

TOWN OF CLAYTON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Opinions

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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clayton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note L to the financial statements, certain opening balances have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Town of Clayton's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clayton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Clayton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clayton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the net pension liability information, and the net OPEB liability information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clayton's basic financial statements. The nonmajor governmental funds' Combining Balance Sheet and Combining schedule of revenues, expenditures and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maille LLP

New Castle, Delaware
March 28, 2024

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021. Please read it in conjunction with the Town's financial statements which begin on page 13.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at December 31, 2021, by \$9.5 million (net position). The Town's total net position increased by \$1.2 million. The current year increase in the Town's net position is due primarily to growth in the Town which caused an increase in impact fee income and real estate transfer taxes. During 2021, property tax rates increased from \$0.975 to \$1.15 per \$100 of assessed value.

As of December 31, 2021, the Town's governmental funds reported combined ending fund balances of \$5.4 million, an increase of \$499 thousand as compared to the prior year. The current year increase in fund balance can be attributed to growth in the Town which increases impact fee income and real estate transfer taxes as well as the increase in property tax rates.

As of December 31, 2021, the Town's proprietary funds reported a combined net position of \$3.8 million, an increase of \$440 thousand as compared to the prior year. During 2020, electric billing remained at a minimum of \$25.00 or \$0.2454 for the first 45kw and \$0.1204 per kw thereafter. Sewer billing rates increased during 2020 for the first 2,000 gallons from \$16.50 to \$17.07 but remained the same for each additional 1,000 gallons at \$6.50. There was not an increase to the Sewer or electric billing rates in 2021. Water billing rates remained the same for 2020 at \$9.50 for the first 2,000 gallons; however, effective January 1, 2021, the rate for each additional 1,000 gallons increased from \$4.50 to \$5.50.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The first two statements are entity-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the entity-wide statements.

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

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

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Town in a Trustee capacity for other post-employment benefits.

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021, and 2020:

Table 1 - Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020 Restated *	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 6,739,324	\$ 5,115,160	\$ 1,158,070	\$ 736,648	\$ 7,897,394	\$ 5,851,808
Capital assets, net and noncurrent assets	3,475,895	2,209,024	3,258,377	3,330,648	6,734,272	5,539,672
TOTAL ASSETS	10,215,219	7,324,184	4,416,447	4,067,296	14,631,666	11,391,480
DEFERRED OUTFLOWS OF RESOURCES						
	740,021	579,161	-	-	740,021	579,161
LIABILITIES						
Current liabilities	1,321,356	209,713	249,964	649,424	1,571,320	859,137
Noncurrent liabilities	2,290,297	2,150,924	341,201	387,414	2,631,498	2,538,338
TOTAL LIABILITIES	3,611,653	2,360,637	591,165	1,036,838	4,202,818	3,397,475
DEFERRED INFLOWS OF RESOURCES						
	1,676,924	623,758	-	-	1,676,924	623,758
NET POSITION						
Invested in capital assets, net of related debt	2,300,385	2,183,088	2,907,521	2,934,863	5,207,906	5,117,951
Restricted	5,084,318	3,704,520	-	-	5,084,318	3,704,520
Unrestricted (deficit)	(1,718,040)	(968,658)	917,761	95,595	(800,279)	(873,063)
TOTAL NET POSITION	\$ 5,666,663	\$ 4,918,950	\$ 3,825,282	\$ 3,030,458	\$ 9,491,945	\$ 7,949,408

The largest portion of the Town's net position reflects its investment in capital assets, less any related debts 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)
YEAR ENDED DECEMBER 31, 2021

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 1,252,631	\$ 967,281	\$ 4,335,507	\$ 3,935,972	\$ 5,588,138	\$ 4,903,253
Operating grants and contributions	450,786	276,998	27,824	-	478,610	276,998
Capital grants and contributions	-	6,681	-	-	-	6,681
General revenues						
Taxes	1,497,592	925,229	-	-	1,497,592	925,229
Franchise fees	56,586	58,545	-	-	56,586	58,545
Investment earnings (losses)	2,429	36,255	550	1,998	2,979	38,253
Miscellaneous	8,326	7,580	-	-	8,326	7,580
Gain on sale of assets	3,550	-	-	-	3,550	-
Transfers/Contributions	327,553	707,445	(327,553)	(707,445)	-	-
TOTAL REVENUES	3,599,453	2,986,014	4,036,328	3,230,525	7,635,781	6,216,539
EXPENSES						
General government	1,019,067	695,289	-	-	1,019,067	695,289
Public safety	1,242,056	1,264,897	-	-	1,242,056	1,264,897
Public works	547,981	576,750	-	-	547,981	576,750
Licensing and inspection	50,006	38,810	-	-	50,006	38,810
Culture and recreation	29,202	-	-	-	29,202	-
Interest on long-term debt	718	-	-	-	718	-
Electric operations	-	-	2,114,354	2,048,310	2,114,354	2,048,310
Water/sewer operations	-	-	1,482,144	1,088,166	1,482,144	1,088,166
TOTAL EXPENSES	2,889,030	2,575,746	3,596,498	3,136,476	6,485,528	5,712,222
INCREASE IN NET POSITION	710,423	410,268	439,830	94,049	1,150,253	504,317
NET POSITION, BEGINNING OF YEAR, as previously stated	4,956,240	4,890,767	3,385,452	2,936,409	8,341,692	7,827,176
Restatement	-	(344,795)	-	354,994	-	10,199
NET POSITION, END OF YEAR	\$ 5,666,663	\$ 4,956,240	\$ 3,825,282	\$ 3,385,452	\$ 9,491,945	\$ 8,341,692

Governmental Activities

The cost of all governmental activities in 2021 was \$2.9 million. The amount that taxpayers ultimately financed for these activities through Town taxes was \$1.5 million, or 42 percent. Other costs were paid by those who directly benefited from the programs (\$1.3 million, or 35 percent) or by government agencies and organizations that subsidized funding with intergovernmental aid and contributions (\$451 thousand, or 12 percent).

Increase in charges for services relate primarily to an increase in impact fees which can be attributed to the continued development within Town limits. Also, charges for services increased due to the change in the monthly trash rate from \$26.87 to \$27.68. Increases in taxes relate primarily to the increase in property taxes from the prior year in the amount of \$600 thousand due to the increase in the property tax rate from \$0.975 to \$1.15. Also, there was an increase in transfer taxes from the prior year.

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

*Beginning balances were restated due to management became aware of certain current year cash receipts that pertained to the prior year and determined to record the amounts in the proper period. As such, the prior year fund balance for the General Fund and the net position of the Electric Fund and Water and Sewer Fund have been restated.

In addition, management became aware that certain amounts relating to the OPEB Trust Fund were required to be presented separately as a Fiduciary component unit. Management determined to record amounts relating to prior years in the proper period. As such, the prior year General Fund and OPEB Trust Fund were restated.

As indicated by the governmental program expenses, general government programs accounted for 34 percent of the Town's governmental activities, which is an increase from prior year amounts. Public safety expenses accounted for 44 percent of the Town's governmental activities, public works expenses accounted for 19 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. Revenues were \$4.3 million which was an increase of \$400 thousand from the prior year. The overall expenses of the business-type activities increased by approximately 15 percent. Expense increases are due primarily due to an increase in repairs and maintenance.

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, 2021, the Town's governmental funds reported combined ending fund balances of \$5.4 million, which is an increase of approximately \$499 thousand compared to the prior year. The governmental funds increased mainly due to increases in taxes of approximately \$600 thousand, and impact assessments of approximately \$300 thousand. Approximately 78 percent, or \$3.9 million, constitutes reserved fund balance, leaving an unassigned portion of fund balance of \$1.5 million.

The General Fund is the chief operating fund of the Town. As of December 31, 2021, the total of fund balance was approximately \$1.5 million, of which \$1.5 million is unassigned and \$3 thousand is nonspendable for prepaid costs. The fund balance increased by \$33 thousand during the year ended December 31, 2021.

The other major funds of the Town are the Impact Fees Fund which is used to accumulate resources for future growth initiatives as mandated by law and the ARPA Fund, which is used to account for resources accumulated for COVID-19 related expenditures.

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the Town's budget and actual results can be found on page 55. 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 \$395 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 \$65 thousand more than budget due to increased permits and trash fees collected.
- Intergovernmental revenues were \$64 thousand more than budget due to additional grant funding.
- Fines and forfeits revenues were \$8 thousand more than budget due to more fines issued.
- General government expenses were over budget by \$14 thousand due to increases in budget vs actual expenses relating to wages, office expenses, and building repairs.
- Public safety expenses were over budget by \$79 thousand due to increases in budget vs actual expenses relating to fuel, supplies, and wages.
- Public works expenses were under budget by \$56 thousand due to decreases in budget vs. actual expenses relating to wages, health insurance, pension costs, and street department costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of December 31, 2021, amounted to \$5.6 million, net of accumulated depreciation. Capital assets include land, building and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure. Current year capital outlays of \$295 thousand exceeded depreciation expense of \$166 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, 2021, for the business-type activities, the Town paid approximately \$45 thousand to bring the total debt to approximately \$351 thousand through the Delaware Department of Natural Resources and Environmental Control to finance the Town's water treatment facilities.

TOWN OF CLAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

For the governmental activities, the Town paid approximately \$26 thousand to bring the total debt to approximately \$38 thousand through the Ally Bank to finance the Town's police vehicles.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Rates for taxes and fees for services will remain consistent in 2022 in relation to 2021.

REQUEST 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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 6,485,975	\$ 714,835	\$ 7,200,810
Taxes receivable	19,669	-	19,669
Accounts receivable	73,050	413,331	486,381
Other receivables	157,651	-	157,651
Inventory	<u>2,979</u>	<u>29,904</u>	<u>32,883</u>
TOTAL CURRENT ASSETS	<u>6,739,324</u>	<u>1,158,070</u>	<u>7,897,394</u>
NONCURRENT ASSETS			
Net pension asset	1,137,594	-	1,137,594
Capital assets, net	<u>2,338,301</u>	<u>3,258,377</u>	<u>5,596,678</u>
TOTAL NONCURRENT ASSETS	<u>3,475,895</u>	<u>3,258,377</u>	<u>6,734,272</u>
TOTAL ASSETS	<u>10,215,219</u>	<u>4,416,447</u>	<u>14,631,666</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension activities	219,819	-	219,819
Deferred outflows related to OPEB activities	<u>520,202</u>	<u>-</u>	<u>520,202</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>740,021</u>	<u>-</u>	<u>740,021</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,955,240</u>	<u>\$ 4,416,447</u>	<u>\$ 15,371,687</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 255,144	\$ -	\$ 255,144
Impact fee escrows	181,174	-	181,174
Accrued salaries and benefits	89,035	-	89,035
Accrued interest	-	3,976	3,976
Loan payable	25,229	46,153	71,382
Accrued compensated absences	20,696	27,991	48,687
Unearned revenue	750,078	-	750,078
Utility deposits	-	171,844	171,844
TOTAL CURRENT LIABILITIES	<u>1,321,356</u>	<u>249,964</u>	<u>1,571,320</u>
NONCURRENT LIABILITIES			
Accrued compensated absences	168,049	36,498	204,547
Post-employment benefits	2,109,561	-	2,109,561
Loan payable	12,687	304,703	317,390
TOTAL NONCURRENT LIABILITIES	<u>2,290,297</u>	<u>341,201</u>	<u>2,631,498</u>
TOTAL LIABILITIES	<u>3,611,653</u>	<u>591,165</u>	<u>4,202,818</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension activities	1,100,923	-	1,100,923
Deferred inflows related to OPEB activities	576,001	-	576,001
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,676,924</u>	<u>-</u>	<u>1,676,924</u>
NET POSITION			
Invested in capital assets, net of related debt	2,300,385	2,907,521	5,207,906
Restricted for net pension asset	1,137,594	-	1,137,594
Restricted - other (page 12)	3,946,724	-	3,946,724
Unrestricted (deficit)	(1,718,040)	917,761	(800,279)
TOTAL NET POSITION	<u>5,666,663</u>	<u>3,825,282</u>	<u>9,491,945</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,955,240</u>	<u>\$ 4,416,447</u>	<u>\$ 15,371,687</u>

See accompanying notes to the basic financial statements.

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TOWN OF CLAYTON
STATEMENT OF ACTIVITIES
DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,019,067	\$ 158,094	\$ 381,313	\$ -
Public safety	1,183,448	51,927	-	-
Public works	540,655	571,816	69,473	-
Licensing and inspection	48,921	470,794	-	-
Culture and recreation	29,202	-	-	-
Interest on long-term debt	718	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	2,822,011	1,252,631	450,786	-
BUSINESS-TYPE ACTIVITIES				
Electric	2,107,028	3,160,026	-	-
Water/Sewer	1,467,492	1,175,481	27,824	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,574,520	4,335,507	27,824	-
TOTAL PRIMARY GOVERNMENT	\$ 6,396,531	\$ 5,588,138	\$ 478,610	\$ -
GENERAL REVENUES				
Real estate taxes				
Real estate transfer taxes				
Franchise fees				
Investment income (losses)				
Miscellaneous				
Gain of sale of asset				
TOTAL GENERAL REVENUES				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION, BEGINNING OF YEAR, restated				
NET POSITION, END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (479,660)	\$ -	\$ (479,660)
(1,131,521)	-	(1,131,521)
100,634	-	100,634
421,873	-	421,873
(29,202)	-	(29,202)
(718)	-	(718)
<u>(1,118,594)</u>	<u>-</u>	<u>(1,118,594)</u>
-	1,052,998	1,052,998
-	(264,187)	(264,187)
<u>-</u>	<u>788,811</u>	<u>788,811</u>
<u>(1,118,594)</u>	<u>788,811</u>	<u>(329,783)</u>
718,565	-	718,565
779,027	-	779,027
56,586	-	56,586
2,429	550	2,979
8,326	-	8,326
3,550	-	3,550
<u>1,568,483</u>	<u>550</u>	<u>1,569,033</u>
<u>327,553</u>	<u>(327,553)</u>	<u>-</u>
<u>1,896,036</u>	<u>(327,003)</u>	<u>1,569,033</u>
777,442	461,808	1,239,250
<u>4,956,240</u>	<u>3,385,452</u>	<u>8,341,692</u>
<u>\$ 5,733,682</u>	<u>\$ 3,847,260</u>	<u>\$ 9,580,942</u>

TOWN OF CLAYTON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Impact Fees Fund	ARPA Fund	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,629,498	\$ 3,887,153	\$ 750,124	\$ 219,200	\$ 6,485,975
Taxes receivable	19,669	-	-	-	19,669
Accounts receivable	73,050	-	-	-	73,050
Other receivables	134,552	23,099	-	-	157,651
Inventory	2,979	-	-	-	2,979
Due from other funds	1,600	-	-	-	1,600
	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
TOTAL ASSETS	\$ <u>1,861,348</u>	\$ <u>3,910,252</u>	\$ <u>750,124</u>	\$ <u>219,200</u>	\$ <u>6,740,924</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 255,144	\$ -	\$ -	\$ -	\$ 255,144
Impact fee escrows	-	181,174	-	-	181,174
Accrued salaries and benefits	89,035	-	-	-	89,035
Accrued compensated absences	20,696	-	-	-	20,696
Unearned revenue	-	-	750,078	-	750,078
Due to other funds	-	-	-	1,600	1,600
	<u>364,875</u>	<u>181,174</u>	<u>750,078</u>	<u>1,600</u>	<u>1,297,727</u>
TOTAL LIABILITIES	<u>364,875</u>	<u>181,174</u>	<u>750,078</u>	<u>1,600</u>	<u>1,297,727</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	18,303	-	-	-	18,303
	<u>18,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,303</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>383,178</u>	<u>181,174</u>	<u>750,078</u>	<u>1,600</u>	<u>1,316,030</u>
FUND BALANCES					
Unassigned	1,475,191	-	-	-	1,475,191
Restricted for police	-	-	-	8,277	8,277
Restricted for public works	-	-	-	209,323	209,323
Restricted for COVID-19	-	-	46	-	46
Restricted for future growth initiatives	-	3,729,078	-	-	3,729,078
Nondisposable	2,979	-	-	-	2,979
	<u>2,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,979</u>
TOTAL FUND BALANCES	<u>1,478,170</u>	<u>3,729,078</u>	<u>46</u>	<u>217,600</u>	<u>5,424,894</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>1,861,348</u>	\$ <u>3,910,252</u>	\$ <u>750,124</u>	\$ <u>219,200</u>	\$ <u>6,740,924</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION YEAR ENDED DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 5,424,894

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. 2,338,301

Some of the Town's assets are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds. 18,303

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.

Loans payable	\$ (37,916)	
Net pension asset (liability)	1,137,594	
Post-employment benefits	<u>(2,109,561)</u>	
		(1,009,883)

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. (168,049)

Deferred outflows and inflows or resources related to pension and OPEB activities are applicable to future periods and, therefore, are not reported in the funds (936,903)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,666,663

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Impact Fees Fund	ARPA Fund	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes					
Property taxes	\$ 710,211	\$ -	\$ -	\$ -	\$ 710,211
Transfer taxes	779,027	-	-	-	779,027
Public safety taxes	20,275	-	-	-	20,275
Charges for services	603,153	571,816	-	-	1,174,969
Intergovernmental	184,438	-	196,875	69,473	450,786
Licenses and fees	25,735	-	-	-	25,735
Fines and forfeits	51,927	-	-	-	51,927
Franchise fees	56,586	-	-	-	56,586
Investment income	1,839	341	46	203	2,429
Miscellaneous	8,326	-	-	-	8,326
TOTAL REVENUES	<u>2,441,517</u>	<u>572,157</u>	<u>196,921</u>	<u>69,676</u>	<u>3,280,271</u>
EXPENDITURES					
Current					
General government	661,096	-	44,000	-	705,096
Public safety	1,323,079	-	-	4,069	1,327,148
Public works	609,247	-	-	16,211	625,458
Licensing and inspection	50,006	-	-	-	50,006
Impact fees expense	-	-	120,000	-	120,000
Debt service:					
Principal	26,130	-	-	-	26,130
Interest	1,372	-	-	-	1,372
Capital outlays	295,177	-	-	-	295,177
TOTAL EXPENDITURES	<u>2,966,107</u>	<u>-</u>	<u>164,000</u>	<u>20,280</u>	<u>3,150,387</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(524,590)</u>	<u>572,157</u>	<u>32,921</u>	<u>49,396</u>	<u>129,884</u>
OTHER FINANCING SOURCES AND USES					
Proceeds from sale of capital assets	3,550	-	-	-	3,550
Loan proceeds	38,110	-	-	-	38,110
Transfers in (out)	516,223	(147,348)	(32,875)	(8,447)	327,553
TOTAL OTHER FINANCING SOURCES AND USES	<u>557,883</u>	<u>(147,348)</u>	<u>(32,875)</u>	<u>(8,447)</u>	<u>369,213</u>
NET CHANGES IN FUND BALANCES	33,293	424,809	46	40,949	499,097
FUND BALANCES, BEGINNING OF YEAR, restated*	<u>1,444,877</u> *	<u>3,304,269</u>	<u>-</u>	<u>176,651</u>	<u>4,925,797</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,478,170</u>	<u>\$ 3,729,078</u>	<u>\$ 46</u>	<u>\$ 217,600</u>	<u>\$ 5,424,894</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 499,097
<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 (\$295,177) exceeds depreciation (\$165,900).</p>	129,277
<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 year.</p>	(11,921)
<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>	(11,980)
<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>	
Accrued interest	654
Compensated absences	(65,305)
<p>In the statement of activities, pension expense reflects the change in the net pension liability, net of related deferred inflows and outflows of resources. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions.</p>	309,438
<p>In the statement of activities, OPEB expense reflects the change in the net post-employment benefits liability, net of related deferred inflows and outflows of resources. In the governmental funds, however, OPEB expenditures reflect payments made to fund the OPEB plan. This is the amount by which the change in the post-employment benefits liability and related deferrals exceeded OPEB contributions.</p>	(138,837)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>710,423</u></u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Electric Fund	Water And Sewer Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 329,437	\$ 385,398	\$ 714,835
Accounts receivable	301,393	111,938	413,331
Inventory	25,456	4,448	29,904
TOTAL CURRENT ASSETS	<u>656,286</u>	<u>501,784</u>	<u>1,158,070</u>
NONCURRENT ASSETS			
Capital assets, net	<u>1,668,262</u>	<u>1,590,115</u>	<u>3,258,377</u>
TOTAL ASSETS	<u>\$ 2,324,548</u>	<u>\$ 2,091,899</u>	<u>\$ 4,416,447</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued interest	\$ -	\$ 3,976	\$ 3,976
Loan payable	-	46,153	46,153
Accrued compensated absences	9,330	18,661	27,991
Utility deposits	171,844	-	171,844
TOTAL CURRENT LIABILITIES	<u>181,174</u>	<u>68,790</u>	<u>249,964</u>
NONCURRENT LIABILITIES			
Accrued compensated absences	12,166	24,332	36,498
Loan payable	-	304,703	304,703
TOTAL NONCURRENT LIABILITIES	<u>12,166</u>	<u>329,035</u>	<u>341,201</u>
TOTAL LIABILITIES	<u>193,340</u>	<u>397,825</u>	<u>591,165</u>
NET POSITION			
Invested in capital assets, net of related debt	1,668,262	1,239,259	2,907,521
Unrestricted	462,946	454,815	917,761
TOTAL NET POSITION	<u>2,131,208</u>	<u>1,694,074</u>	<u>3,825,282</u>
TOTAL LIABILITIES AND AND NET POSITION	<u>\$ 2,324,548</u>	<u>\$ 2,091,899</u>	<u>\$ 4,416,447</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Electric Fund	Water And Sewer Fund	Totals
OPERATING REVENUES			
User service charges	\$ 3,109,499	\$ 1,175,481	\$ 4,284,980
Other operating revenue	50,527	27,824	78,351
TOTAL OPERATING REVENUES	3,160,026	1,203,305	4,363,331
OPERATING EXPENSES			
Electric purchased	1,672,052	-	1,672,052
Sewer charges	-	455,371	455,371
System upgrades and maintenance	103,241	475,958	579,199
Salaries and wages	115,849	231,699	347,548
Employee benefits	34,960	69,921	104,881
Bad debt expense	39,775	-	39,775
Depreciation	75,622	114,314	189,936
Supplies	13,004	68,239	81,243
Administration expenses	5,356	8,534	13,890
Professional services	54,495	48,117	102,612
TOTAL OPERATING EXPENSES	2,114,354	1,472,153	3,586,507
OPERATING INCOME (LOSS)	1,045,672	(268,848)	776,824
NONOPERATING REVENUES (EXPENSES)			
Interest income	237	313	550
Interest expense	-	(9,991)	(9,991)
TOTAL NONOPERATING REVENUES (EXPENSES)	237	(9,678)	(9,441)
INCOME (LOSS) BEFORE TRANSFERS	1,045,909	(278,526)	767,383
TRANSFERS			
Transfers in (out)	(888,519)	560,966	(327,553)
TOTAL TRANSFERS	(888,519)	560,966	(327,553)
CHANGE IN NET POSITION	157,390	282,440	439,830
NET POSITION AT BEGINNING OF YEAR, restated	1,973,818	1,411,634	3,385,452
NET POSITION AT END OF YEAR	\$ 2,131,208	\$ 1,694,074	\$ 3,825,282

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Electric Fund	Water And Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 3,278,919	\$ 1,232,011	\$ 4,510,930
Paid to suppliers for goods and services	(2,024,612)	(1,307,079)	(3,331,691)
Payments to employees for services	(153,357)	(308,036)	(461,393)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,100,950</u>	<u>(383,104)</u>	<u>717,846</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Received (due) from other funds	9,034	-	9,034
Transfers in/(out)	(888,519)	560,966	(327,553)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(879,485)</u>	<u>560,966</u>	<u>(318,519)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(88,288)	(29,375)	(117,663)
Loan payment	-	(46,153)	(46,153)
Interest paid	-	(7,447)	(7,447)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(88,288)</u>	<u>(82,975)</u>	<u>(171,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	237	313	550
NET INCREASE IN CASH AND CASH EQUIVALENTS	133,414	95,200	228,614
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>196,023</u>	<u>290,198</u>	<u>486,221</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 329,437</u>	<u>\$ 385,398</u>	<u>\$ 714,835</u>

See accompanying notes to the basic financial statements

TOWN OF CLAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Electric Fund	Water And Sewer Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,045,672	\$ (268,848)	\$ 776,824
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	75,622	114,314	189,936
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	116,570	28,506	145,076
(Increase) decrease in other receivables	2,323	200	2,523
(Increase) decrease in prepaid expenses	1,851	3,701	5,552
Increase (decrease) in accounts payable	(142,674)	(254,090)	(396,764)
Increase (decrease) in accrued salaries and benefits	(3,869)	(7,737)	(11,606)
Increase (decrease) in compensated absences	1,321	1,321	2,642
Increase (decrease) in accrued interest	-	(471)	(471)
Increase (decrease) in utility deposits	4,134	-	4,134
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,100,950</u>	<u>\$ (383,104)</u>	<u>\$ 717,846</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2021

	<u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 260,901
Investments	<u>188,538</u>
 TOTAL ASSETS	 \$ <u><u>449,439</u></u>
 NET POSITION	
Restricted for other postemployment benefits	\$ <u><u>449,439</u></u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

YEAR ENDED DECEMBER 31, 2021

	<u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 50,000
Investment income (losses):	
Net increase in fair value of investments	20,468
Dividends	4,351
Investment expense	<u>(1,859)</u>
TOTAL INVESTMENT INCOME (LOSSES)	<u>22,960</u>
TOTAL ADDITIONS	72,960
DEDUCTIONS	
Premiums paid	<u>5,606</u>
CHANGE IN NET POSITION	67,354
NET POSITION AT BEGINNING OF YEAR	<u>382,085</u>
NET POSITION AT END OF YEAR	<u>\$ 449,439</u>

See accompanying notes to the basic financial statements.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - 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.

Government-Wide and Fund Financial Statements

The government-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. These statements exclude fiduciary activities such as the OPEB Trust Fund. Fiduciary fund financial statements are presented by fund type.

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, proprietary funds, and fiduciary funds. Major individual 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus. Basis Of Accounting and Financial Statement Presentation

The government-wide financial statements, the proprietary fund financial statements, and the fiduciary fund 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 is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), granters, 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 consists 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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue Fund

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

ARPA Fund - This fund is used to account for COVID-19 related grant funds until they are used or transferred to the appropriate fund for specific, eligible projects.

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, which all are special revenue.

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.

The Town reports the following Fiduciary fund:

OPEB Trust Fund - Used to account for resources accumulated for the provision of other post-employment benefits.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and no restrictions on withdrawal, 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 net realizable value 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.

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. The Town's adopted capitalization threshold is \$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 of 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:

Building and improvements	7-40 years
Vehicles	5-10 years
Land improvements	20 years
Machinery and equipment	3-10 years
Infrastructure	5-50 years

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Balances/Net Position

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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 granters, 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 2021 was \$1.15 per \$100 of assessed value. The Town's total assessed value for the year ended December 31, 2021 was \$73,186,700.

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.

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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - 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.
- 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 2021, there were no revisions to any legally adopted budgets.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2021, the General Fund incurred expenditures in excess of appropriations in the following functions:

General government	\$13,536
Public safety	79,221
Debt service principal	26,130
Debt service interest	1,372
Capital outlay	267,177

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

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - 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.

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, 2021, the carrying amount of the Town's deposits was \$7,461,711 and the bank balance was \$7,582,704. Of the bank balance, \$260,268 was covered by federal depository insurance, and \$7,322,436 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name.

Investments

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.

The Town's OPEB Trust Fund had the following investments stated at fair value in the balance sheet at December 31, 2021:

	Level 1
Exchange traded funds	\$ 98,960
Mutual funds	89,578
	\$ 188,538

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels defined below:

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2: Inputs consist of quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Inputs are unobservable and have the lowest priority.

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 433,916	\$ -	\$ -	\$ 433,916
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	433,916	-	-	433,916
Capital assets being depreciated				
Buildings, infrastructure and improvements	2,039,205	52,690	-	2,091,895
Vehicles	803,222	190,465	(37,917)	955,770
Machinery and equipment	417,588	52,022	(15,497)	454,113
TOTAL CAPITAL ASSETS BEING DEPRECIATED	3,260,015	295,177	(53,414)	3,501,778
Accumulated depreciation				
Buildings, infrastructure and improvements	(454,900)	(58,935)	-	(513,835)
Vehicles	(678,544)	(83,813)	37,917	(724,440)
Machinery and equipment	(351,463)	(23,152)	15,497	(359,118)
TOTAL ACCUMULATED DEPRECIATION	(1,484,907)	(165,900)	53,414	(1,597,393)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	1,775,108	129,277	-	1,904,385
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 2,209,024	\$ 129,277	\$ -	\$ 2,338,301

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - CAPITAL ASSETS (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings and infrastructure	\$ 5,712,518	\$ 117,663	\$ -	\$ 5,830,181
Vehicles	309,515	-	-	309,515
Machinery and equipment	168,014	-	-	168,014
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>6,190,047</u>	<u>117,663</u>	<u>-</u>	<u>6,307,710</u>
Accumulated depreciation				
Buildings and improvements	(2,453,924)	(164,826)	-	(2,618,750)
Vehicles	(244,524)	(18,475)	-	(262,999)
Machinery and equipment	(160,949)	(6,635)	-	(167,584)
TOTAL ACCUMULATED DEPRECIATION	<u>(2,859,397)</u>	<u>(189,936)</u>	<u>-</u>	<u>(3,049,333)</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 3,330,650</u>	 <u>\$ (72,273)</u>	 <u>\$ -</u>	 <u>\$ 3,258,377</u>

Depreciation expense was charged to the functions as follows:

GOVERNMENTAL ACTIVITIES		
General government		\$ 50,387
Public safety		58,325
Public works		<u>57,188</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$ 165,900</u>

BUSINESS-TYPE ACTIVITIES		
Electric		\$ 75,622
Water		<u>114,314</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES		<u>\$ 189,936</u>

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2021, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,600	\$ -
EIDE Fund	<u>-</u>	<u>1,600</u>
	<u>\$ 1,600</u>	<u>\$ 1,600</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.

The composition of interfund transfers for the year ended December 31, 2021, was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 3,097,132	\$ 2,580,909
Impact Fees Fund	-	147,348
ARPA Fund	914,124	946,999
Municipal Street Aid Fund	-	8,447
Electric Fund	150,809	1,039,328
Water and Sewer Fund	<u>1,898,231</u>	<u>1,337,265</u>
	<u>\$ 6,060,296</u>	<u>\$ 6,060,296</u>

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - LONG-TERM DEBT

The following is a summary of changes in long-term liability activity of the Town:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
GOVERNMENTAL ACTIVITIES					
Loan and Notes Payable					
Loan payable - Ally Bank (2020)	\$ 25,936	\$ -	\$ (12,637)	\$ 13,299	\$ 13,299
Loan payable - Ally Bank (2021)	-	38,110	(13,493)	24,617	11,930
Total Loans and Notes Payable	<u>25,936</u>	<u>38,110</u>	<u>(26,130)</u>	<u>37,916</u>	<u>25,229</u>
Net pension liability	125,959	-	(125,959)	-	-
Net OPEB liability	1,908,915	200,646	-	2,109,561	-
Compensated absences	<u>159,439</u>	<u>79,700</u>	<u>(50,394)</u>	<u>188,745</u>	<u>20,696</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,220,249</u>	<u>\$ 318,456</u>	<u>\$ (202,483)</u>	<u>\$ 2,336,222</u>	<u>\$ 45,925</u>
BUSINESS-TYPE ACTIVITIES					
Loan and Notes Payable					
Arsenic loan payable	\$ 395,779	\$ -	\$ (44,923)	\$ 350,856	\$ 46,153
Compensated absences	<u>60,526</u>	<u>37,058</u>	<u>(33,095)</u>	<u>64,489</u>	<u>27,991</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 456,305</u>	<u>\$ 37,058</u>	<u>\$ (78,018)</u>	<u>\$ 415,345</u>	<u>\$ 74,144</u>

The loan payable between Ally Bank and the Town of Clayton Police Department is for a 2020 police vehicle. The loan was entered into during July 2020, and bears interest at 5.29 percent with principal and interest payable each year in the amount of \$14,009. The loan matures in July 2022.

The loan payable between Ally Bank and the Town of Clayton Police Department is for a 2021 police vehicle. The loan was entered into during June 2021, and bears interest at 6.35 percent with principal and interest payable each year in the amount of \$13,493. The loan matures in June 2023.

The Arsenic 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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - LONG-TERM DEBT - Continued

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

GOVERNMENTAL ACTIVITIES

Year Ending December 31,	Principal	Interest	Total
2022	\$ 25,229	\$ 2,273	\$ 27,502
2023	12,687	806	13,493
	<u>\$ 37,916</u>	<u>\$ 3,079</u>	<u>\$ 40,995</u>

BUSINESS-TYPE ACTIVITIES

Year Ending December 31,	Principal	Interest	Total
2022	\$ 46,153	\$ 9,231	\$ 55,384
2023	47,417	7,967	55,384
2024	48,715	6,669	55,384
2025	50,049	5,335	55,384
2026	51,420	3,964	55,384
2027-2028	107,102	3,666	110,768
	<u>\$ 350,856</u>	<u>\$ 36,832</u>	<u>\$ 387,688</u>

NOTE G - PENSIONS

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 June 30, 2021, which is the Plan measurement date. For a more complete description, refer to the Delaware Public Employee's Retirement System (DPERS) ACFR.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

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 (excluding overtime and special pay).

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 a minimum of 50% of pension; if employee is active, eligible survivor receives 75% 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 16.59% of earnings for fiscal year 2021.
- Member: 7% of compensation.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

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

At December 31, 2021, the Town reported a pension liability (asset) of \$(898,312) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability (asset) to June 30, 2021. 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, 2021, the Town's proportion was 0.6528 percent, which was a decrease of 0.0039 percent from its proportion measured as of June 30, 2020.

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$126,883 for the year ended December 31, 2021. At December 31, 2021, 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	\$ 84,998	\$ 34,998
Changes of assumptions	30,869	65,421
Net difference between projected and actual earnings on pension plan investments	-	763,307
Contributions subsequent to measurement date	53,910	-
Change in proportion and differences between Town contributions and proportionate share of contributions	3,688	4,076
TOTALS	\$ 173,465	\$ 867,802

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

The \$53,910 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 asset in the year ended December 31, 2022. 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:

2022	\$ (195,354)
2023	(180,867)
2024	(191,520)
2025	(176,582)
2026	7,871
Thereafter	<u>(11,795)</u>
	<u>\$ (748,247)</u>

Actuarial Assumptions: The total pension asset for the June 30, 2021, measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension asset to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Description	Percentages
Inflation	2.5%
Projected salary increases	2.5% + merit, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation rate of 2.5%
Cost-of-living adjustments	0.0%

Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

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	Asset Allocation
Domestic equity	5.7%	32.3%
International equity	5.7%	18.1%
Fixed income	2.0%	20.6%
Alternative investments	7.8%	24.2%
Cash and equivalents	0.0%	4.8%

Discount Rate: The discount rate for the Plan used to measure the total pension liability was 7.0 percent. 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 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 7.0%, 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 (6.0%)	Current Discount Rate (7.0%)	1% Decrease (8.0%)
Municipal Police of Clayton	\$ <u>(414,704)</u>	\$ <u>(898,312)</u>	\$ <u>(1,292,857)</u>

Delaware County & Municipal Other 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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

The following is a brief description of the Plan in effect at June 30, 2021, which is the Plan measurement date. For a more complete description, refer to the Delaware Public Employee's Retirement System (DPERS) ACFR.

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 7.06% of earnings for fiscal year 2021.
- Member: 3% of earnings in excess of \$6,000.

At December 31, 2021, the Town reported a pension liability (asset) of \$(239,282) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability (asset) to June 30, 2021. 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, 2021, the Town's proportion was 1.1424 percent, which was a decrease of 0.0367 percent from its proportion measured as of June 30, 2020.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$21,956 for the year ended December 31, 2021. At December 31, 2021, 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:

Description	Deferred Resources	
	Outflows	Inflows
Difference between expected and actual experience	\$ 13,377	\$ 16,859
Changes of assumptions	11,174	7,211
Net difference between projected and actual earnings on pension plan investments	-	204,546
Contributions subsequent to measurement date	21,804	-
Change in proportion and differences between Town contributions and proportionate share of contributions	-	4,505
TOTALS	\$ <u>46,355</u>	\$ <u>233,121</u>

The \$21,804 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, 2021. 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:

2022	\$ (53,281)
2023	(48,622)
2024	(51,389)
2025	(51,156)
2026	(1,273)
Thereafter	<u>(2,849)</u>
	\$ <u>(208,570)</u>

Actuarial Assumptions: The total pension liability (asset) in the June 30, 2021, measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability (asset) to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Description	Percentages
Inflation	2.5%
Projected salary increases	2.5% + merit, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation rate of 2.5%
Cost-of-living adjustments	0.0%

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic equity	5.7%	32.3%
International equity	5.7%	18.1%
Fixed income	2.0%	20.6%
Alternative investments	7.8%	24.2%
Cash and equivalents	0.0%	4.8%

Discount Rate: The discount rate for the Plan used to measure the total pension liability was 7.0%. 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PENSIONS (Continued)

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 7.0%, 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:

<u>Plan</u>	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Decrease (8.0%)</u>
County and Municipal Other Employees of Clayton	\$ <u>(103,490)</u>	\$ <u>(239,282)</u>	\$ <u>(375,084)</u>

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description and Eligibility: 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.

Participant data consisted of the following at January 1, 2021, the date of the latest actuarial valuation.

<u>Participants</u>	
Active	19
Retired	<u>1</u>
Total	<u><u>20</u></u>

Retirement from active service after the completion of 20 years of service.

Funding Policy and Funding Status

For the fiscal year ended December 31, 2021, the Town made premium payments of \$5,606 on behalf of the Plan retirees. As of December 31, 2021, there was \$449,439 accumulated, which is presented in the Fiduciary Fund.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Contributions: 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 December 31 2021, the Town contributed \$50,000 to the plan for current and future premiums.

Investments

Investment Policy - The Trustees shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments or industries.

The following was the Plan's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
U.S. large cap equity	12.22%
U.S. large and mid cap value equity	6.56%
U.S. Small cap equity	1.76%
U.S. Broad equity market	2.83%
Foreign developed equity	2.69%
U.S. Core fixed income	2.00%
U.S. Intermediate government bonds	4.31%
U.S. Short term AAA corporate bonds	2.01%
U.S. Securitized securities	2.76%
Global bonds	2.81%
U.S. REITs	1.01%
Farmland	1.00%
Cash	58.04%
	100.00%

Concentrations: At December 31, 2021, the Plan held more than 5% of Fiduciary Net Position in the Vanguard Growth ETF, which comprised 5.85% of the total.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

The components of the net OPEB liability of the Town at December 31, 2021 were as follows:

Total OPEB Liability	\$ 2,559,000
Plan Fiduciary Net Position	<u>449,439</u>
Town's Net OPEB Liability	<u>\$ 2,109,561</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	<u>17.56%</u>

Actuarial Assumptions: The total OPEB liability in the December 31, 2021, measurement date was determined by an actuarial valuation as of January 1, 2021, with update procedures used to roll forward the OPEB liability to December 31, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Amortization: The amortization period is 30 years on an open basis.
Asset valuation method	Market Value
Salary increases	3.00% per year
Investment rate of return	3.25%

Due to the size of the Town, no formal experience study has been conducted. As such, various actuarial assumptions are based on the assumptions used in the Delaware County & Municipal Employees' Pension Plan as of June 30, 2021, Delaware County & Municipal Police/Firefighters Pension Plan as of June 30, 2021, and Postretirement Health Plan Actuarial Valuation as of January 1, 2021, adjusted to reflect the Town's anticipated experience based on the actuary's judgment.

Discount Rate: 2.12% per annum as of the January 1, 2020, actuarial evaluation, and 2.06% per annum as of December 31, 2021, reflecting the applicable Bond Buyer General Obligation 20-Bond Municipal Bond Index as of December 31, 2021.

Expected Long-Term Rate Of Return On Investments: 3.25% per year.

Salary Scale: 3.0% per year.

Expected Inflation Rate: 2.3% per year.

Coverage Election Rates: 100% of current active Town members and 75% of current police officers are assumed to elect coverage if age and service requirements are met at retirement. Actual elections for current retirees are used.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Mortality: PUBG-2010 Mortality Table headcount weighted for general employees and PUBS- 2010 Mortality Table, head count weighted for public safety employees for males and females with separate rates for employees, healthy annuitants and disabled annuitants, adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis to reflect mortality improvements both before and after the valuation date.

Actuarial Cost Method: In accordance with GASB 74/75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

For determining the actuarial accrued liability, the employee's service as of the valuation date is the elapsed time from the provided date of hire with the County to the valuation date.

Changes in Assumptions - In the 2021 actuarial valuation, the discount rate changed from 2.12% to 2.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS experience study. The Administrators and teachers election assumption was decreased from 55% to 50%.

The long-term expected rate of return on OPEB plan investment is assumed to be 3.25%. The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan' target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. large cap equity	4.94%
U.S. large and mid cap value equity	5.10%
U.S. Small cap equity	6.73%
U.S. Broad equity market	5.17%
Foreign developed equity	6.27%
U.S. Core fixed income	1.39%
U.S. Intermediate government bonds	0.53%
U.S. Short term AAA corporate bonds	0.51%
U.S. Securitized securities	2.03%
Global bonds	0.00%
U.S. REITs	5.60%
Farmland	5.12%
Cash	-0.26%

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at December 31, 2020	\$ 2,291,000	\$ 382,085	\$ 1,908,915
Changes for the year			
Service cost	165,519	-	165,519
Interest cost	52,019	-	52,019
Changes of benefit terms	255,068	-	255,068
Changes for experience	-	-	-
Changes in assumptions	(199,000)	-	(199,000)
Benefit payments	(5,606)	(5,606)	-
Employer contributions	-	50,000	(50,000)
Net investment income	-	22,960	(22,960)
Administrative expenses	-	-	-
Net changes	<u>268,000</u>	<u>67,354</u>	<u>200,646</u>
Balance at December 31, 2021	<u>\$ 2,559,000</u>	<u>\$ 449,439</u>	<u>\$ 2,109,561</u>

Sensitivity Analysis

The following presents the net OPEB liability of the Town, calculated using the discount rate of 2.06%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate:

	1% 1% Decrease 1.06%	Current Discount Rate 2.06%	1% 1% Increase 3.06%
Total OPEB liability	\$ 3,153,000	\$ 2,559,000	\$ 2,102,000
Fiduciary net position	<u>449,439</u>	<u>449,439</u>	<u>449,439</u>
Net OPEB liability	<u>\$ 2,703,561</u>	<u>\$ 2,109,561</u>	<u>\$ 1,652,561</u>

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Health Cost Trend: The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2020.2 utilizing the baseline assumptions included in the model. Adjustments are applied based on percentage of costs associated with administrative expenses, aging factors and healthcare reform provisions including changes due to H.R. 1865 (December 2019). H.R. 1865 eliminated any potential excise taxes and the following table displays the trends with and without the excise tax:

The health cost trend assumption for dental benefits and premiums is assumed to be 3.0% per year.

For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date is based on the ultimate rate, which is 3.7% for costs prior to 65 and 3.7% of costs at age 65 and later.

The following presents the net OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,012,000	\$ 2,559,000	\$ 3,299,000
Fiduciary net position	449,439	449,439	449,439
	<hr/>	<hr/>	<hr/>
Net OPEB liability	\$ <u>1,562,561</u>	\$ <u>2,109,561</u>	\$ <u>2,849,561</u>

For the year ended December 31, 2021, the Town recognized OPEB expense of \$188,837. At December 31, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Difference between expected and actual experience	\$ 227,641	\$ 216,538
Changes of assumptions	292,561	346,990
Net difference between projected and actual earnings on OPEB plan investments	<hr/>	<hr/>
	-	12,473
TOTALS	\$ <u>520,202</u>	\$ <u>576,001</u>

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (14,989)
2023	(19,345)
2024	(16,719)
2025	(15,556)
2026	(13,534)
Thereafter	<u>24,344</u>
	<u>\$ (55,799)</u>

NOTE I - 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 granters 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. DEM EC 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.

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.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - COMMITMENTS AND CONTINGENCIES (Continued)

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.

Judgements And Claims

The Town may be, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, none of these matters are expected to have an adverse effect on the Town's financial position.

NOTE J - 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 K - SUBSEQUENT EVENTS

Subsequent to year end, in February 2022, the Town Council approved the sale of the Town's water system to Artesian Water Company for \$5,000,000.

TOWN OF CLAYTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE L - PRIOR PERIOD ADJUSTMENTS

During the year, management became aware of certain current year cash receipts that pertained to the prior year and determined to record the amounts in the proper period. As such, the prior year fund balance for the General Fund and the net position of the Electric Fund and Water and Sewer Fund have been restated as of January 1, 2021 as follows:

	Previously Reported Amount	Restatement	Restated Amount
<u>General Fund</u>			
Fund balance	1,789,672	37,290	1,826,962
<u>Electric Fund</u>			
Net position	1,708,645	265,173	1,973,818
<u>Water & Sewer Fund</u>			
Net position	1,321,813	89,821	1,411,634

During the year, management became aware that certain amounts relating to the OPEB Trust Fund were required to be presented separately as a Fiduciary component unit. Management determined to record amounts relating to prior years in the proper period. As such, the prior year General Fund and OPEB Trust Fund were restated as of January 1, 2021 as follows:

	Previously Reported Amount	Restatement	Restated Amount
<u>General Fund</u>			
Cash	1,618,219	(213,821)	1,404,398
Investments	176,047	(168,264)	7,783
Fund balance	1,826,962	(382,085)	1,444,877
<u>OPEB Trust Fund</u>			
Cash	-	213,821	213,821
Investments	-	168,264	168,264
Net position	-	382,085	382,085

For the government-wide financial statements, the Town has restated the beginning of net position as of January 1, 2021 as follows:

	Previously Reported Amount	Restatement	Restated Amount
<u>Government Wide Statement</u>			
Governmental activities	5,301,035	(344,795)	4,956,240
Business-Type activities	3,030,458	354,994	3,385,452

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 709,696	\$ 709,696	\$ 710,211	\$ 515
Transfer taxes	385,000	385,000	779,027	394,027
Public safety taxes	22,000	22,000	20,275	(1,725)
Charges for services	538,000	538,000	603,153	65,153
Intergovernmental	120,028	120,028	184,438	64,410
Licenses and fees	12,300	12,300	25,735	13,435
Fines and forfeits	59,100	59,100	51,927	(7,173)
Franchise fees	49,000	49,000	56,586	7,586
Investment income	-	-	1,839	1,839
Miscellaneous	-	-	8,326	8,326
TOTAL REVENUES	1,895,124	1,895,124	2,441,517	546,393
EXPENDITURES				
Current				
General government	647,560	647,560	661,096	(13,536)
Public safety	1,243,858	1,243,858	1,323,079	(79,221)
Public works	665,010	665,010	609,247	55,763
Licensing and inspection	52,363	52,363	50,006	2,357
Debt service				
Principal	-	-	26,130	(26,130)
Interest	-	-	1,372	(1,372)
Capital outlay	28,000	28,000	295,177	(267,177)
TOTAL EXPENDITURES	2,636,791	2,636,791	2,966,107	(329,316)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(741,667)	(741,667)	(524,590)	217,077
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	2,000	2,000	3,550	1,550
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Loan proceeds	-	-	38,110	38,110
Transfers in	-	-	516,223	516,223
TOTAL OTHER FINANCING SOURCES	2,000	2,000	557,883	555,883
NET CHANGE IN FUND BALANCE	\$ (739,667)	\$ (739,667)	33,293	\$ 772,960
FUND BALANCE AT BEGINNING OF YEAR, restated			1,444,877	
FUND BALANCE AT END OF YEAR			\$ 1,478,170	

TOWN OF CLAYTON
SCHEDULE OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY
LAST NINE FISCAL YEARS

	For the Year Ended December 31,	Actuarial Valuation Date	Portion of Collective Net Pension Liability	Proportion of Total Pension Liability (Asset)	Town's Covered-Employee Payroll	Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
	2021	6/30/2021	0.6528%	\$ (898,312) \$	633,074	-141.90%	128.19%
	2020	6/30/2019	0.6567%	100,921	598,753	16.86%	96.67%
	2019	6/30/2019	0.6236%	179,121	551,277	32.49%	93.25%
	2018	6/30/2017	0.6764%	155,781	561,751	27.73%	94.10%
County and Municipal Police and Firefighters	2017	6/30/2017	0.6694%	67,481	548,775	12.30%	97.00%
	2016	6/30/2015	0.6556%	104,207	513,043	20.31%	94.70%
	2015	6/30/2015	0.6542%	(34,476)	477,927	-7.21%	101.97%
	2014	6/30/2013	0.6785%	(73,403)	450,155	-16.31%	104.47%
	2013	6/30/2013	0.6804%	68,765	398,676	17.25%	95.30%
	2021	6/30/2021	1.1424%	\$ (239,282) \$	611,856	-39.11%	-127.56%
	2020	6/30/2019	1.1791%	25,038	577,106	4.34%	96.95%
	2019	6/30/2019	1.2050%	55,205	534,562	10.33%	92.74%
	2018	6/30/2017	1.3099%	41,221	521,324	7.91%	94.41%
County and Municipal Other Employees	2017	6/30/2017	1.3237%	85,765	489,283	17.53%	87.62%
	2016	6/30/2015	1.4013%	86,822	503,968	17.23%	86.38%
	2015	6/30/2015	1.5428%	658	459,923	0.14%	99.89%
	2014	6/30/2013	1.6400%	(6,037)	445,758	-1.36%	101.07%
	2013	6/30/2013	1.8170%	46,322	428,515	10.81%	91.58%

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

See independent auditors' report.

TOWN OF CLAYTON
SCHEDULE OF PENSION CONTRIBUTIONS
LAST NINE FISCAL YEARS

	For the Year Ended December 31,	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
	2021	6/30/2019	\$ 105,027	\$ 105,027	\$ -	\$ 633,074	16.59%
	2020	6/30/2019	100,830	100,830	-	598,753	16.84%
	2019	6/30/2017	91,953	91,953	-	551,277	16.68%
	2018	6/30/2017	64,152	64,152	-	561,751	11.42%
County and Municipal Police and Firefighters	2017	6/30/2015	75,731	75,731	-	548,775	13.80%
	2016	6/30/2015	71,313	71,313	-	513,043	13.90%
	2015	6/30/2013	66,193	66,193	-	477,927	13.85%
	2014	6/30/2013	69,774	69,774	-	450,155	15.50%
	2013	6/30/2011	59,004	59,004	-	398,676	14.80%
	2021	6/30/2019	\$ 43,197	\$ 43,197	\$ -	\$ 611,856	7.06%
	2020	6/30/2019	42,071	42,071	-	577,106	7.29%
	2019	6/30/2017	39,023	39,023	-	534,562	7.30%
	2018	6/30/2017	37,014	37,014	-	521,324	7.10%
County and Municipal Other Employees	2017	6/30/2015	33,278	33,278	-	489,382	6.80%
	2016	6/30/2015	31,246	31,246	-	503,968	6.20%
	2015	6/30/2013	29,895	29,895	-	459,923	6.50%
	2014	6/30/2013	29,354	29,354	-	444,758	6.60%
	2013	6/30/2011	29,139	29,139	-	428,515	6.80%

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

See independent auditors' report.

TOWN OF CLAYTON
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	For the Year Ended December 31,				
	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY					
Service cost	\$ 165,519	\$ 108,079	\$ 98,277	\$ 136,474	\$ 119,849
Interest on total OPEB liability	52,019	54,154	85,518	75,938	70,377
Changes of benefit terms	-	-	-	-	-
Effect of economic/demographic (gains) or losses	255,068	(9,953)	(295,820)	(4,618)	(1,070)
Effect of assumption changes or inputs	(199,000)	273,000	(2,000)	(280,000)	138,000
Benefit payments	(5,606)	(5,280)	(4,975)	(4,794)	(4,252)
NET CHANGE IN TOTAL OPEB LIABILITY	268,000	420,000	(119,000)	(77,000)	322,904
Total OPEB liability, beginning	2,291,000	1,871,000	1,990,000	2,067,000	1,744,096
TOTAL OPEB LIABILITY, ENDING (a)	\$ 2,559,000	\$ 2,291,000	\$ 1,871,000	\$ 1,990,000	\$ 2,067,000
FIDUCIARY NET POSITION					
Employer contributions	\$ 50,000	\$ 50,000	\$ 20,000	\$ 20,000	\$ 20,000
Net investment income (loss)	22,960	18,159	24,419	(10,665)	14,182
Benefit payments	(5,606)	(5,280)	(4,975)	(4,794)	(4,252)
Administrative expenses	-	-	-	-	-
NET CHANGE IN FIDUCIARY NET POSITION	67,354	62,879	39,444	4,541	29,930
Fiduciary net position, beginning	382,085	319,206	279,762	275,221	245,291
FIDUCIARY NET POSITION, ENDING (b)	\$ 449,439	\$ 382,085	\$ 319,206	\$ 279,762	\$ 275,221
NET OPEB LIABILITY, ENDING (a)-(b)	\$ 2,109,561	\$ 1,908,915	\$ 1,551,794	\$ 1,710,238	\$ 1,791,779
FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	17.56%	16.68%	17.06%	14.06%	13.31%
COVERED PAYROLL	\$ 1,120,625	\$ 960,388	\$ 960,388	\$ 971,825	\$ 971,825
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	188.25%	198.76%	161.58%	175.98%	184.37%

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See independent auditors' report.

TOWN OF CLAYTON
SCHEDULE OF OPEB CONTRIBUTIONS
LAST FIVE FISCAL YEARS

For the Year Ended December 31,	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
2021	1/1/2021	184,462	50,000	134,462	1,120,625	4.46%
2020	1/1/2019	165,391	50,000	115,391	960,388	5.21%
2019	1/1/2019	144,282	20,000	124,282	960,388	2.08%
2018	1/1/2017	212,396	20,000	192,396	971,825	2.06%
2017	1/1/2017	199,135	20,000	179,135	971,825	2.06%

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TOWN OF CLAYTON
 SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
 LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT INCOME	<u>5.74%</u>	<u>5.53%</u>	<u>8.68%</u>	<u>-3.85%</u>	<u>5.73%</u>

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SUPPLEMENTARY INFORMATION SECTION

TOWN OF CLAYTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
ASSETS				
Cash and cash equivalents	\$ 209,323	\$ 3,411	\$ 6,466	\$ 219,200
TOTAL ASSETS	<u>209,323</u>	<u>3,411</u>	<u>6,466</u>	<u>219,200</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	-	-	1,600	1,600
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>1,600</u>
FUND BALANCES				
Reserved, designated for				
Police expenditures	-	3,411	4,866	8,277
Public works expenditures	209,323	-	-	209,323
TOTAL FUND BALANCES	<u>209,323</u>	<u>3,411</u>	<u>4,866</u>	<u>217,600</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 209,323</u>	<u>\$ 3,411</u>	<u>\$ 6,466</u>	<u>\$ 219,200</u>

See independent auditors' report.

TOWN OF CLAYTON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Total
REVENUES				
Intergovernmental revenues	\$ 69,473	\$ -	\$ -	\$ 69,473
Interest income	203	-	-	203
TOTAL REVENUES	<u>69,676</u>	<u>-</u>	<u>-</u>	<u>69,676</u>
EXPENDITURES				
Current				
Public safety	2,849	1,220	-	4,069
Public works	16,211	-	-	16,211
TOTAL EXPENDITURES	<u>19,060</u>	<u>1,220</u>	<u>-</u>	<u>20,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>50,616</u>	<u>(1,220)</u>	<u>-</u>	<u>49,396</u>
OTHER FINANCING SOURCES				
Transfers in (out)	<u>(8,447)</u>	<u>-</u>	<u>-</u>	<u>(8,447)</u>
CHANGE IN FUND BALANCES	42,169	(1,220)	-	40,949
FUND BALANCES AT BEGINNING OF YEAR	<u>167,154</u>	<u>4,631</u>	<u>4,866</u>	<u>176,651</u>
FUND BALANCES AT END OF YEAR	<u>\$ 209,323</u>	<u>\$ 3,411</u>	<u>\$ 4,866</u>	<u>\$ 217,600</u>

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