

FINANCIAL STATEMENTS

Town Of Clayton

Kent County, Delaware

December 31, 2015

TOWN OF CLAYTON

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	11
- Statement of Activities	12
Fund Financial Statements:	
- Balance Sheet – Governmental Funds	13
- Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position	14
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	16
- Statement of Net Position – Proprietary Funds	17
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
- Statement of Cash Flows – Proprietary Funds	19 - 20
NOTES TO FINANCIAL STATEMENTS	21 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	44
Schedule Of Proportionate Share Of Net Pension Liability	45
Schedule Of Pension Contributions	46
COMBINING NONMAJOR FUND STATEMENTS	
- Combining Balance Sheet – Nonmajor Governmental Funds	47
- Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	48
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 <i>Auditing Standards</i>	49 - 50

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, 2015, 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, 2015, 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

Report On Summarized Comparative Information

We have previously audited the Town of Clayton, Delaware's December 31, 2014, financial statements, and we expressed unmodified opinions on the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated March 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 4 through 10 and 44 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.

Change In Accounting Principle

The Town adopted Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions*, and *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which state that individual employers must report a proportionate share of the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources, as applicable. Previously, employers only reported the annual contributions they made to the retirement system. The Town has determined that changes made to comply with the Statement should be reported as an adjustment of prior periods. For more detail, refer to Note 12.

To the Honorable Mayor and Town Council
Town of Clayton

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, 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, PA
Wilmington, Delaware
March 21, 2016

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited
December 31, 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, 2015. Please read it in conjunction with the Town's financial statements which begin on page 11.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at December 31, 2015, by \$6.6 million (net position). Of this amount, \$374 thousand (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net position increased by \$246 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 \$22.20 to \$23.20 per month during 2015.

As of December 31, 2015, the Town's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$305 thousand as compared to the prior year. The current year increase in fund balance can be attributed to the implementation of GASB No. 68 and 71.

As of December 31, 2015, 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 2015. 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.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

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.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

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, 2015, and 2014:

Table 1 – Condensed Statement Of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 3,494,646	\$ 3,859,938	\$ 960,725	\$ 843,575	\$ 4,455,371	\$ 4,703,513
Capital assets, net and noncurrent assets	1,458,807	1,123,906	2,817,925	2,952,306	4,276,732	4,076,212
TOTAL ASSETS	<u>4,953,453</u>	<u>4,983,844</u>	<u>3,778,650</u>	<u>3,795,881</u>	<u>8,732,103</u>	<u>8,779,725</u>
DEFERRED OUTFLOWS OF RESOURCES	137,882	99,128	-0-	-0-	137,882	99,128
LIABILITIES						
Current liabilities	651,430	810,426	409,883	411,100	1,061,313	1,221,526
Noncurrent liabilities	358,698	551,287	654,911	711,307	1,013,609	1,262,594
TOTAL LIABILITIES	<u>1,010,128</u>	<u>1,361,713</u>	<u>1,064,794</u>	<u>1,122,407</u>	<u>2,074,922</u>	<u>2,484,120</u>
DEFERRED INFLOWS OF RESOURCES	154,143	-0-	-0-	-0-	154,143	-0-
NET POSITION						
Invested in capital assets, net of related debt	1,324,504	1,083,868	2,214,869	2,311,049	3,539,373	3,394,917
Restricted	2,727,491	3,047,358	-0-	-0-	2,727,491	3,047,358
Unrestricted (deficit)	(124,931)	(409,967)	498,987	362,425	374,056	(47,542)
TOTAL NET POSITION	<u>\$ 3,927,064</u>	<u>\$ 3,721,259</u>	<u>\$ 2,713,856</u>	<u>\$ 2,673,474</u>	<u>\$ 6,640,920</u>	<u>\$ 6,394,733</u>

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.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

Table 2 – Changes In Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 562,899	\$ 586,009	\$ 3,555,544	\$ 3,323,843	\$ 4,118,443	\$ 3,909,852
Operating grants and contributions	217,817	146,746	-0-	-0-	217,817	146,746
Capital grants and contributions	-0-	64,189	-0-	-0-	-0-	64,189
General revenues:						
Taxes	559,329	550,198	-0-	-0-	559,329	550,198
Franchise fees	45,557	45,231	-0-	-0-	45,557	45,231
Investment earnings	1,126	1,299	52	289	1,178	1,588
Miscellaneous	3,959	5,668	-0-	-0-	3,959	5,668
Transfers/Contributions	785,223	839,273	-0-	-0-	785,223	839,273
TOTAL REVENUES	<u>2,175,910</u>	<u>2,238,613</u>	<u>3,555,596</u>	<u>3,324,132</u>	<u>5,731,506</u>	<u>5,562,745</u>
EXPENSES						
General government	477,936	435,307	-0-	-0-	477,936	435,307
Public safety	947,451	1,124,676	-0-	-0-	947,451	1,124,676
Public works	512,536	557,204	-0-	-0-	512,536	557,204
Licensing and inspection	32,182	42,920	-0-	-0-	32,182	42,920
Electric operations	-0-	-0-	1,954,118	1,876,715	1,954,118	1,876,715
Water/Sewer operations	-0-	-0-	775,873	670,971	775,873	670,971
Transfers	-0-	-0-	785,223	839,273	785,223	839,273
TOTAL EXPENSES	<u>1,970,105</u>	<u>2,160,107</u>	<u>3,515,214</u>	<u>3,386,959</u>	<u>5,485,319</u>	<u>5,547,066</u>
INCREASE (DECREASE) IN NET POSITION	205,805	78,506	40,382	(62,827)	246,187	15,679
NET POSITION, BEGINNING OF YEAR	3,721,259	3,658,712	2,673,474	2,736,301	6,394,733	6,395,013
PRIOR PERIOD ADJUSTMENT	-0-	(15,959)	-0-	-0-	-0-	(15,959)
NET POSITION, END OF YEAR	<u>\$ 3,927,064</u>	<u>\$ 3,721,259</u>	<u>\$ 2,713,856</u>	<u>\$ 2,673,474</u>	<u>\$ 6,640,920</u>	<u>\$ 6,394,733</u>

Governmental Activities

The cost of all governmental activities in 2015 was \$2.0 million. The amount that taxpayers ultimately financed for these activities through Town taxes was \$559 thousand, or 28 percent. Other costs were paid by those who directly benefited from the programs (\$563 thousand, or 28 percent) or by government agencies and organizations that subsidized funding with intergovernmental aid and contributions (\$1 million, or 44 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 \$9 thousand. The increase in transfer taxes is due to an increase in development within Town limits.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

As indicated by the governmental program expenses, general government programs accounted for 24 percent of the Town's governmental activities and remained consistent with prior year amounts. Public safety expenses accounted for 48 percent of the Town's governmental activities, public works expenses accounted for 26 percent, and licensing and inspection expenses accounted for 2 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 \$3.5 million which was an increase of approximately 200 thousand due to an increase in electric charges. The overall expenses of the business-type activities increased by approximately 7 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, 2015, the Town's governmental funds reported combined ending fund balances of \$2.9 million, which is consistent with the prior year. Approximately 104 percent, or \$3.0 million, constitutes fund balance reserved for special purposes, leaving a deficit of \$(117) thousand.

The General Fund is the chief operating fund of the Town. As of December 31, 2015, the total of the General Fund was approximately \$286 thousand, of which \$(117) thousand is unreserved and undesignated, \$219 thousand has been designated by the Town to fund future costs for post-employment benefits, \$69 thousand has been reserved for future police pension costs, \$86 thousand has been reserved for future public works costs, and \$28 thousand has been reserved for inventory and prepaid costs. The fund balance increased by \$112 thousand during the year ended December 31, 2015.

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.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the Town's budget and actual results can be found on page 44. 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 \$106 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 were \$28 thousand more than budget due to increased permits and trash fees collected.
- Intergovernmental revenues were \$83 thousand more than budget due to additional grant funding.
- Fines and forfeits revenues were \$28 thousand less than budget due to less fines issued.
- Public safety expenses were over budget by \$83 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, 2015, amounted to \$4.3 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 \$368 thousand exceeded depreciation expense of \$112 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, 2015, the Town paid approximately \$38 thousand to bring the total debt to approximately \$603 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.

TOWN OF CLAYTON
Management's Discussion and Analysis – Unaudited (cont'd)
December 31, 2015

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 2016 in relation to 2015.

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, 2015
(With Summarized Comparative Data for December 31, 2014)

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014 *
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,834,193	\$ 741,849	\$ 3,576,042	\$ 3,799,183
Investments	120,352	-0-	120,352	-0-
Taxes receivable	21,358	-0-	21,358	31,148
Accounts receivable	12,633	111,040	123,673	107,613
Other receivables	36,017	-0-	36,017	85,771
Inventory	6,871	63,571	70,442	75,845
Prepaid expenses	38,516	4,422	42,938	34,246
Due from other fund	424,706	39,843	464,549	569,707
Total Current Assets	<u>3,494,646</u>	<u>960,725</u>	<u>4,455,371</u>	<u>4,703,513</u>
Noncurrent Assets:				
Net pension asset	79,440	-0-	79,440	-0-
Capital assets, net	1,379,367	2,817,925	4,197,292	4,076,212
Total Noncurrent Assets	<u>1,458,807</u>	<u>2,817,925</u>	<u>4,276,732</u>	<u>4,076,212</u>
TOTAL ASSETS	<u>4,953,453</u>	<u>3,778,650</u>	<u>8,732,103</u>	<u>8,779,725</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions and changes in proportion related to pension activity	137,882	-0-	137,882	99,128
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current Liabilities:				
Accounts payable	44,399	198,587	242,986	273,246
Due to other fund	464,549	-0-	464,549	569,707
Impact fee escrows	41,227	-0-	41,227	76,475
Accrued salaries and benefits	26,134	7,461	33,595	46,924
Accrued interest	913	6,775	7,688	9,154
Loan payable	35,040	39,246	74,286	63,021
Accrued compensated absences	39,168	16,514	55,682	47,889
Utility deposits	-0-	141,300	141,300	135,110
Total Current Liabilities	<u>651,430</u>	<u>409,883</u>	<u>1,061,313</u>	<u>1,221,526</u>
Noncurrent Liabilities:				
Accrued compensated absences	70,991	24,771	95,762	82,625
Net pension liability	-0-	-0-	-0-	115,087
Post-employment benefits	267,884	66,330	334,214	446,608
Loan payable	19,823	563,810	583,633	618,274
Total Noncurrent Liabilities	<u>358,698</u>	<u>654,911</u>	<u>1,013,609</u>	<u>1,262,594</u>
TOTAL LIABILITIES	<u>1,010,128</u>	<u>1,064,794</u>	<u>2,074,922</u>	<u>2,484,120</u>
DEFERRED INVLOWS OF RESOURCES				
Deferred investment earnings related to pension activity	154,143	-0-	154,143	-0-
NET POSITION				
Invested in capital assets, net of related debt	1,324,504	2,214,869	3,539,373	3,394,917
Unrestricted (deficit)	(124,931)	498,987	374,056	(47,542)
Restricted for police	73,376	-0-	73,376	54,207
Restricted for public works	104,778	-0-	104,778	168,141
Restricted for future growth initiatives	2,549,337	-0-	2,549,337	2,825,010
TOTAL NET POSITION	<u>\$ 3,927,064</u>	<u>\$ 2,713,856</u>	<u>\$ 6,640,920</u>	<u>\$ 6,394,733</u>

* 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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES						
General government	\$ 477,936	\$ -	\$ -	\$ (469,432)	\$ -	\$ (469,432)
Public safety	947,451	176,263	-	(698,802)	-	(698,802)
Public works	512,536	41,554	-	(24,125)	-	(24,125)
Licensing and inspection	32,182	-	-	2,970	-	2,970
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,970,105</u>	<u>217,817</u>	<u>-</u>	<u>(1,189,389)</u>	<u>-</u>	<u>(1,189,389)</u>
BUSINESS-TYPE ACTIVITIES						
Electric	1,954,118	-	-	-	792,899	792,899
Water/Sewer	775,873	-	-	-	32,654	32,654
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,729,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825,553</u>	<u>825,553</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,700,096</u>	<u>\$ 217,817</u>	<u>\$ -</u>	<u>(1,189,389)</u>	<u>825,553</u>	<u>(363,836)</u>
GENERAL REVENUE						
Real estate taxes				338,378	-	338,378
Real estate transfer taxes				220,951	-	220,951
Franchise fees				45,557	-	45,557
Interest income				1,126	52	1,178
Miscellaneous				3,959	-	3,959
TRANSFERS				785,223	(785,223)	-
TOTAL GENERAL REVENUES AND TRANSFERS				<u>1,395,194</u>	<u>(785,171)</u>	<u>610,023</u>
CHANGE IN NET POSITION				205,805	40,382	246,187
NET POSITION, BEGINNING OF YEAR				3,721,259	2,673,474	6,394,733
PRIOR PERIOD ADJUSTMENT				-	-	-
NET POSITION, END OF YEAR				<u>\$ 3,927,064</u>	<u>\$2,713,856</u>	<u>\$ 6,640,920</u>
						<u>\$ 6,394,733</u>

* Restated for comparative purposes.

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

TOWN OF CLAYTON
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Totals			
	General Fund	Impact Fees Fund	Nonmajor Governmental Funds	2014 *
ASSETS				
Cash and cash equivalents	\$ 631,636	\$ 2,178,297	\$ 24,260	\$ 3,136,033
Investments	120,352	-0-	-0-	-0-
Taxes receivable	21,358	-0-	-0-	31,148
Accounts receivable	12,633	-0-	-0-	8,549
Other receivables	36,017	-0-	-0-	85,771
Inventory	6,871	-0-	-0-	5,030
Prepaid expenses	38,516	-0-	-0-	31,112
Due from other funds	-0-	424,106	600	562,295
TOTAL ASSETS	<u>867,383</u>	<u>2,602,403</u>	<u>24,860</u>	<u>3,859,938</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	32,560	11,839	-0-	66,114
Impact fee escrows	-0-	41,227	-0-	76,475
Accrued salaries and benefits	26,134	-0-	-0-	37,838
Accrued compensated absences	39,168	-0-	-0-	33,585
Due to other funds	462,149	-0-	2,400	569,707
TOTAL LIABILITIES	<u>560,011</u>	<u>53,066</u>	<u>2,400</u>	<u>783,719</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	21,358	-0-	-0-	31,148
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,358</u>	<u>-0-</u>	<u>-0-</u>	<u>31,148</u>
FUND BALANCES:				
Unassigned	(117,207)	-0-	-0-	(239,525)
Committed for:				
Post-employment benefits	219,298	-0-	-0-	201,095
Restricted for police	69,450	-0-	3,926	54,207
Restricted for public works	86,244	-0-	18,534	168,141
Restricted for future growth initiatives	-0-	2,549,337	-0-	2,825,010
Nonspendable	28,229	-0-	-0-	36,143
TOTAL FUND BALANCES	<u>\$ 286,014</u>	<u>\$ 2,549,337</u>	<u>\$ 22,460</u>	<u>\$ 3,045,071</u>

* 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, 2015

TOTAL GOVERNMENTAL FUND BALANCES		\$ 2,857,811
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.		1,379,367
Some of the Town's assets are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds.		21,358
Some assets and liabilities, including loans payable and net pension benefits (obligations), that are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest	\$ (913)	
Loans payable	(54,863)	
Net pension asset	79,440	
Post-employment benefits	<u>(267,884)</u>	(244,220)
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.		(70,991)
Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension activity of \$137,882 consists of \$0- of deferred outflows of resources pension expense and \$137,882 of deferred outflow of 2015 employer contributions related to the pension.		137,882
Deferred inflows of resources related to pension activity.		<u>(154,143)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,927,064</u></u>

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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	General Fund	Impact Fees Fund	Nonmajor Governmental Funds		Totals	
			2015	2014 *	2015	2014 *
REVENUES						
Taxes:	\$	\$	\$	\$	\$	\$
Property taxes	348,168	-0-	-0-	-0-	348,168	337,276
Transfer taxes	220,951	-0-	-0-	-0-	220,951	210,679
Special assessment/impact fees	-0-	126,000	-0-	-0-	126,000	142,000
Charges for services	362,682	-0-	-0-	-0-	362,682	358,126
Intergovernmental	164,261	-0-	53,556	-0-	217,817	210,935
Licenses and fees	8,504	-0-	-0-	-0-	8,504	7,808
Fines and forfeits	63,713	-0-	-0-	-0-	63,713	78,076
Franchise fees	45,557	-0-	-0-	-0-	45,557	45,231
Interest income	952	171	3	-0-	1,126	1,299
Miscellaneous	3,959	-0-	-0-	-0-	3,959	666
TOTAL REVENUES	<u>1,218,747</u>	<u>126,171</u>	<u>53,559</u>	<u>-0-</u>	<u>1,398,477</u>	<u>1,392,096</u>
EXPENDITURES						
Current:						
General government	464,282	-0-	-0-	-0-	464,282	406,148
Public safety	994,460	-0-	3,950	-0-	998,410	975,592
Public works	455,064	213	68,503	-0-	523,780	504,426
Licensing and inspection	32,182	-0-	-0-	-0-	32,182	42,920
Debt Service:						
Principal	24,820	-0-	-0-	-0-	24,820	26,159
Interest	1,346	-0-	-0-	-0-	1,346	1,401
Capital outlays	91,890	271,405	4,490	-0-	367,785	239,278
TOTAL EXPENDITURES	<u>2,064,044</u>	<u>271,618</u>	<u>76,943</u>	<u>-0-</u>	<u>2,412,605</u>	<u>2,195,924</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(845,297)</u>	<u>(145,447)</u>	<u>(23,384)</u>	<u>-0-</u>	<u>(1,014,128)</u>	<u>(803,828)</u>
OTHER FINANCING SOURCES						
Proceeds from sale of capital assets	2,000	-0-	-0-	-0-	2,000	5,000
Loan proceeds	39,645	-0-	-0-	-0-	39,645	45,719
Transfers in	782,163	3,060	-0-	-0-	785,223	839,887
Transfers out	-0-	-0-	-0-	-0-	-0-	(614)
TOTAL OTHER FINANCING SOURCES	<u>823,808</u>	<u>3,060</u>	<u>-0-</u>	<u>-0-</u>	<u>826,868</u>	<u>889,992</u>
NET CHANGES IN FUND BALANCES	<u>(21,489)</u>	<u>(142,387)</u>	<u>(23,384)</u>	<u>-0-</u>	<u>(187,260)</u>	<u>86,164</u>
FUND BALANCES, BEGINNING OF YEAR	<u>307,503</u>	<u>2,691,724</u>	<u>45,844</u>	<u>-0-</u>	<u>3,045,071</u>	<u>2,958,907</u>
FUND BALANCES, END OF YEAR	<u>\$ 286,014</u>	<u>\$ 2,549,337</u>	<u>\$ 22,460</u>	<u>\$ -0-</u>	<u>\$ 2,857,811</u>	<u>\$ 3,045,071</u>

* 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, 2015

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$	(187,260)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 (\$367,785) exceeds depreciation (\$112,324).</p>		255,461
<p>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 decreased by this amount this year.</p>		(9,790)
<p>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.</p>		(14,825)
<p>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.</p>		
Compensated absences	\$ (9,822)	
Accrued interest	973	
Net OPEB obligation	<u>91,930</u>	83,081
<p>Governmental funds report Town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Town pension contributions – fiscal year 2015	\$137,882	
Cost of the benefits earned net of contributions [pension expense (benefit)]	<u>(58,744)</u>	<u>79,138</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 205,805</u>

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

TOWN OF CLAYTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Electric Fund	Water And Sewer Fund	Totals	
			2015	2014 *
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 741,847	\$ 2	\$ 741,849	\$ 663,150
Accounts receivable	87,430	23,610	111,040	99,064
Inventory	57,113	6,458	63,571	70,815
Prepaid expenses	1,474	2,948	4,422	3,134
Due from other funds	39,843	-0-	39,843	7,412
Total Current Assets	<u>927,707</u>	<u>33,018</u>	<u>960,725</u>	<u>843,575</u>
Noncurrent Assets:				
Capital assets, net	1,032,035	1,785,890	2,817,925	2,952,306
TOTAL ASSETS	<u>\$ 1,959,742</u>	<u>\$ 1,818,908</u>	<u>\$ 3,778,650</u>	<u>\$ 3,795,881</u>
LIABILITIES AND NET POSITION				
Current Liabilities:				
Accounts payable	\$ 136,005	\$ 62,582	\$ 198,587	\$ 207,132
Accrued salaries and benefits	2,487	4,974	7,461	9,086
Accrued interest	-0-	6,775	6,775	7,268
Loan payable	-0-	39,246	39,246	38,200
Accrued compensated absences	5,505	11,009	16,514	14,304
Utility deposits	141,300	-0-	141,300	135,110
Total Current Liabilities	<u>285,297</u>	<u>124,586</u>	<u>409,883</u>	<u>411,100</u>
Noncurrent Liabilities:				
Accrued compensated absences	8,257	16,514	24,771	21,456
Post-employment benefits	22,110	44,220	66,330	86,794
Loan payable	-0-	563,810	563,810	603,057
Total Noncurrent Liabilities	<u>30,367</u>	<u>624,544</u>	<u>654,911</u>	<u>711,307</u>
TOTAL LIABILITIES	<u>315,664</u>	<u>749,130</u>	<u>1,064,794</u>	<u>1,122,407</u>
NET POSITION				
Invested in capital assets, net of related debt	1,032,035	1,182,834	2,214,869	2,311,049
Unrestricted (Deficit)	612,043	(113,056)	498,987	362,425
TOTAL NET POSITION	<u>1,644,078</u>	<u>1,069,778</u>	<u>2,713,856</u>	<u>2,673,474</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,959,742</u>	<u>\$ 1,818,908</u>	<u>\$ 3,778,650</u>	<u>\$ 3,795,881</u>

* 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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Electric Fund	Water and Sewer Fund	Totals	
			2015	2014 *
OPERATING REVENUES				
User service charges	\$ 2,672,402	\$ 768,719	\$ 3,441,121	\$ 3,226,003
Other operating revenue	74,615	39,808	114,423	97,840
Total Operating Revenue	<u>2,747,017</u>	<u>808,527</u>	<u>3,555,544</u>	<u>3,323,843</u>
OPERATING EXPENSES				
Electric purchased	1,702,876	-0-	1,702,876	1,560,853
Utility tax	15,007	-0-	15,007	13,687
Sewer charges	-0-	306,826	306,826	290,702
System upgrades and maintenance	32,888	110,145	143,033	112,204
Salaries and wages	81,882	163,764	245,646	206,162
Employee benefits	14,134	28,269	42,403	86,202
Depreciation	53,755	80,626	134,381	134,924
Supplies	3,570	54,394	57,964	59,099
Administration expenses	6,108	8,893	15,001	8,850
Professional services	43,898	6,264	50,162	57,222
Total Operating Expenses	<u>1,954,118</u>	<u>759,181</u>	<u>2,713,299</u>	<u>2,529,905</u>
OPERATING INCOME	<u>792,899</u>	<u>49,346</u>	<u>842,245</u>	<u>793,938</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	52	-0-	52	289
Interest expense	-0-	(16,692)	(16,692)	(17,781)
Total Nonoperating Revenues (Expenses)	<u>52</u>	<u>(16,692)</u>	<u>(16,640)</u>	<u>(17,492)</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	<u>792,951</u>	<u>32,654</u>	<u>825,605</u>	<u>776,446</u>
Transfers out	(686,520)	(98,703)	(785,223)	(839,273)
CHANGE IN NET POSITION	<u>106,431</u>	<u>(66,049)</u>	<u>40,382</u>	<u>(62,827)</u>
NET POSITION, BEGINNING OF YEAR	<u>1,537,647</u>	<u>1,135,827</u>	<u>2,673,474</u>	<u>2,736,301</u>
NET POSITION, END OF YEAR	<u>\$ 1,644,078</u>	<u>\$ 1,069,778</u>	<u>\$ 2,713,856</u>	<u>\$ 2,673,474</u>

* 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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Electric Fund	Water and Sewer Fund	Totals	
			2015	2014 *
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	\$ 2,728,872	\$ 820,886	\$ 3,549,758	\$ 3,310,919
Paid to suppliers for goods and services	(1,807,890)	(484,280)	(2,292,170)	(2,170,711)
Paid to employees for services	(123,384)	(182,516)	(305,900)	(285,484)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>797,598</u>	<u>154,090</u>	<u>951,688</u>	<u>854,724</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due from other funds	(32,431)	-0-	(32,431)	4,230
Transfers out	(686,520)	(98,703)	(785,223)	(839,273)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(718,951)</u>	<u>(98,703)</u>	<u>(817,654)</u>	<u>(835,043)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan payment	-0-	(38,201)	(38,201)	(37,182)
Interest paid	-0-	(17,186)	(17,186)	(18,202)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-0-</u>	<u>(55,387)</u>	<u>(55,387)</u>	<u>(55,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	52	-0-	52	289
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>52</u>	<u>-0-</u>	<u>52</u>	<u>289</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>78,699</u>	<u>-0-</u>	<u>78,699</u>	<u>(35,414)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>663,148</u>	<u>2</u>	<u>663,150</u>	<u>698,564</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 741,847</u>	<u>\$ 2</u>	<u>\$ 741,849</u>	<u>\$ 663,150</u>

* 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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Electric Fund	Water and Sewer Fund	Totals	
			2015	2014 *
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 792,899	\$ 49,346	\$ 842,245	\$ 793,938
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	53,755	80,627	134,382	134,924
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	(24,335)	12,359	(11,976)	(14,368)
(Increase) Decrease in inventory	4,017	3,227	7,244	(45,803)
(Increase) Decrease in prepaid expenses	93	(1,381)	(1,288)	1,148
Increase (Decrease) in accounts payable	(7,560)	(985)	(8,545)	(23,440)
Increase (Decrease) in accrued salaries and benefits	(2,056)	431	(1,625)	(4,090)
Increase (Decrease) in compensated absences	(4,118)	9,643	5,525	(4,343)
Increase (Decrease) in utility deposits	6,190	-0-	6,190	1,445
Increase (Decrease) in post-employment benefits	(21,287)	823	(20,464)	15,313
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 797,598</u>	<u>\$ 154,090</u>	<u>\$ 951,688</u>	<u>\$ 854,724</u>

* Restated for comparative purposes.

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

TOWN OF CLAYTON
NOTES TO THE 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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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
Infrastructure	40 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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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 2015 was 65 cents per \$100 of assessed value.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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, 2014, 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

The Town has implemented GASB Statements No. 68 and 71, *Accounting for Financial Reporting for Pensions*, and *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Statements' primary objectives are to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements resulted in a reduction of net position by \$15,959 at December 31, 2014.

The Town has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The Statement's objective is to improve financial reporting by 1) clarifying the definition of fair value for financial reporting purposes, 2) establish general principles for measuring fair value, 3) providing additional fair value application guidance, and 4) enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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

Budgetary Information (cont'd)

- 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 2015 there were no revisions to any legally adopted budgets.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public safety	\$82,853
Public works	\$ 6,546
Debt service	\$18,037

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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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, 2015, the carrying amount of the Town's deposits was \$3,576,042 and the bank balance was \$3,599,878. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,349,878 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name.

Investments

As of December 31, 2015, the Town had the following investments:

U.S. Treasury bills	\$ 5,196
Exchange traded funds	49,788
Mutual funds	<u>65,368</u>
	<u>\$120,352</u>

U.S. Treasury bills are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Investments in external investment pools, such as those in mutual funds and exchange traded funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

At December 31, 2015, the Town's investments in U.S. Treasury bills had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has no investments subject to custodial credit risk.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2015, 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	<u>433,916</u>	<u>-0-</u>	<u>-0-</u>	<u>433,916</u>
Capital assets being depreciated:				
Buildings and infrastructure	289,794	271,405	-0-	561,199
Improvements	308,409	-0-	-0-	308,409
Vehicles	648,826	28,477	21,000	656,303
Machinery and equipment	318,174	67,903	7,218	378,859
Total Capital Assets Being Depreciated	<u>1,565,203</u>	<u>367,785</u>	<u>28,218</u>	<u>1,904,770</u>
Accumulated depreciation:				
Buildings and infrastructure	136,919	9,662	-0-	146,581
Improvements	69,435	14,023	-0-	83,458
Vehicles	427,075	65,820	21,000	471,895
Machinery and equipment	241,784	22,819	7,218	257,385
Total Accumulated Depreciation	<u>875,213</u>	<u>112,324</u>	<u>28,218</u>	<u>959,319</u>
Total Capital Assets Being Depreciated, Net	<u>689,990</u>	<u>255,461</u>	<u>-0-</u>	<u>945,451</u>
Governmental Activities Assets, Net	<u>\$ 1,123,906</u>	<u>\$ 255,461</u>	<u>\$ -0-</u>	<u>\$ 1,379,367</u>
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and infrastructure	\$ 4,654,511	\$ -0-	\$ -0-	\$ 4,654,511
Vehicles	173,730	-0-	-0-	173,730
Machinery and equipment	133,879	-0-	-0-	133,879
Total Capital Assets Being Depreciated	<u>4,962,120</u>	<u>-0-</u>	<u>-0-</u>	<u>4,962,120</u>
Accumulated depreciation:				
Buildings and improvements	1,766,110	119,698	-0-	1,885,808
Vehicles	173,729	1	-0-	173,730
Machinery and equipment	69,975	14,682	-0-	84,657
Total Accumulated Depreciation	<u>2,009,814</u>	<u>134,381</u>	<u>-0-</u>	<u>2,144,195</u>
Business-Type Activities Assets, Net	<u>\$ 2,952,306</u>	<u>\$ (134,381)</u>	<u>\$ -0-</u>	<u>\$ 2,817,925</u>

* Restated for comparative purposes.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the functions as follows:

Governmental Activities:		
General government	\$	27,843
Public safety		51,890
Public works		<u>32,591</u>
Total Depreciation Expense – Governmental Activities		<u>112,324</u>
Business-Type Activities:		
Electric		53,755
Water		<u>80,626</u>
Total Depreciation Expense – Business-Type Activities		<u>\$ 134,381</u>

NOTE 5 CHANGES IN COMPENSATED ABSENCES

	Beginning Balance*	Increase	Decrease	Ending Balance
Governmental Activities:				
Accumulated compensated absences	\$ 94,754	\$ 27,652	\$ 12,247	\$ 110,159
Business-Type Activities:				
Accumulated compensated absences	\$ 11,197	\$ 2,221	\$ 379	\$ 13,039
Electric	24,563	4,441	758	28,246
Sewer				
	<u>\$ 35,760</u>	<u>\$ 6,662</u>	<u>\$ 1,137</u>	<u>\$ 41,285</u>

* Restated for comparative purposes.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2015, is as follows:

Due To	Amount	Due From	Amount
Impact Fees Fund	\$ 424,106	General Fund	\$ 424,106
Electric Fund	6,843	General Fund	6,843
E.I.D.E. Fund	600	General Fund	600
Capital Reserve	<u>33,000</u>	General Fund	<u>33,000</u>
Total	<u>\$ 464,549</u>		<u>\$ 464,549</u>

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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

The composition of interfund transfers for the year ended December 31, 2015, was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 785,223	\$ -0-
Electric Fund	-0-	686,520
Water and Sewer Fund	-0-	98,703
	<u> </u>	<u> </u>
Total	<u>\$ 785,223</u>	<u>\$ 785,223</u>

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:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Loan payable – Ally Bank	\$ 10,578	\$ -0-	\$ 10,578	\$ -0-
Loan payable – Ally Bank	29,460	-0-	14,242	15,218
Loan payable – Software	-0-	39,645	-0-	39,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 40,038</u>	<u>\$ 39,645</u>	<u>\$ 24,820</u>	<u>\$ 54,863</u>

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 matured on February 21, 2015.

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 loan payable between a software provider and the Town of Clayton is for a new computer and accounting system. This loan bears interest at 0.00%, payable in March of each year and will be paid in full in March 2017.

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

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 35,040	\$ 1,041	\$ 36,081
2017	19,823	-0-	19,823
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 54,863</u>	<u>\$ 1,041</u>	<u>\$ 55,904</u>

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

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

	Beginning Balance	Decreases	Ending Balance
Business-Type Activities:			
Loan payable	\$ 641,257	\$ 38,201	\$ 603,056

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
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	43,725	11,659	55,384
2021-2025	237,256	39,664	276,920
2026-2028	158,523	7,629	166,152
	\$ 603,056	\$ 116,936	\$ 719,992

NOTE 8 PENSIONS

Delaware County and Municipal Police/Firefighter Pension Plan

Delaware County And Municipal Police/Firefighter Pension Plan

The Town's pension plan is part of the County & Municipal Police and Firefighters' Pension Plan (the Plan) which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending the Plan's provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the Plan is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at December 31, 2015. For a more complete description, refer to the Delaware Public Employee's Retirement System (DPERS) CAFR.

Separately issued financial statements for DPERS are available from the Delaware Office of Pensions at: McArdel Building, Suite 1; 860 Silver Lake Boulevard; Dover, DE 19904.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Delaware County and Municipal Police/Firefighter Pension Plan (cont'd)

General Information About The Plan

Plan Description and Eligibility: The County & Municipal Police and Firefighters' Pension Plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan.

Service Benefits: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For the Plan, final average monthly compensation is the monthly average of the highest three periods of consecutive years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits: Based on the following categories:

Duty – Total Disability – 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty – Partial Disability – Calculated the same as Service Benefits subject to minimum 50% of final average compensation.

NonDuty – Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

Contributions:

- Employer: Determined by the Board. Employer contributions were 15.5% and 14.8% of earnings for fiscal years 2014 and 2013, respectively.
- Member: 7% of compensation.

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions

At December 31, 2015, the Town reported a pension liability (asset) of (\$73,403) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability (asset) was based on a projection of the Town's long-term share of contributions to the pension plan relative to the total projected contributions of the State that have joined, actuarially determined. At June 30, 2014, the Town's proportion was .6785 percent, which was a decrease of .0019 percent from its proportion measured as of June 30, 2013.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Delaware County and Municipal Police/Firefighter Pension Plan (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$40,910 for the year ended December 31, 2015. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

<u>Description</u>	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Difference between expected and actual experience	\$ -0-	\$ -0-
Changes of assumptions	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	113,130
Contributions subsequent to measurement date	93,783	-0-
Change in proportion and differences between Town contributions and proportionate share of contributions	-0-	174
Totals	\$ 93,783	\$ 113,304

The \$93,783 reported as deferred outflows of resources related to the pension resulting from Town contributions subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

2016	\$ 28,301
2017	28,301
2018	28,301
2019	28,299
2020	17
Thereafter	85
	<u>\$ 113,304</u>

Actuarial Assumptions: The total pension liability (asset) in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Description</u>	<u>Percentages</u>
Inflation	3.00%
Projected salary increases	4.00% to 11.50%, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation rate of 3.00%
Cost-of-living adjustments	Ad hoc

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected Plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected Real Rate Of Return
Domestic equity	5.70%
International equity	5.70%
Fixed income	2.00%
Alternative investments	7.80%
Cash and equivalents	0.00%

Discount Rate: The discount rate for the Plan used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Municipal Police of Clayton	\$ 192,307	\$ (73,393)	\$ (291,009)

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

State Employees' Pension Plan

The Town's pension plan is part of the County & Municipal Other Employees' Pension Plan (the Plan) which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending the Plan's provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the Plan is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at December 31, 2015. For a more complete description, refer to the Delaware Public Employee's Retirement System (DPERS) CAFR.

Separately issued financial statements for DPERS are available from the Delaware Office of Pensions at: McArdel Building, Suite 1; 860 Silver Lake Boulevard; Dover, DE 19904.

General Information About The Plan

Plan Description and Eligibility: The County & Municipal Other Employees' Pension Plan covers employees of counties or municipalities that have joined the Plan.

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of service; age 60 with 15 years of credited service; or after 30 years of credited service.

Disability Benefits: Same as Service Benefits. The employee must have 5 years of credited service.

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at 62.

Contributions:

- Employer: Determined by the Board. Employer contributions were 6.6% and 6.8% of earnings for fiscal years 2014 and 2013, respectively.
- Member: 3% of earnings in excess of \$6,000.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

General Information About The Plan (cont'd)

At December 31, 2015, the Town reported a pension liability (asset) of (\$6,037) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability (asset) was based on a projection of the Town's long-term share of contributions to the pension plan relative to the total projected contributions of participating counties or municipalities, actuarially determined. At June 30, 2014, the Town's proportion was 1.6400 percent, which was a decrease of .1770 percent from its proportion measured as of June 30, 2013.

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$17,834 for the year ended December 31, 2015. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

<u>Description</u>	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Difference between expected and actual experience	\$ -0-	\$ -0-
Changes of assumptions	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	36,891
Contributions subsequent to measurement date	44,099	-0-
Change in proportion and differences between Town contributions and proportionate share of contributions	-0-	3,948
Totals	<u>\$ 44,099</u>	<u>\$ 40,839</u>

The \$44,099 reported as deferred outflows of resources related to the pension resulting from Town contributions subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

2016	\$ 9,787
2017	9,787
2018	9,787
2019	9,786
2020	564
Thereafter	<u>1,128</u>
	<u>\$ 40,839</u>

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

Actuarial Assumptions: The total pension liability (asset) in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages
Inflation	3.00%
Projected salary increases	3.50% to 11.50%, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation rate of 3.00%
Cost-of-living adjustments	Ad hoc

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected Plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected Real Rate Of Return
Domestic equity	5.70%
International equity	5.70%
Fixed income	2.00%
Alternative investments	7.80%
Cash and equivalents	0.00%

Discount Rate: The discount rate for the Plan used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 PENSIONS (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources, And Deferred Inflows Of Resources Related To Pensions (cont'd)

Sensitivity Of The Town's Proportionate Share Of The Net Pension Liability (Asset) To Changes In The Discount Rate: The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
County & Municipal Other Employees of Clayton	\$ 79,507	(\$ 6,035)	(\$ 76,555)

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.

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 2015, the Town contributed \$20,000 to the plan for current and future premiums.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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

Funding Policy (cont'd)

Post-employment retirement benefits paid for the year ended December 31, 2015, totaled \$2,664, or approximately 85 percent of total premiums. Plan members receiving benefits contributed \$470, or approximately 15 percent of total premiums, through their required monthly contributions. The Annual OPEB Cost (AOC) of \$108,708 for the year ended December 31, 2015, 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	Totals	
				2015	2014
Annual required contribution	\$ 10,059	\$ 77,180	\$ 28,484	\$ 115,723	\$ 166,289
Interest on net OPB obligation	986	13,982	6,247	21,215	10,354
Adjustment to annual required contribution	(1,312)	(18,606)	(8,312)	(28,230)	(23,383)
Annual OPEB cost (expense)	9,733	72,556	26,419	108,708	153,260
Contributions made	(18,735)	(132,881)	(69,486)	(221,102)	(2,485)
Expense Difference	(9,002)	(60,325)	(43,067)	(112,394)	150,775
Net OPEB obligation – beginning of year	20,752	294,349	131,507	446,608	295,833
Net OPEB obligation – end of year	\$ 11,750	\$ 234,024	\$ 88,440	\$ 334,214	\$ 446,608

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation through fiscal year 2015 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 108,708	203.4 %	\$ 334,214
2014	\$ 153,260	1.6 %	\$ 446,608

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$727,403, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$727,403.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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

Funded Status and Funding Progress (con't)

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 5.9 percent in 2015, reduced by decrements to an ultimate rate of 5.5 percent in 2063 and later. As of February 4, 2015, the UAAL is being amortized based on a level dollar, 30-year closed period. The remaining amortization period at December 31, 2015, was 29 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.

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

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 RESTATEMENT OF BEGINNING NET POSITION

Net position of the Town has decreased by \$15,959 at December 31, 2014, resulting from the implementation of GASB Statement No. 68.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position (government-wide balance), as previously stated	\$ 3,737,218	\$ 2,673,474	\$ 6,410,692
Add: deferred outflow of resources – employer contributions made during the measurement period	99,128	-0-	99,128
Deduct: net pension liability	<u>(115,087)</u>	<u>-0-</u>	<u>(115,087)</u>
Net position (government-wide balance), restated	<u>\$ 3,721,259</u>	<u>\$ 2,673,474</u>	<u>\$ 6,394,733</u>

TOWN OF CLAYTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through March 21, 2016, 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, 2015

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 338,650	\$ 348,168	\$ 9,518
Transfer taxes	115,000	220,951	105,951
Charges for services	334,550	362,682	28,132
Intergovernmental	81,000	164,261	83,261
Licenses and fees	5,250	8,504	3,254
Fines and forfeits	92,000	63,713	(28,287)
Franchise fees	44,850	45,557	707
Interest income	273	952	679
Miscellaneous	500	3,959	3,459
TOTAL REVENUES	<u>1,012,073</u>	<u>1,218,747</u>	<u>206,674</u>
EXPENDITURES			
Current:			
General government	477,025	464,282	12,743
Public safety	911,607	994,460	(82,853)
Public works	448,518	455,064	(6,546)
Licensing and inspection	35,233	32,182	3,051
Debt service:			
Principal	8,129	24,820	(16,691)
Interest	-0-	1,346	(1,346)
Capital outlay	131,000	91,890	39,110
TOTAL EXPENDITURES	<u>2,011,512</u>	<u>2,064,044</u>	<u>(52,532)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(999,439)</u>	<u>(845,297)</u>	<u>154,142</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	4,000	2,000	(2,000)
Loan proceeds	-0-	39,645	39,645
Transfers in	995,439	782,163	(213,276)
TOTAL OTHER FINANCING SOURCES	<u>999,439</u>	<u>823,808</u>	<u>(175,631)</u>
NET CHANGE IN FUND BALANCE	-0-	(21,489)	(21,489)
FUND BALANCE, BEGINNING OF YEAR	<u>307,503</u>	<u>307,503</u>	<u>-0-</u>
FUND BALANCE, END OF YEAR	<u>\$ 307,503</u>	<u>\$ 286,014</u>	<u>\$ (21,489)</u>

TOWN OF CLAYTON
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Actuarial Valuation Date</u>	<u>Portion Of Collective Net Pension Liability</u>	<u>Proportion Of Total Pension Liability (Asset)</u>	<u>Town's Covered-Employee Payroll</u>	<u>Net Pension Liability (Asset) As A Percentage Of Covered-Employee Payroll</u>	<u>Plan's Fiduciary Net Position As A Percentage Of Total Pension Liability</u>
County & Municipal Police and Firefighters	6/30/2014	0.6785%	\$ (73,403)	\$ 450,155	(16.31%)	104.47%
	6/30/2013	0.6804%	\$ 68,765	\$ 398,676	17.25%	95.30%
County & Municipal Other Employees	6/30/2014	1.6400%	\$ (6,037)	\$ 445,758	(1.36%)	101.07%
	6/30/2013	1.8170%	\$ 46,322	\$ 428,515	10.81%	91.58%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accountant's report.

**TOWN OF CLAYTON
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Actuarial Valuation Date	Required Employer Contributions	Contributions Recognized In Relation To The Required Employer Contribution	Contributions Deficiency/(Excess)	Covered Employee Payroll	Contributions As A Percentage Of Covered Payroll
County & Municipal Police and Firefighters	6/30/2014	\$ 69,774	\$ 69,774	\$ -0-	\$ 450,155	15.50%
	6/30/2013	\$ 59,004	\$ 59,004	\$ -0-	\$ 398,676	14.80%
County & Municipal Other Employees	6/30/2014	\$ 29,354	\$ 29,354	\$ -0-	\$ 444,758	6.60%
	6/30/2013	\$ 29,139	\$ 29,139	\$ -0-	\$ 428,515	6.30%

See accountant's report.

COMBINING NONMAJOR FUND STATEMENTS

**TOWN OF CLAYTON
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
ASSETS				
Cash and cash equivalents	\$ 18,534	\$ 13	\$ 5,713	\$ 24,260
Due from other fund	-0-	-0-	600	600
TOTAL ASSETS	<u>18,534</u>	<u>13</u>	<u>6,313</u>	<u>24,860</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	-0-	-0-	2,400	2,400
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>2,400</u>	<u>2,400</u>
FUND BALANCES				
Reserved, designated for:				
Police expenditures	-0-	13	3,913	3,926
Public works expenditures	18,534	-0-	-0-	18,534
TOTAL FUND BALANCES	<u>\$ 18,534</u>	<u>\$ 13</u>	<u>\$ 3,913</u>	<u>\$ 22,460</u>

**TOWN OF CLAYTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
REVENUES				
Intergovernmental	\$ 41,554	\$ 4,490	\$ 7,512	\$ 53,556
Interest income	3	-0-	-0-	3
TOTAL REVENUES	<u>41,557</u>	<u>4,490</u>	<u>7,512</u>	<u>53,559</u>
EXPENDITURES				
Current:				
Public safety	-0-	350	3,600	3,950
Public works	68,503	-0-	-0-	68,503
Capital Outlays	-0-	4,490	-0-	4,490
TOTAL EXPENDITURES	<u>68,503</u>	<u>4,840</u>	<u>3,600</u>	<u>76,943</u>
CHANGE IN FUND BALANCES	(26,946)	(350)	3,912	(23,384)
FUND BALANCES, BEGINNING OF YEAR	<u>45,480</u>	<u>363</u>	<u>1</u>	<u>45,844</u>
FUND BALANCES, END OF YEAR	<u>\$ 18,534</u>	<u>\$ 13</u>	<u>\$ 3,913</u>	<u>\$ 22,460</u>

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 21, 2016

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, 2015, 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 21, 2016.

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.

To the Honorable Mayor and Town Council
Town of Clayton
March 21, 2016

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, PA