

# NORTH CAROLINA MUNICIPAL COUNCIL

A Division of the Carolinas Municipal Advisory Council, Inc.

Incorporated Not For Profit

225 TRYON RD. – SUITE 200

RALEIGH, NORTH CAROLINA 27603

December 12, 2013

Report No. 312-U

## TOWN OF CLAYTON NORTH CAROLINA

In  
Johnston County

Population - 2000 6,973  
2010 16,116  
(estim.) 2012 16,529

Council Rating – 84

### RATIOS AND BENCHMARKS

Total General Debt (G.O. Bonds & Installment Debt)	\$22,378,697		
Total Assessed Valuation (2012-13)	\$1,551,133,357		
Estimated Population (2012)	16,529		
<b>MAC Database</b>			
General Debt to Assessed Value:	1.44%	Peer Group Avg.	0.67%
General Debt Per Capita:	\$1,354	Peer Group Avg.	\$554
General Fund Per Capita Cost:	\$1,063	Peer Group Avg.	\$782
Tax Rate (2012-13):	52.5¢	Peer Group Avg.	47.0¢
Unrestricted Cash and Investments to Total Expenditures (FY 2012):	47.4%	Peer Group Avg.	62.7%
Unrestricted Cash and Investments to Total Expenditures (FY 2013):	43.0%		
Gen. Fund Unassigned Fund Balance to Total Gen. Fund Expenditures (FY 2012):	38.9%	Peer Group Avg.	40.2%
Gen. Fund Unassigned Fund Balance to Total Gen. Fund Expenditures (FY 2013):	42.7%		
G.O. Bonds:	\$5,940,000		
Bond Principal Payout in 5 years:	32.8%		
Bond Principal Payout in 10 years:	64.0%		
G.O. Bonds Planned:	No G.O. Bonds authorized and unissued.		
Installment Purchase Debt:	\$16,438,697		
I-P Principal Payout in 5 years:	37.1%		
I-P Principal Payout in 10 years:	57.9%		
Installment Purchase Debt Planned:	Town officials anticipate incurring installment debt for SCADA equipment (phase one) for the water and sewer system.		
Water and Sewer Revenue Bonds:	\$1,604,000 Water & Sewer Revenue Bonds		
State Revolving Loans:	\$6,058,492		
Electric System Revenue Bonds:	None		
Debt Service as a % of Total Expenditures: (Included funds only)	10.98% for FY 2013		
<b>Water &amp; Sewer System Net Profit:</b> (Including depreciation and interest expense)	FY 2010 \$95,367; FY 2011 \$1,516,962; FY 2012 \$1,317,564; FY 2013 \$921,295		
Water & Sewer Cash/Investments to Oper. Expenses: (Unrestricted)	FY 2012 68.45% (250 days) FY 2013 76.78% (280 days)		
Inside Water & Sewer Rates : (5,000 gallons per month)	\$57.60		
Inside Water & Sewer Rates : (6,000 gallons per month)	\$66.06	Peer Group Avg.	\$66.56
<b>Electric System Net Profit (Loss):</b> (Including depreciation and interest expense)	FY 2010 \$222,584; FY 2011 \$119,091; FY 2012 \$174,047; FY 2013 \$11,857		
Electric Cash/Investments to Oper. Expenses: (Unrestricted)	FY 2012 30.0% (110 days) FY 2013 26.2% (96 days)		
Electric Rates : (1,000 kWh per month)	\$135.25		
<b>NC EMPA Member</b>			
<b>Quick Stats:</b>			
Tax Base Growth:	90.5% growth from FY 2004 to FY 2013 (reappraised for FY 2012)		
Population Growth:	48.61% from 1990-2000; 131.1% from 2000-2010		
Adopted Town Financial Policies:	Unassigned Fund Balance - General Fund: 20% of net expenditures. Tax-supported debt as % of governmental expenditures - Not to exceed 13%. Enterprise Debt Service Coverage - 1.5 x Water & Sewer Unrestricted Cash/Investments - 182.5 days operations Electric System Unrestricted Cash/Investments - 91.25 days operations		

"THIS REPORT CONSISTS OF A SUMMARY OF THE AVAILABLE INFORMATION ON THE FINANCIAL STATUS OF THE SUBJECT LOCAL GOVERNMENT UNIT. IT IS NOT PREPARED OR PRESENTED IN CONNECTION WITH THE OFFER, SALE OR PURCHASE OF ANY BOND OR SECURITY. IT IS NOT AN OPINION ON THE ADVISABILITY OF INVESTMENT IN ANY BOND OR SECURITY. THE REPORT IS OFFERED ONLY AS A SERVICE TO SUBSCRIBING MEMBERS TO PROVIDE THEM WITH ADDITIONAL INFORMATION UPON WHICH, TO MAKE THEIR OWN JUDGMENTS."  
ALL RIGHTS RESERVED - Carolinas MAC, Inc. - 2013

**VALUATIONS AND TAXES**

Assessed Valuation for:

2000-01	\$ 443,874,250	2010-11	\$ 1,344,521,493
2001-02	543,205,015	2011-12	1,498,824,944
2002-03	620,081,193	2012-13	
2003-04	814,176,008	Real Property	\$ 1,331,374,051
2004-05	889,746,516	Pers. Property	77,399,399
2005-06	974,769,324	Public Serv. Cos.	19,831,496
2006-07	1,058,895,426	Motor Vehicles	<u>122,528,411</u>
2007-08	1,334,597,255	Total Valuation	\$ <u>1,551,133,357</u>
2008-09	1,344,620,814		
2009-10	1,370,528,410	2013-14 (estim.)	\$ 1,456,393,538

Real property was last reappraised for 2011 taxation and is listed at 100% of the 2011 appraised value.

**NOTE** - Clayton annexed over 75 properties or tracts from 2000 to 2009, adding over 3,400 acres to the Town's tax base during that time. Many of these tracts were annexed by voluntary petition and were developed subsequent to the annexation.

Tax Rate (Based on \$100.00 assessed valuation)

Town Tax Rate	Total Overall Tax Rate 2013-14
2003-04 \$ 0.490 *	Town of Clayton \$ 0.525
2004-05 0.490	Johnston County <u>0.780</u>
2005-06 0.490	Total \$ 1.305
2006-07 0.540	
2007-08 0.540	
2008-09 0.540	
2009-10 0.540	
2010-11 0.540	
2011-12 0.525 *	
2012-13 0.525	
2013-14 0.525	

\* Real property reappraised for 2003 taxation and 2011 taxation.

Tax Collection Record (Fiscal year July 1st to June 30th)

	2009-10	2010-11	2011-12	2012-13
Levy	\$ 7,401,944	\$ 7,260,417	\$ 7,898,355	\$ 8,141,032
Collected to 6-30-2013	<u>7,387,555</u>	<u>7,251,682</u>	<u>7,885,458</u>	<u>8,050,221</u>
Uncollected	\$ 14,389	\$ 8,735	\$ 12,897	\$ 90,811
Percent delinquent	0.19%	0.12%	0.16%	1.12%
Collected in year levied	\$ 7,316,730	\$ 7,153,560	\$ 7,789,545	\$ 8,050,222
Percent collected in year levied	98.85%	98.53%	98.62%	98.88%
% Collected on real & personal property	99.47%	99.22%	99.34%	99.70%
% Collected on motor vehicles	91.13%	90.27%	89.85%	89.42%
Uncollected 2008 and prior years	\$ 31,262			

Largest Taxpayers

(2012-13)

	Valuation	% of Total	Taxes
Crown Raleigh III, LLC (commercial real estate)	\$ 47,237,597	3.27%	\$ 247,997
Automatic Rolls of NC, LLC (baked products)	36,400,232	2.52%	191,101
Fred Smith Companies (real estate/development)	34,906,220	2.42%	183,258
Wal-Mart (discount retailer/commercial property)	16,032,301	1.11%	84,170
Amelia Village, LLC (residential real estate)	13,932,327	0.97%	73,145
3C Packaging/Colonial Carton Co. (container mfg.)	13,687,177	0.95%	71,858
DDRM Clayton Corners (commercial real estate)	12,380,430	0.86%	64,997
Walthom Group (real estate & development)	8,466,740	0.59%	44,450
Piedmont Natural Gas Co. (gas utility)	8,444,632	0.59%	44,334
Spinksville III, LLC (real estate/development)	8,116,320	0.56%	31,171

## OPERATIONS

## Four-Year Comparative Operating Statement

(Fiscal years ending June 30th)

<b>Revenues</b>	FY 2010	FY 2011	FY 2012	FY 2013
Ad Valorem Taxes	\$ 7,306,114	\$ 7,244,251	\$ 7,931,632	\$ 7,984,694
Local Sales Tax	2,307,722	2,403,131	2,531,400	2,594,116
ABC Profit Distributions	45,240	49,181	81,461	85,534
Other Taxes and Licenses	99,807	169,738	175,927	193,864
Unrestricted Intergovernmental	1,622,657	2,104,908	2,106,651	2,291,041
Restricted Intergovernmental	923,033	548,257	532,613	848,919
Permits & Fees	452,554	405,818	550,761	867,000
Sales and Services	1,342,543	1,639,842	754,815	1,874,335
Water and Sewer Operations	6,557,029	7,502,918	7,822,484	7,967,233
Capacity Fees, Nutrient Fees, Capital Contributions	320,493	274,439	696,049	2,236,379
Electric Operations	12,514,228	12,801,917	12,075,271	12,269,885
Investment Earnings	48,436	32,251	23,409	31,305
From Capital Projects Funds	-	492,267	-	-
Bond & Installment Debt Proceeds	5,017,103 *	297,000	251,297	722,576
Miscellaneous	450,598	647,913	302,363	706,190
<b>Total Revenues</b>	<b>\$ 39,007,557</b>	<b>\$ 36,613,831</b>	<b>\$ 35,836,133</b>	<b>\$ 40,673,071</b>
<b>Expenditures</b>				
General and Administrative	\$ 3,167,761	\$ 3,008,166	\$ 2,592,517	\$ 2,558,246
Public Safety	5,374,706	5,225,917	5,495,891	5,637,109
Public Works	2,271,997	2,708,628	2,675,027	3,841,470
Transportation & Environmental Services	1,180,937	-	-	2,003,313
Culture and Recreation	2,017,752	1,793,801	1,858,635	-
Transfers to Capital Projects Fund	47,817	-	183,837	1,201,770
Water & Sewer Operations	5,406,445	5,104,794	5,460,208	5,976,857
Water and Sewer Capital Outlay	858,525	551,089	247,144	806,888
Electric Operations	12,039,799	12,430,245	11,769,526	12,112,334
Electric Capital Outlay	18,899	-	209,940	465,206
Debt Service - Principal	3,253,026	3,489,285	3,423,587	3,225,483
Debt Service - Interest & Charges	800,845	976,037	1,127,879	1,043,979
<b>Total Expenditures</b>	<b>\$ 36,438,509</b>	<b>\$ 35,287,962</b>	<b>\$ 35,044,191</b>	<b>\$ 38,872,655</b>
<b>Net Operating Income</b>	<b>\$ 2,569,048</b>	<b>\$ 1,325,869</b>	<b>\$ 791,942</b>	<b>\$ 1,800,416</b>
<b>Cash and Investments - Included Funds</b>	6-30-2010	6-30-2011	6-30-2012	6-30-2013
General Fund	\$ 10,895,880	\$ 6,199,565	\$ 6,984,712	\$ 8,009,776
General Fund - Restricted	-	817,060	1,072,857	120,691
Special Revenue Fund (Cemetery)	3,198	3,217	3,226	3,234
Capital Reserve Funds	577,543	-	-	-
Water & Sewer Fund	2,660,375	2,485,719	4,930,105	5,311,476
Electric Fund	3,213,700	3,420,364	3,615,093	3,256,766
<b>Totals</b>	<b>\$ 17,350,696</b>	<b>\$ 12,925,925</b>	<b>\$ 16,605,993</b>	<b>\$ 16,701,943</b>
<b>Cash and Investments - Excluded Funds</b>				
General Capital Projects Funds	\$ 911,966	\$ 4,662,542	\$ 1,188,427	\$ 831,084
Water & Sewer Capital Projects Funds	-	-	-	208,893
<b>Totals</b>	<b>\$ 911,966</b>	<b>\$ 4,662,542</b>	<b>\$ 1,188,427</b>	<b>\$ 1,039,977</b>
<b>Fund Balance (General Fund)</b>				
Unassigned Fund Balance	\$ 3,772,191	\$ 4,836,252	\$ 5,813,270	\$ 6,378,452
% of GF Expenditures	23.94%	32.36%	38.89%	42.67%
Assigned for Subsequent Year's Expenditure	-	32,430	6,061	259,949
Committed: Public Improvements	4,877,789	286,418	315,668	494,918
Restricted: Streets	688,491	760,786	984,777	3,251
Restricted and Assigned: Public Safety	-	-	15,328	4,664
* \$5,000,000 Public Improvement Bonds issued in July 2009, plus Refunding Bond Premium (net).				
Auditor's Opinion:	Unqualified	Unqualified	Unqualified	Unqualified

Statement of Activities

Year Ended June 30, 2013

Town of CLAYTON	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ (2,889,392)	\$ 670,300	\$ 85,534	\$ -	\$ (2,133,558)	\$ -	\$ (2,133,558)
Public safety	(5,870,952)	28,944	937,835	813	(4,903,360)	-	(4,903,360)
Public works	(3,438,151)	1,374,227	-	739,800	(1,324,124)	-	(1,324,124)
Cultural and recreational	(2,147,576)	664,432	-	848,131	(635,013)	-	(635,013)
Interest on long-term debt	(832,444)	-	-	-	(832,444)	-	(832,444)
Total governmental activities	\$ (15,178,515)	\$ 2,737,903	\$ 1,023,369	\$ 1,588,744	\$ (9,828,499)	\$ -	\$ (9,828,499)
<b>Business-type activities:</b>							
Water and sewer	\$ (7,121,581)	\$ 7,716,133	\$ 251,100	\$ 479,412	\$ -	\$ 1,325,064	\$ 1,325,064
Electric	(12,427,570)	12,185,913	83,972	-	-	(157,685)	(157,685)
Total Business-Type Activities	\$ (19,549,151)	\$ 19,902,046	\$ 335,072	\$ 479,412	\$ -	\$ 1,167,379	\$ 1,167,379
Total	\$ (34,727,666)	\$ 22,639,949	\$ 1,358,441	\$ 2,068,156	\$ (9,828,499)	\$ 1,167,379	\$ (8,661,120)
<b>General Revenues:</b>							
Property taxes, levied for general purposes					\$ 7,990,139	\$ -	\$ 7,990,139
Other taxes					1,534,436	-	1,534,436
Grants and contributions - not restricted					2,718,488	-	2,718,488
Investment earnings - unrestricted					22,805	10,761	33,566
Miscellaneous					520,956	2,421,613	2,942,569
Transfers					685,692	(685,692)	-
Total general revenues and transfers					\$ 13,472,516	\$ 1,746,682	\$ 15,219,198
Changes in net position					\$ 3,644,017	\$ 2,914,061	\$ 6,558,078
Net Position - beginning of year					28,638,210	37,514,211	66,152,421
Prior period adjustments					-	-	-
Net Position - end of year					\$ 32,282,227	\$ 40,428,272	\$ 72,710,499
<b>Statement of Net Position</b>							
Cash and investments					\$ 8,013,010	\$ 8,568,242	\$ 16,581,252
Restricted cash and investments					952,495	208,893	1,161,388
Taxes receivable (net)					155,934	-	155,934
Accounts receivable (net)					563,734	2,706,968	3,270,702
Inventories					15,908	938,506	954,414
Due from other governments					774,517	-	774,517
Capital assets					46,464,380	39,528,746	85,993,126
Total assets					\$ 56,939,978	\$ 51,951,355	\$ 108,891,333
<b>Current liabilities:</b>							
Accounts payable & accrued liabilities					\$ 857,557	\$ 1,679,078	\$ 2,536,635
Customer deposits					-	443,197	443,197
<b>Long-term liabilities:</b>							
Due within one year					1,872,419	2,992,508	4,864,927
Due in more than one year					21,618,259	6,250,982	27,869,241
Total liabilities					\$ 24,348,235	\$ 11,365,765	\$ 35,714,000
<b>Deferred Inflow of Resources:</b>							
Assessments					\$ 268,740	\$ 157,318	\$ 426,058
Prepaid Taxes					40,776	-	40,776
Total deferred inflow of resources					\$ 309,516	\$ 157,318	\$ 466,834
<b>Net Position:</b>							
Invested in capital assets, net of debt					\$ 24,372,799	\$ 30,232,283	\$ 54,605,082
Restricted - Stabilization by Statute					1,338,251	-	1,338,251
Restricted - Other					662,758	-	662,758
Unrestricted					5,908,419	10,195,989	16,104,408
Total net position					\$ 32,282,227	\$ 40,428,272	\$ 72,710,499

**UTILITY SYSTEMS**

Clayton operates water, sewer and electric distribution utilities that serve the corporate limits and some adjacent areas. The water/sewer service area extends considerably beyond the Town limits. The Town has adopted a policy to limit transfers from the Enterprise Funds (water, sewer, electric) to the General Fund, to (1) amounts equal to the ad valorem taxes that the utility fixed assets would generate based on the Town's tax rate; (2) amounts equal to the utility franchise tax that the utility sales would generate based on tax rates adopted by the General Assembly, and (3) amounts equal to support services provided by the General Fund and costs incurred by each department in support of the enterprise operations.

Clayton and other towns in the NC Eastern Municipal Power Agency are now subject to special local legislation that restricts transfers from the Electric Fund to the General Fund. The above Town policy is consistent with this Local Act.

Water and Sewer System

Clayton purchases treated water from the Johnston County system and average daily demand is about 2.26 MGD. In addition to the primary system interconnection, Clayton has two other connections to the County's water system. The Town operates and maintains wastewater treatment facilities with a capacity of 2.5 MGD. Clayton also has contracted with Raleigh for additional treatment capacity (1.0 MGD) and with Johnston County (900,000 GPD). Clayton has approximately 6,823 water customers and 6,827 sewer customers. The customer base for water and sewer service has doubled since 1999.

Grifols Therapeutics (plasma therapies), Novo Nordisk (insulin products) and Hospira (interlipid bio-products) are among the Town's largest water and sewer customers, representing approximately 25%, 5% and 4% respectively of annual operating revenue. Water for Grifols is purchased from Johnston County and wastewater is transported to the County plant for treatment.

Rates

		<u>In Town</u>	<u>Outside</u>
Base Charge -	Water	\$ 10.10	\$ 19.85
	Sewer	5.20	20.80
Volume Charge -	Water *	3.57	5.37
	Sewer *	4.89	6.66
* Per thousand gals.			
Use of 5,000 gals. per month		\$ 57.60	\$ 100.80
Use of 6,000 gals. per month		\$ 66.06	\$ 112.83
Rates became effective on July 1, 2013			

Operation of Clayton's water and sewer system was as follows:

	2009-10	2010-11	2011-12	2012-13
Operating Revenue	\$ 6,557,029	\$ 7,502,918	\$ 7,822,484	\$ 7,967,233
Operating Expenses *	6,263,366	5,987,628	6,413,900	6,917,345
Operating Profit or (Loss)	\$ 293,663	\$ 1,515,290	\$ 1,408,584	\$ 1,049,888
Other Revenues **	13,073	195,002	83,220	27,704
Profit / (Loss) - before debt service	\$ 306,736	\$ 1,710,292	\$ 1,491,804	\$ 1,077,592
Interest Expense on Revenue Notes	211,369	193,330	174,240	156,297
Net Profit or (Loss)	\$ 95,367	\$ 1,516,962	\$ 1,317,564	\$ 921,295
* Includes depreciation of	\$ 850,481	\$ 877,679	\$ 947,560	\$ 923,624
** Excludes Impact and Nutrient Fees of	320,493	150,274	696,049	2,236,379
Cash and Investments	\$ 2,660,375	\$ 2,485,719	\$ 4,390,105	\$ 5,311,476
Cash and Investments - Restricted	-	-	-	208,893
Accounts receivable billed (net)	\$ 1,606,480	\$ 896,566	\$ 784,960	\$ 800,465
% of Revenues	24.50%	11.95%	10.03%	10.05%

Revenue Bonds \$1,604,000

Clayton negotiated a revenue bond with a federal Agency (USDA) for construction of a new one million gallon elevated water tank that was funded from bond proceeds and grants of approximately \$835,000. The Town contributed \$24,000 to the project

<u>Dated</u>	<u>Issue</u>	<u>Rate</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Maturing</u>
9-9-2013	Water & Sewer Rev., 2013	3.50%	\$ 1,604,000	\$ 1,604,000	6-1-2014/2053

Revenue Bond Requirements

	<u>Principal</u>	<u>Interest</u>	<u>Prin. &amp; Int.</u>
2013-14	\$ 18,000	\$ 40,759	\$ 58,759
2014-15	20,000	55,510	75,510
2015-16	20,000	54,810	74,810
2016-17	21,000	54,110	75,110
2017-18	22,000	53,375	75,375
2018-19	23,000	52,605	75,605
2019-20	23,000	51,800	74,800
2020-21	24,000	50,995	74,995
2021-22	25,000	50,155	75,155
2022-23	26,000	49,280	75,280
2023-24	27,000	48,370	75,370
2024-25	28,000	47,425	75,425
2026-2030	155,000	221,725	376,725
2031-2035	183,000	192,745	375,745
2036-2040	216,000	158,480	374,480
2040-2045	257,000	117,880	374,880
Thereafter	516,000	84,595	600,595
Totals	\$ 1,604,000	\$ 1,384,619	\$ 2,988,619

Revenue Notes/Utility Contracts \$6,178,492

Clayton was approved for and received funding from five State Revolving/Bond Loans. These loans are payable solely from revenues of the benefitted system (sewer) and are described below. The Town also has a utility extension contract that is payable solely from utility acreage fees within a specific area.

<u>Dated</u>	<u>Issue</u>	<u>Rate</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Maturing</u>
11/1/1995	Sewer Bond Loan, 1995	3.43%	\$ 354,000	\$ 70,800	5-1-2014/2017
3/16/1996	Sewer Revolving Loan, 1996	2.89%	4,302,091	661,534	5-1-2014/2016
12/10/1998	Sewer Revolving Loan, 1998	2.91%	1,040,345	312,104	5-1-2014/2019
11/8/2006	Sewer Revolving Loan, 2006	2.205%	3,921,798	2,314,054	5-1-2014/2024
4/30/2008	Sewer Revolving Loan, 2008	2.100%	3,600,000	2,700,000	5-1-2014/2028
1996	Water/Sewer Extension Contract	0.00%	120,000	120,000	*

\* Payable solely from acreage fees from new customers connected to the specific water and sewer lines.

The minimum requirements annually to service the Revolving/Bond loans are as follows:

	<u>Principal</u>	<u>Prin. &amp; Int.</u>
2013-14	\$ 727,346	\$ 865,699
2014-15	727,346	847,756
2015-16	727,346	829,813
2016-17	506,834	591,359
2017-18	489,134	562,089
2018-19	489,134	551,126
2019-20	437,117	488,145
2020-21	437,117	478,696
2021-22	437,117	469,247
Thereafter	1,080,000	1,159,380
Totals	\$ 6,058,491	\$ 6,843,311

Capital Projects

Clayton officials are considering options for future wastewater capacity, including better utilization of contracted capacity with Raleigh and Johnston County, but there are no definite plans at present.

Electric System

Clayton purchases electric current from the North Carolina Eastern Municipal Power Agency for resale to local customers through the Town's distribution system. The Town regularly budgets for system improvements and extensions (\$887,000 budgeted for FY 2014). Clayton serves approximately 5,332 electric customers and has no large industrial customers on the electric system. The local public schools are collectively the largest electric customer and account for approximately 3.7% of annual revenues. Residential electric rates are:

Base Charge	\$ 6.95	per month
Energy Charge	11.72¢	per kWh
Fuel Adjustment	1.11¢	per kWh
Use of 1,000 kWh per month	\$ 135.25	

Clayton is a Member and Participant of the North Carolina Eastern Municipal Power Agency. The Power Agency had outstanding \$2,025,720,000 principal amount of bonds as of September 30, 2013. Clayton's share of Project Output is 0.7448% and the Town's direct responsibility under the Agency debt is \$15,087,563. The Power Agency bills each Participant monthly for its Project power costs, including its share of debt service on the bonds issued by the Power Agency. Clayton's obligations are payable as an operating expense of its electrical distribution system solely from the revenues of such system.

Operation of Clayton's electric distribution system was as follows:

	2009-10	2010-11	2011-12	2012-13
Operating Revenue	\$ 12,514,228	\$ 12,801,917	\$ 12,075,271	\$ 12,269,885
Operating Expenses *	12,306,349	12,695,381	12,037,246	12,420,271
Operating Profit or (Loss)	\$ 207,879	\$ 106,536	\$ 38,025	\$ (150,386)
Other Revenues	38,897	30,699	148,118	168,291
Profit or (Loss) - before debt service	\$ 246,776	\$ 137,235	\$ 186,143	\$ 17,905
Interest on Revenue Bond	24,192	\$ 18,144	12,096	\$ 6,048
Net Profit of (Loss)	\$ 222,584	\$ 119,091	\$ 174,047	\$ 11,857
<b>*Includes depreciation of</b>	<b>\$ 267,534</b>	<b>\$ 258,610</b>	<b>\$ 269,416</b>	<b>\$ 295,371</b>
Cash and Investments	\$ 3,213,700	\$ 3,420,364	\$ 3,615,093	\$ 3,256,766
Accounts receivable billed (net)	\$ 855,631	\$ 722,483	\$ 590,299	\$ 637,170
% of Revenues	6.84%	5.64%	4.89%	5.19%

Capital Projects

Town officials are planning system improvements at a cost of \$1.0 to \$1.5 million and will likely issue a revenue bond.

Natural Gas

Natural gas service in the Town is supplied by Piedmont Natural Gas Company.

Liquor Revenue

Operation of liquor stores by the Johnston County ABC Board was started on December 16, 1964. Net profits from store operation are distributed 75% to the County and 25% to incorporated towns in the County on the basis of population. Clayton's revenue from this source was as follows:

2008-09	2009-10	2010-11	2011-12	2012-13
\$ 50,725	\$ 45,240	\$ 49,181	\$ 81,461	\$ 85,534

**DEBT**Indebtedness (11-15-2013)

Bonds - General	\$ 5,860,000	
Water & Sewer	80,000	
Notes	-	
Installment Obligations	16,438,697	
Gross Debt	\$ 22,378,697	1.44%
Utility Bonds	80,000	
Net Debt (1.44%)	\$ 22,298,697	
Per capita gross debt (Town only )	\$ 1,354	
Per capita gross debt (Town and overlapping )	\$ 3,158	

**NOTE - Debt above excludes Revenue Bonds and Revenue Notes for water and sewer purposes.**

Relative Debt Burden

Gross Town Debt		\$ 22,378,697
Utility Enterprise Profits Capitalized (4 year avg.)	\$ 10,946,918	
Liquor Revenue Capitalized (4 year avg.)	653,540	11,600,458
		\$ 10,778,239
Proportion of Overlapping Debts		
Johnston County	11.73% of	\$ 309,197,254
Adjusted Debt & Overlapping Debt		\$ 47,047,077
Hypothetical debt based on relative ability to pay	124%	\$ 37,941,191
Hypothetical per capita debt burden		\$ 2,295

**\* Johnston County voters recently authorized \$57,000,000 School Bonds and \$7,000,000 Community College Bonds at a referendum on November 5, 2013.**

**NOTE - This section is inserted primarily for rating purposes. Outstanding debt is adjusted by deducting capitalized special revenues and adding proportionate overlapping obligations. The debt is further adjusted in accordance with certain resources of the unit so as to better reflect the burden it represents in relation to the normal North Carolina municipality.**

General Obligation Bonds \$5,940,000

<u>Dated</u>	<u>Issue</u>	<u>Rate</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Maturing</u>
7-21-2009	G.O. Public Impr., 2009A	3.00%	\$ 1,750,000	\$ 250,000	8-1-2014
				250,000	8-1-2015
				250,000	8-1-2016
7-21-2009	G.O. Public Impr., 2009A	3.125%	250,000	250,000	8-1-2017
7-21-2009	G.O. Public Impr., 2009A	3.75%	250,000	250,000	8-1-2018
7-21-2009	G.O. Public Impr., 2009A	4.00%	2,000,000	250,000	8-1-2019
				250,000	8-1-2020
				250,000	8-1-2021
				250,000	8-1-2022
				250,000	8-1-2023
				250,000	8-1-2024
				250,000	8-1-2025
				250,000	8-1-2026
7-21-2009	G.O. Public Impr., 2009A	4.25%	500,000	250,000	8-1-2027
				250,000	8-1-2028
7-21-2009	G.O. Public Impr., 2009A	4.375%	250,000	250,000	8-1-2029
7-21-2009	G.O. Refunding, 2009B	2.60%	80,000	80,000	6-1-2014
8-1-2012	G.O. Public Impr., 2012	0.45%	140,000	140,000	2-1-2014
8-1-2012	G.O. Public Impr., 2012	0.55%	140,000	140,000	2-1-2015
8-1-2012	G.O. Public Impr., 2012	1.75%	140,000	140,000	2-1-2016
8-1-2012	G.O. Public Impr., 2012	1.00%	140,000	140,000	2-1-2017
8-1-2012	G.O. Public Impr., 2012	1.25%	140,000	140,000	2-1-2018
8-1-2012	G.O. Public Impr., 2012	2.00%	560,000	140,000	2-1-2019
				140,000	2-1-2020
				140,000	2-1-2021
				140,000	2-1-2022
8-1-2012	G.O. Public Impr., 2012	2.10%	120,000	120,000	2-1-2023
8-1-2012	G.O. Public Impr., 2012	2.30%	120,000	120,000	2-1-2024
8-1-2012	G.O. Public Impr., 2012	2.40%	120,000	120,000	2-1-2025
8-1-2012	G.O. Public Impr., 2012	2.50%	120,000	120,000	2-1-2026
8-1-2012	G.O. Public Impr., 2012	2.70%	120,000	120,000	2-1-2027

General Obligation Bond Requirements (Fiscal year July 1st to June 30th)

	<u>Principal</u>	<u>Prin. &amp; Int.</u>		<u>Principal</u>	<u>Prin. &amp; Int.</u>
2013-14	\$ 470,000	\$ 658,905	2022-23	\$ 370,000	\$ 461,588
2014-15	390,000	568,695	2023-24	370,000	449,068
2015-16	390,000	560,425	2024-25	370,000	436,308
2016-17	390,000	551,875	2025-26	370,000	417,808
2017-18	390,000	542,819	2026-27	370,000	410,428
2018-19	390,000	532,475	2027-28	250,000	276,875
2019-20	390,000	519,988	2028-29	250,000	266,250
2020-21	390,000	507,188	2029-30	250,000	255,469
2021-22	390,000	494,388	Totals	<u>\$ 6,190,000</u>	<u>\$ 7,910,548</u>

Installment Obligations \$16,438,697

<u>Outstanding</u>	<u>Rate</u>	<u>Purpose</u>	<u>Payable</u>		
\$ 1,373,230	1.14%	Town Hall, Cultural Arts Center	\$ 24,522	prin. (+ int.)	monthly
548,455	3.59%	Fire Station	8,570	prin. (+ int.)	monthly
484,199	4.12%	San. Sewer (nitrogen credits)	15,131	prin. (+ int.)	monthly
1,232,542	3.94%	Land Acquisition	11,519	prin. (+ int.)	monthly
111,785	3.48%	Sewer Outfall (Sam's Branch)	9,333	prin. (+ int.)	monthly
1,033,334	3.57%	Community Center	8,333	prin. (+ int.)	monthly
4,628,380	4.125%	Municipal Bldg./Comm. Center	293,600	(p&i)	annually
6,070,000	3.50%	Municipal Building	116,110	to	
			536,130	prin. (+ int.)	annually
193,379	3.11%	Fire Truck	3,980	(p&i)	monthly
27,115	2.96%	WWT Plant Generator	4,558	(p&i)	monthly
62,799	2.96%	Auto Read Meter Project	10,557	(p&i)	monthly
50,914	1.79%	2011 Rolling Stock	8,486	prin. (+ int.)	monthly
280,720	0.94%	2013 Rolling Stock (A)	9,471	(p&i)	monthly
341,845	1.22%	2013 Rolling Stock (B)	6,753	(p&i)	monthly

The minimum requirements annually to service these agreements are as follows:

	<u>Principal</u>	<u>Prin. &amp; Int.</u>		<u>Principal</u>	<u>Prin. &amp; Int.</u>
2013-14	\$ 1,680,924	\$ 2,226,911	2019-20	\$ 710,017	\$ 1,076,932
2014-15	1,306,250	1,811,078	2020-21	715,201	1,057,889
2015-16	1,293,310	1,764,757	2021-22	715,599	1,033,846
2016-17	1,033,610	1,474,273	2022-23	667,546	951,756
2017-18	997,600	1,411,629	2023-24	630,510	902,006
2018-19	743,595	1,134,404	Thereafter	6,536,222	7,998,654
			Totals	<u>\$ 17,030,383</u>	<u>\$ 22,844,134</u>

Comparative Debt Statement

<i>Tax-Supported Debt</i>	June 2, 1978	July 2, 1994	June 30, 2009	Mar. 14, 2012	Nov. 15, 2013
Bonds	\$ 120,000	\$ 1,700,000	\$ 5,605,000	\$ 6,845,000	\$ 5,940,000
Notes	-	-	-	-	-
Installment Obligations	-	3,049,389	15,302,516	18,572,265	16,438,697
Gross Debt	\$ 120,000	\$ 4,749,389	\$ 20,907,516	\$ 25,417,265	\$ 22,378,697
Net Debt	None	3,049,389	15,302,516	23,072,265	22,298,697

*Revenue Debt*

Revenue Bonds	\$ 960,000	\$ 480,000	\$ 1,604,000
Revenue Notes	9,061,278	7,633,183	6,178,491
Total Revenue Debt	<u>\$ 10,021,278</u>	<u>\$ 8,113,183</u>	<u>\$ 7,782,491</u>

Other Post-Employment Benefits

Clayton provides health insurance benefits to qualified retirees.

Valuation Date	Unfunded Accrued Liability (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2008	\$1,005,859	\$7,268,327	13.84%
12/31/2009	\$837,653	\$7,599,455	11.02%
12/31/2012	\$736,319	\$6,968,937	10.57%

FY Ended	Ann. OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$112,633	4.65%	\$ 109,394
6/30/2010	113,223	4.98%	214,977
6/30/2011	97,645	11.58%	301,311
6/30/2012	98,119	5.66%	393,876
6/30/2013	105,998	8.02%	491,376

Record of Debt Payment

According to sources considered to be reliable, the Town has never defaulted the payment of bond principal or interest.

In May 1997, Clayton was to begin making payments on a State Bond Loan. Some confusion arose between the Town and the State concerning the date of the first payment because of delays in completion of the project. Clayton made its first interest payment on November 1, 1997 and made principal payments on January 15 and February 15, 1998, to correct the situation. The Town has been prompt on all debt service payments since that time.

The N. C. Local Government Commission is authorized by Statute to impound the books and records of any unit of local government and assume full control of all its financial affairs if the unit defaults on any debt service payment or, in the opinion of the Commission, would default on a future debt service payment if the financial policies and practices of the unit are not improved.

Recent Bond Sales

Sale Date :	March 13, 2012
Issue :	\$2,000,000 G. O. Public Improvement Bonds, Series 2012
Purchaser(s) :	UMB Bank
TIC & Average Maturity:	1.9885% (7.57 years avg. maturity)
Maturing:	February 1, 2013/2027
Bond Counsel:	Hunton & Williams, LLP
Financial Advisor:	Davenport & Company, LLC
Redemption :	Subject to redemption on February 1, 2022 and thereafter, at par plus accrued interest.

Sale Date :	September 9, 2013
Issue :	\$1,604,000 Water & Sewer Revenue Bond, Series 2013
Purchaser(s) :	USDA, Rural Development
NIC	3.5000%
Maturing:	June 1, 2014/2053
Bond Counsel:	Hunton & Williams, LLP
Redemption :	Subject to redemption at any time, at par plus accrued interest.

Debt Planned

Clayton voters approved \$4.0 million Parks and Open Space Bonds and \$3,000,000 Street Bonds on May 6, 2008. The bonds were issued in series (Public Improvement Bonds) in 2009 and 2012. Clayton has no bonds authorized or definitely planned at this time. Town officials plan to purchase more vehicles and equipment from annual appropriations, rather than through installment debt which has been used in the past.

Schools

School facilities are provided by the Johnston County Board of Education and have no financial connection with the Town.

**ECONOMY/RESOURCES**Larger Employers

Company	Product	Employees
Grifols Therapeutics, SA (formerly Talecris) *	pharmaceutical products	1,200
Caterpillar Corp. *	wheel loaders & backhoes	600 **
Novo Nordisk *	insulin production	560
Hospira, Inc. *	bio-processing, nutritional products	200
3C Packaging	corrugated containers	190
Coca-Cola Bottling Co.	distribution	185
Town of Clayton	local government & utilities	160
Wal-Mart Stores	discount retailer	160
JMC-Clayton (Johnston Health)	emergency dept., imaging, labs	150
Baker Thermal Solutions/Turkington	commercial baking equipment	120
Natvar Corp. *	medical tubing	100

\* Located just outside the Town limits.

\*\* Caterpillar conducted layoffs in 2008 and 2009, but has hired back many workers and in 2012 announced plans for an expansion with 190 new jobs.

**NOTE - The local public schools (1 high school, 2 middle schools, 4 elem. schools) are significant employers in the Town, with about 400 employees.**

Unemployment Rates

Month	Johnston County	NC	US
January 2013	8.9%	10.2%	8.5%
February 2013	8.3%	9.5%	8.1%
March 2013	7.9%	8.9%	7.6%
April 2013	7.5%	8.5%	7.1%
May 2013	7.9%	8.9%	7.3%
June 2013	8.0%	9.3%	7.8%
July 2013	7.7%	9.1%	7.7%
August 2013	7.1%	8.3%	7.3%
<b>2013 Avg.</b>	<b>7.9%</b>	<b>9.1%</b>	<b>7.7%</b>

Year	Johnston County	NC	US
<b>2003 (Avg.)</b>	<b>4.5%</b>	<b>6.3%</b>	<b>6.0%</b>
<b>2004 (Avg.)</b>	<b>3.9%</b>	<b>5.3%</b>	<b>5.5%</b>
<b>2005 (Avg.)</b>	<b>4.3%</b>	<b>5.3%</b>	<b>5.1%</b>
<b>2006 (Avg.)</b>	<b>3.7%</b>	<b>4.6%</b>	<b>4.6%</b>
<b>2007 (Avg.)</b>	<b>4.1%</b>	<b>4.7%</b>	<b>4.6%</b>
<b>2008 (Avg.)</b>	<b>5.8%</b>	<b>6.4%</b>	<b>5.8%</b>
<b>2009 (Avg.)</b>	<b>10.0%</b>	<b>10.8%</b>	<b>9.3%</b>
<b>2010 (Avg.)</b>	<b>9.5%</b>	<b>10.2%</b>	<b>9.6%</b>
<b>2011 (Avg.)</b>	<b>9.2%</b>	<b>10.0%</b>	<b>9.0%</b>
<b>2012 (Avg.)</b>	<b>8.3%</b>	<b>9.6%</b>	<b>8.1%</b>

Population Trend

Year	Town Pop.	Growth
1970	3,103	
1980	4,091	31.84%
1990	4,756	16.26%
2000	6,973	46.61%
2010	16,116	131.12%
2012 (Estim.)	16,529	2.56%

Per Capita Income Trend

Year	Johnston County	NC	% of State Avg. (Johnston Co.)
2002	\$ 26,602	\$ 28,428	93.58%
2003	27,186	28,934	93.96%
2004	28,444	30,480	93.32%
2005	29,736	31,905	93.20%
2006	31,170	33,373	93.40%
2007	32,752	34,761	94.22%
2008	33,292	35,741	93.15%
2009	32,155	34,001	94.57%
2010	32,501	34,604	93.92%
2011	34,149	36,028	94.78%

**NOTE: Separate figures for the Town are not available.**

Retail Sales / Taxable SalesClayton

Fiscal Year	Total Retail Sales	Incr./(Decr.)	Taxable Retail Sales	Incr./(Decr.)
2001-02	\$ 146,746,271	8.30%	-	
2002-03	156,006,184	6.31%	-	
2003-04	218,456,591	40.03%	-	
2004-05	267,930,825	22.65%	-	
2005-06			\$ 204,256,672	
2006-07			225,296,807	10.30%
2007-08			208,220,110	-7.58%
2008-09			209,700,345	0.71%

Johnston County

Fiscal Year	Taxable Retail Sales	Incr./(Decr.)
2005-06	\$ 1,051,015,148	
2006-07	1,135,891,639	8.1%
2007-08	1,101,195,577	-3.1%
2008-09	1,037,738,950	-5.8%
2009-10	1,076,233,839	3.7%
2010-11	1,158,171,151	7.6%
2011-12	1,226,528,835	5.9%
2012-13	1,269,711,827	3.5%

The State ceased compiling information at the Town level in 2009 and this information is now only available at the County level.

Construction Permits

Fiscal Year	Residential		Commercial		Total Value
	No.	Value	No.	Value	
2004	311	\$ 38,925,036	76	\$ 14,295,183	\$ 53,220,219
2005	273	36,254,078	88	14,776,798	51,030,876
2006	437	58,357,364	69	10,285,972	68,643,336
2007	345	43,680,120	55	10,614,205	54,294,325
2008	315	45,007,188	80	44,463,164	89,470,352
2009	103	15,834,177	68	24,999,625	40,833,802
2010	112	14,800,632	109	224,729,841	239,530,473
2011	84	13,040,057	43	18,279,491	31,319,548
2012	179	22,777,173	199	12,459,728	35,236,901
2013	231	31,936,424	55	16,528,032	48,464,456

Transportation Networks

**Highways:** Clayton is served by US highway 70 and by NC highway 42. Interstate Highway 40 is located 8 miles west of the Town and Interstate 95 is located 13 miles east of Clayton. A new US Highway 70 Bypass around Clayton opened in 2011 which provides a controlled access freeway from a point about four miles east of Clayton, to Interstate Highway 40 south of Raleigh.

**Rail:** A main line of the Norfolk-Southern Railway serves Clayton and intersects with the main line of the CSX Transportation System Railroad about 12 miles east of the Town.

**Airport:** A general aviation airport owned by Johnston County is located about five miles east of the Town and the Raleigh-Durham International Airport is located about 25 miles west of Clayton, offering about 170 scheduled flights daily.

Locations/Features

**Established:**

**Location:**

The Town was incorporated in 1869.

Clayton is located in Johnston County in the western coastal plain, about 17 miles east of Raleigh and 10 miles west of Smithfield (county seat). Many of the local residents are employed in the Raleigh area and some in the Research Triangle Park. Clayton experienced rather rapid development, prior to the recent recession.

**Industrial Additions:**

Grifols Therapeutics SA has constructed a \$268 million expansion, which was announced in 2009 and is to create 250 new jobs.

Novo Nordisk has constructed a \$73 million expansion that is to create 85 additional jobs.

Northeast Foods, a commercial baker for McDonald's, constructed a new facility in 2010 employing 84 people.

Coca-Cola Bottling relocated to Clayton (from Raleigh) in 2011, bringing 185 employees.

Caterpillar operates a wheel loader and backhoe plant just east of the Town. CAT is constructing a new \$33 million production line that will create about 199 jobs.

Locations/Features - continued

- Commercial Development:** Clayton has experienced tremendous commercial development throughout the Town over the past fifteen years, with construction and development of numerous shopping centers, restaurants, banks, specialty shops and other commercial establishments. Most have been along the US Highway 70 corridor and along NC highway 42. The downtown business district remains vibrant.
- Medical Facilities:** Wake Med and Duke Health System have both constructed medical parks that provide clinical and outpatient services, rehab services, radiology, laboratory and specialty services. Johnston Hospital Authority has constructed JMC-Clayton, which offers an emergency department, outpatient surgery, diagnostic and lab services. JMC-Clayton has been approved for 50 inpatient beds that will be in a new 92,000 sq. ft. building. Construction on the \$50 million facility started in September (2013) and the steel structure was recently topped-out.
- Research & Training Zone:** A special tax district has been created just east of Clayton, which includes the large biotechnology companies and a special educational and **workforce development center**. The WDC provides specific training for the biotechnology sector businesses and presently has about 650 associate degree students and over 3,000 continuing education students.
- Entertainment:** Clayton has redeveloped a former school campus into a performing arts center. The “Clayton Center” has an auditorium (600 seats) and flexible meeting and gathering spaces. The Center offers community theater, musical and other performances throughout the year. With its location about 17 miles east of Raleigh, Clayton has access to numerous entertainment, sports and cultural venues in the metro area. Three golf course/country club communities are located within the Town limits and Clayton has constructed several parks and recreation areas in recent years. The Mountain-to-Sea Trail will pass through Clayton near the Neuse River and the Town is developing other greenway and trail facilities near the river.
- Annexations:** Clayton annexed over 75 properties or tracts from 2000 to 2009, adding over 3,400 acres to the Town’s tax base during that time. Many of these tracts were annexed by voluntary petition and were developed subsequent to the annexation. Over the past three years, Clayton has made eight significant annexations under voluntary petitions from the land owners, for industrial and commercial expansions, development of a park, and for further residential development. Recent changes to the annexation laws by the NC General Assembly have made involuntary annexations nearly impossible, but Clayton has an extended history of voluntary annexations for needed water, sewer and/or electric utility services.

**(Total Rating: 84 points out of 100 maximum)**

**(Previous Rating: 82 points)**

**Government Structure:** Mayor, Council (five members) and Town Manager.

Mr. Steven R. Biggs is Town Manager.

Ms. Nancy T. Medlin, CPA is Deputy Town Manager.

Mr. Robert W. McKie, Jr. (MBA) is Finance Director.

**NORTH CAROLINA MUNICIPAL COUNCIL**

***Tony L. Blalock***

Tony L. Blalock

President

**Survey made by:**  
**Tony L. Blalock**

*This supplements our Reports Nos. 312 to 312-T. Report No. 312-T was released on March 6, 2012.*

