92,031
Depreciation	53,755	81,169	134,924	137,042
Supplies	20,232	38,867	59,099	54,390
Administration expenses	3,738	5,112	8,850	8,622
Professional services	56,143	1,079	57,222	66,452
Total Operating Expenses	1,876,715	653,190	2,529,905	2,506,573
OPERATING INCOME	653,660	140,278	793,938	777,859
NONOPERATING REVENUES (EXPENSES)				
Interest income	289	-0-	289	769
Interest expense	-0-	(17,781)	(17,781)	(18,854)
Total Nonoperating Revenues (Expenses)	289	(17,781)	(17,492)	(18,085)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	653,949	122,497	776,446	759,774
Transfers out	(692,832)	(146,441)	(839,273)	(754,451)
CHANGE IN NET POSITION	(38,883)	(23,944)	(62,827)	5,323
NET POSITION, BEGINNING OF YEAR	1,576,530	1,159,771	2,736,301	2,730,978
NET POSITION, END OF YEAR	$ 1,537,647	$ 1,135,827	$ 2,673,474	$ 2,736,301

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

	Electric Fund	Water and Sewer Fund	Totals 2014	Totals 2013 *
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	$ 2,525,035	$ 785,884	$ 3,310,919	$ 3,313,107
Paid to suppliers for goods and services	(1,749,797)	(420,914)	(2,170,711)	(2,186,036)
Paid to employees for services	(122,339)	(163,145)	(285,484)	(282,917)
NET CASH PROVIDED BY OPERATING ACTIVITIES	652,899	201,825	854,724	844,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due from other funds	4,230	-0-	4,230	671
Transfers out	(692,832)	(146,441)	(839,273)	(754,451)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(688,602)	(146,441)	(835,043)	(753,780)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan payment	-0-	(37,182)	(37,182)	(36,190)
Acquisition and construction of capital assets	-0-	-0-	-0-	(56,014)
Interest paid	-0-	(18,202)	(18,202)	(19,194)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(55,384)	(55,384)	(111,398)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	289	-0-	289	769
NET CASH PROVIDED BY INVESTING ACTIVITIES	289	-0-	289	769
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,414)	-0-	(35,414)	(20,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	698,562	2	698,564	718,819
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 663,148	$ 2	$ 663,150	$ 698,564

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

	Electric Fund	Water and Sewer Fund	Totals 2014	Totals 2013 *
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	$ 653,660	$ 140,278	$ 793,938	$ 777,859
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	53,755	81,169	134,924	137,042
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	(6,785)	(7,583)	(14,368)	19,695
(Increase) Decrease in inventory	(42,790)	(3,013)	(45,803)	(4,138)
(Increase) Decrease in prepaid expenses	(140)	1,288	1,148	(1,045)
Increase (Decrease) in accounts payable	(30,089)	6,649	(23,440)	(122,138)
Increase (Decrease) in accrued salaries and benefits	(239)	(3,851)	(4,090)	2,056
Increase (Decrease) in compensated absences	4,512	(8,855)	(4,343)	560
Increase (Decrease) in utility deposits	1,445	-0-	1,445	8,980
Increase (Decrease) in post-employment benefits	19,570	(4,257)	15,313	25,283
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 652,899	$ 201,825	$ 854,724	$ 844,154

* Restated for comparative purposes.

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Clayton complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

The Town of Clayton, Delaware (the "Town") was incorporated in 1887 under the provisions of the State of Delaware. The Town operates under a Council form of government and provides the following services as authorized by its charter: public safety, public works, utilities, licensing and inspection, and general government.

The Government Accounting Standards Board established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. GASB Statement No. 61, "The Financial Reporting Entity: Omnibus, " established the treatment of component units within the financial statements. The criteria used in determining whether such organizations should be included in the Town's financial reporting entity are financial interdependences, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships.

The Town has determined that no other outside agency meets the above criteria and; therefore, no other agency has been included as a component unit in the Town's financial statements. In addition, the Town is not aware of any entity which would exercise such oversight which would result in the Town being considered a component unit of the entity.

Entity-Wide And Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The entity-wide financial statements report net position in one of three components. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital funds. Unrestricted net position consist of net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific Town expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Other revenues, including charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for 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.

The Town reports the following major governmental funds:

General Fund – This fund is used to account for the general operating activities of the Town. General government, public safety, public works, and licensing and inspections are financed through this fund with receipts from general property taxes, transfer taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental and other revenue.

Impact Fees Fund – This fund is used to account for impact fees until they are transferred to the appropriate fund for specific, eligible projects.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Nonmajor Governmental Funds – In addition to the aforementioned major governmental funds, the Town includes the Municipal Street Aid, S.A.L.L.E., E.I.D.E., and seized asset illegal drug enforcement funds in its financial statements.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Town's proprietary funds are electric and water/sewer charges. Operating expenses for the Town's proprietary funds include salaries, employee benefits, production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

Electric Fund – Used to account for the operation of an electric distribution system.

Water And Sewer Fund – Used to account for the operation of a water supply and sewage collection system.

Cash And Cash Equivalents

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Allowance For Doubtful Accounts

The Town of Clayton's water, sewer and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts has not been established by the Town for its proprietary funds.

Inventories And Prepaid Expenses

Inventories of business-type activities and proprietary fund types are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Assets

Capital assets, including property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. During the year ended December 31, 2007, the Town adopted a capitalization threshold of $5,000 with an estimated life in excess of one year. Capital assets placed in service prior to January 1, 2007, with a cost of less than $5,000 will continue to be depreciated until the asset is fully depreciated or disposed. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive on ancillary costs.

GASB Statement No. 34 permits Phase III local governments to elect not to report infrastructure retroactively and report general infrastructure prospectively only. Management has assessed the impact of infrastructure capitalization on the financial statements and has determined that the cost outweighs the benefit of reporting the Town's infrastructure retroactively.

Capital assets of the Town are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Vehicles	5-8 years
Land improvements	20 years
Machinery and equipment	5-10 years

Compensated Absences

Regular, full-time employees are allowed sick leave on the basis of 10 days per year. Each January, employees have the option to continue accruing sick leave or be paid for unused sick leave from the previous year. Upon termination or retirement, an employee shall be paid a maximum of 45 days of accrued unused sick leave.

Regular, full-time employees accrue vacation leave on the basis of two weeks per year after completion of one year of continuous service. After three years of continuous service, two weeks vacation will be accrued. After six years of continuous service, three weeks vacation will be accrued. After 14 years of continuous service, four weeks vacation will be accrued. If an employee resigns or is terminated for any reason including dismissal or dies with unused annual leave credit, the employee, or in the case of his/her death, his/her estate, shall be paid for unused vacation time. Employees leaving the Town's employment on or before the 15th of a month will not receive credit for that month. Those employees departing the Town's employment after the 15th of a month will receive full credit for that month.

Accumulated vacation and sick leave is accrued when incurred in the entity-wide financial statements and proprietary fund types. A liability is reported in the governmental funds only if it is expendable from available financial resources. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental fund activities. Compensated absences associated with proprietary funds are liquidated from the fund in which the liability was generated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The proprietary funds report the same three components of net position as do the entity-wide financial statements. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

The Town follows the provisions of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which addresses a change in the classification of fund balance. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the resources reported in governmental funds.

Fund balance will be displayed in the following classification depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

- *Assigned fund balance* – amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

- *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed interest at one percent per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a pro rata basis. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2014 was 65 cents per $100 of assessed value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use Of Estimates In The Preparation Of Financial Statements

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 those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Town's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Restricted Assets

Certain assets are classified as restricted at the entity-wide level because they are maintained in separate bank accounts and their use is limited.

Implementation Of New Accounting Pronouncements

GASB has issued the following statements not yet implemented by the Town. The Town's management has not yet determined the effect, if any, these statements will have on the Town's financial statements.

In June 2012, GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27." The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this statement are effective for the Town's 2015 financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.

b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Impact Fees Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the combined Impact Fees Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

Budgetary Information

c. Management is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.

d. Unused appropriations for all of the above annually budgeted funds lapse at year end.

e. For 2014 there were no revisions to any legally adopted budgets.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2014, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public safety	$109,346
Capital outlays	$ 59,756
Licensing and inspection	$ 2,794

All excess of expenditures over appropriations were funded by higher than anticipated revenues, transfers from other funds and the use of existing fund balances.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town of Clayton as a depositor and an investor generally requires full and continuous collateralization based upon fair value in the form of:

- Obligations of or guaranteed by the United States of America, or
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority or an agency or instrumentality of the United States of America, or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities or any agency or instrumentality of the State of Delaware.

As an investor, the Town of Clayton may invest in any of the above cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

The Town maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the balance sheet and the statement of net position as cash and cash equivalents. Deposits and investments of governmental and proprietary funds are reported at fair value.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (cont'd)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town does not have a policy regarding custodial credit risk for deposits. At December 31, 2014, the carrying amount of the Town's deposits was $3,799,183 and the bank balance was $3,821,226. Of the bank balance, $250,000 was covered by federal depository insurance, and $3,571,226 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance*	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 433,916	$ -0-	$ -0-	$ 433,916
Total Capital Assets Not Being Depreciated	433,916	-0-	-0-	433,916
Capital assets being depreciated:				
Buildings	289,794	-0-	-0-	289,794
Improvements	183,536	124,873	-0-	308,409
Vehicles	615,083	114,404	80,661	648,826
Machinery and equipment	523,121	-0-	204,947	318,174
Total Capital Assets Being Depreciated	1,611,534	239,277	285,608	1,565,203
Accumulated depreciation:				
Buildings	130,649	6,270	-0-	136,919
Land Improvements	59,759	9,676	-0-	69,435
Vehicles	452,542	55,194	80,661	427,075
Machinery and equipment	425,864	20,867	204,947	241,784
Total Accumulated Depreciation	1,068,814	92,007	285,608	875,213
Total Capital Assets Being Depreciated, Net	542,720	147,270	-0-	689,990
Governmental Activities Assets, Net	$ 976,636	$ 147,270	$ -0-	$ 1,123,906

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance*	Increase	Decrease	Ending Balance
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and infrastructure	$ 4,670,933	$ -0-	$ 16,422	$ 4,654,511
Vehicles	219,455	-0-	45,725	173,730
Machinery and equipment	133,879	-0-	-0-	133,879
Total Capital Assets Being Depreciated	5,024,267	-0-	62,147	4,962,120
Accumulated depreciation:				
Buildings and improvements	1,662,291	120,241	16,422	1,766,110
Vehicles	219,454	-0-	45,725	173,729
Machinery and equipment	55,292	14,683	-0-	69,975
Total Accumulated Depreciation	1,937,037	134,924	62,147	2,009,814
Business-Type Activities Assets, Net	$ 3,087,230	$ (134,924)	$ -0-	$ 2,952,306

* Restated for comparative purposes.

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	$ 16,130
Public safety	48,094
Public works	27,783
Total Depreciation Expense – Governmental Activities	$ 92,007
Business-Type Activities:	
Electric	$ 53,755
Water	81,169
Total Depreciation Expense – Business-Type Activities	$ 134,924

NOTE 5 CHANGES IN COMPENSATED ABSENCES

	Beginning Balance*	Increase	Decrease	Ending Balance
Governmental Activities:				
Accumulated compensated absences	$ 92,918	$ 18,175	$ 16,339	$ 94,754
Business-Type Activities:				
Accumulated compensated absences				
Electric	$ 13,368	$ 799	$ 2,970	$ 11,197
Sewer	26,735	799	2,971	24,563
	$ 40,103	$ 1,598	$ 5,941	$ 35,760

* Restated for comparative purposes.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2014, is as follows:

Due To	Amount	Due From	Amount
Impact Fees Fund	$ 526,879	General Fund	$ 567,592
Electric Fund	7,412	E.I.D.E. Fund	1,740
E.I.D.E. Fund	300	S.A.L.L.E. Fund	375
Capital Reserve	33,000		
General Fund	2,116		
Total	$ 569,707		$ 569,707

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

The composition of interfund transfers for the year ended December 31, 2014, was as follows:

	Transfer In	Transfer Out
Municipal Street Aid Fund	$ -0-	$ 614
General Fund	839,887	-0-
Electric Fund	-0-	692,832
Water and Sewer Fund	-0-	146,441
Total	$ 839,887	$ 839,887

Transfers from the electric fund and water and sewer funds to the impact fees fund and general fund were to subsidize those funds' operating activities.

NOTE 7 LONG-TERM DEBT

A change in the long-term debt is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Loan payable – Ally Bank	$ 20,478	$ -0-	$ 9,900	$ 10,578
Loan payable – Ally Bank	-0-	45,719	16,259	29,460
	$ 20,478	$ 45,719	$ 26,159	$ 40,038

The loan payable between Ally Bank and the Town of Clayton Police Department is for a 2013 police vehicle. The loan was entered into on February 21, 2013, and bears interest at 6.84 percent payable on February 21 in the amount of $11,301. The loan matures on February 21, 2015.

NOTE 7 LONG-TERM DEBT (cont'd)

The loan payable between Ally Bank and the Town of Clayton Police Department is for two 2014 police vehicles. The loan was entered into on February 14, 2014, and bears interest at 6.84 percent payable in May in the amount of $16,258. The loan matures in May 2016.

The maturity of debt obligation, including interest, is as follows:

Year Ended December 31,	Principal	Interest	Total
2015	$ 24,821	$ 2,738	$ 27,559
2016	15,217	1,041	16,258
	$ 40,038	$ 3,779	$ 43,817

A schedule of changes in the long-term debt is as follows:

	Beginning Balance	Decreases	Ending Balance
Business-Type Activities:			
Loan payable	$ 678,439	$ 37,182	$ 641,257

The loan payable is issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to finance the arsenic removal project. The revolving loan converted to permanent financing on August 1, 2008, and bears interest at 2.72 percent payable on February 1 and August 1. The loan matures on August 1, 2028.

Maturities of debt obligations, including interest, are as follows:

Year Ended December 31,	Principal	Interest	Total
2015	$ 38,200	$ 17,184	$ 55,384
2016	39,246	16,138	55,384
2017	40,321	15,063	55,384
2018	41,425	13,959	55,384
2019	42,560	12,824	55,384
2020-2024	230,932	45,988	276,920
2025-2028	208,573	12,963	221,536
	$ 641,257	$ 134,119	$ 775,376

NOTE 8 PENSIONS

Delaware County and Municipal Police/Firefighter Pension Plan

The Town contributes to the Delaware County and Municipal Police/Firefighter Pension Plan, which is a cost-sharing multiple-employer defined benefit plan administered by the Delaware Public Employees' Retirement System. The plan covers Town police employees hired on or after February 1, 1993. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The contribution policy is set by State law and requires contributions by active members and participating employers. Plan members are required to contribute seven percent of base compensation. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period from which the amount is determined. The Town's contributions to the plan for the years ended December 31, 2014, 2013, and 2012, were $66,560, $65,754, and $57,614, respectively. The Delaware Public Employees' Retirement System issues a separate plan financial report that includes financial statements for the plan. That report may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite No. 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

State Employees' Pension Plan

The Town contributes to the State Employees' Pension Plan, which is a cost-sharing multiple-employer defined benefit plan administered by the Delaware Public Employees' Retirement System. The plan covers full-time or regular part-time employees. Benefit provisions of the plan are established under the provisions of State law and may be amended by an act of the State legislature. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The contribution policy is set by State law and requires contributions by active members and participating employers. Plan members are required to contribute three percent of total compensation that exceeds $6,000 per year. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period from which the amount is determined. The Town's contributions to the plan for the years ended December 31, 2014, 2013, and 2012, were $29,007, $27,232, and $27,743, respectively. The Delaware Public Employees Retirement System issues a separate plan financial report that includes financial statements of the plan. That report may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite No. 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

NOTE 9 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

The Town has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This statement generally provides for prospective implementation – i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

NOTE 9 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Plan Description (con't)

The Town's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical, dental, and pharmacy benefits to eligible retirees. The Mayor and Council have the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2014, the Town contributed $2,485 to the plan for current premiums, or approximately 85 percent of total premiums. Plan members receiving benefits contributed $438, or approximately 15 percent of total premiums, through their required monthly contributions.

Funding Policy (cont'd)

Post-employment retirement benefits paid for the year ended December 31, 2014, totaled $2,485. The Annual OPEB Cost (AOC) of $153,260 for the year ended December 31, 2014, represents the amount expensed under GASB 45.

Annual OPEB Cost and Net OPEB Obligation – Town

The Town's annual other post-employment benefit 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years. The following table shows the components of the Town's OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan.

	Town	Public Safety	Public Works	Total
Annual required contribution	$ 14,063	$ 102,998	$ 36,199	$ 153,260
Adjustment to annual required contribution	-0-	-0-	-0-	-0-
Annual OPEB cost (expense)	14,063	102,998	36,199	153,260
Contributions made	(2,485)	-0-	-0-	(2,485)
Increase in net OPEB obligation	11,578	102,998	36,199	150,775
Net OPEB obligation – beginning of year	9,174	191,351	95,308	295,833
Net OPEB obligation – end of year	$ 20,752	$ 294,349	$ 131,507	$ 446,608

NOTE 9 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was -0- percent funded. The actuarial accrued liability for benefits was $880,299, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $880,299.

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 the future employment, mortality, and healthcare cost 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.

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 to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.5 percent per annum, discount rate compounded annually, and an annual healthcare cost trend rate of 6.4 percent in 2014, reduced by decrements to an ultimate rate of 5.5 percent in 2063 and later. The UAAL is being amortized based on a level dollar, 20-year closed period. The remaining amortization period at December 31, 2014, was 16 years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Government Grants and Awards

The Town participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Town is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Delaware Municipal Electric Corporation

The Town is a member of the Delaware Municipal Electric Corporation ("DEMEC"). DEMEC is a public corporation constituted as a joint action agency and a wholesale electric utility. DEMEC was established in 1979 and represents nine municipal electric distribution utilities located in the State of Delaware. DEMEC provides full requirements wholesale electric power supply service to seven of the nine members, including the Town, through the operation of owned generation assets and various contractual wholesale supply contracts with external parties.

NOTE 10 COMMITMENTS AND CONTINGENCIES (cont'd)

Delaware Municipal Electric Corporation (cont'd)

Participating members purchase 100 percent of their electric supply requirements from DEMEC under a long-term full requirements service contracts that became effective January 1, 2004, and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the participating members to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this agreement.

Participating members have entered into a separate power sales agreement effective May 1, 2001, to purchase an interest in the capacity produced by Unit No. 1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The Town is entitled to a percentage of all power supply and ancillary products generated from the existing nominal 45 MW natural gas fired combustion turbine generator for the useful life of the facility.

Participating members have entered into separate power sales agreements effective May 1, 2011 to purchase an interest in the capacity produced by Unit #2 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Unit #2 went into commercial operation June 1, 2012. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the Unit #2 nominal 50 MW natural gas fired combustion turbine generator for the useful life of the facility.

Under the terms of the various agreements, DEMEC is authorized to act as agent for the Town in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of the Town in the deregulated energy markets.

NOTE 11 RISK MANAGEMENT

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professional, public officials and crime. There have been no significant changes in coverage, and there have been no losses above insurance limits during the past year.

NOTE 12 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through March 23, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Property taxes	$ 324,500	$ 337,276	$ 12,776
Transfer taxes	82,500	210,679	128,179
Charges for services	323,050	358,126	35,076
Intergovernmental	110,000	161,794	51,794
Licenses and fees	4,500	7,808	3,308
Fines and forfeits	98,700	78,076	(20,624)
Franchise fees	44,850	45,231	381
Interest income	1,700	344	(1,356)
Miscellaneous	500	86	(414)
TOTAL REVENUES	990,300	1,199,420	209,120
EXPENDITURES			
Current:			
General government	459,581	406,148	53,433
Public safety	858,741	968,087	(109,346)
Public works	425,245	423,684	1,561
Licensing and inspection	40,126	42,920	(2,794)
Debt service:			
Principal	20,599	26,159	(5,560)
Interest	1,401	1,401	-0-
Capital outlay	160,172	219,928	(59,756)
TOTAL EXPENDITURES	1,965,865	2,088,327	(122,462)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(975,565)	(888,907)	86,658
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	4,000	5,000	1,000
Transfers in	971,565	706,601	(264,964)
Loan proceeds	-0-	45,719	45,719
TOTAL OTHER FINANCING SOURCES	975,565	757,320	(218,245)
NET CHANGE IN FUND BALANCE	-0-	(131,587)	(131,587)
FUND BALANCE, BEGINNING OF YEAR	305,804	305,804	-0-
FUND BALANCE, END OF YEAR	$ 305,804	$ 174,217	$ (131,587)

COMBINING NONMAJOR FUND STATEMENTS

TOWN OF CLAYTON
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
ASSETS				
Cash and cash equivalents	$ 45,480	$ 1,100	$ 1,441	$ 48,021
Due from other fund	-0-	-0-	300	300
TOTAL ASSETS	$ 45,480	$ 1,100	$ 1,741	$ 48,321
LIAIBILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -0-	$ 362	$ -0-	$ 362
Due to other fund	-0-	375	1,740	2,115
TOTAL LIABILITIES	-0-	737	1,740	2,477
FUND BALANCES				
Reserved, designated for:				
Police expenditures	-0-	363	1	364
Public works expenditures	45,480	-0-	-0-	45,480
TOTAL FUND BALANCES	45,480	363	1	45,844
TOTAL LIABILITIES AND FUND BALANCES	$ 45,480	$ 1,100	$ 1,741	$ 48,321

TOWN OF CLAYTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
REVENUES				
Intergovernmental	$ 41,116	$ 4,333	$ 3,692	$ 49,141
Interest income	16	-0-	-0-	16
TOTAL REVENUES	41,132	4,333	3,692	49,157
EXPENDITURES				
Current:				
Public safety	-0-	1,304	6,201	7,505
Public works	36,288	-0-	-0-	36,288
Capital Outlays	15,080	4,270	-0-	19,350
TOTAL EXPENDITURES	51,368	5,574	6,201	63,143
OTHER FINANCING SOURCES				
Transfers out	614	-0-	-0-	614
TOTAL OTHER FINANCING SOURCES	614	-0-	-0-	614
CHANGE IN FUND BALANCES	(10,850)	(1,241)	(2,509)	(14,600)
FUND BALANCES, BEGINNING OF YEAR	56,330	1,604	2,510	60,444
FUND BALANCES, END OF YEAR	$ 45,480	$ 363	$ 1	$ 45,844

OTHER REPORTS

INDEPENDENT AUDITOR'S 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*

March 23, 2015

To the Honorable Mayor and Town Council
Town of Clayton
Clayton, Delaware

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton, Delaware, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Town of Clayton, Delaware's basic financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Clayton, Delaware'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 Town of Clayton, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Clayton, Delaware'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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To the Honorable Mayor and Town Council
Town of Clayton
March 23, 2015

Compliance and Other Matters

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

Purpose of this Report

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

Papaleo, Rosen + Chelf, P.A.

PAPALEO, ROSEN & CHELF, PA