

TOWN OF ZEBULON NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

TOWN OF ZEBULON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

Prepared by the Zebulon Finance Department

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TOWN OF ZEBULON, NORTH CAROLINA

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Town of Zebulon

The Town of Friendly People

September 7, 2010

Honorable Mayor and
Members of the Zebulon Board of Commissioners
Town of Zebulon, North Carolina

The Town of Zebulon Finance Department and management of the Town are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Zebulon, North Carolina for fiscal year ended June 30, 2010. The report includes financial statements that have been audited by an independent firm of certified public accountants, Joyce and Company, CPAs, whose opinion also is a part of the report. However, responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Town.

This report is the official comprehensive publication of the Town's financial position at June 30, 2010, and results of operations for the fiscal year then ended of the Town. The organization, form, and contents of this report plus the accompanying financial statements are formulated in accordance with the standards of governmental accounting and financial reporting principles as promulgated by the Governmental Accounting Standards Board. We believe that the report, as presented, is accurate in all material aspects; is presented in a manner designed to fairly set forth the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

PROFILE OF THE GOVERNMENT

The Town of Zebulon, with a population at June 30, 2010 of approximately 5,444, is located on the eastern edge of Wake County, North Carolina. The Town was established in 1907 with the construction of the Raleigh and Pamlico Sound Railroad and was named after Zebulon B. Vance, North Carolina's governor during the Civil War. The Council-Manager form of government established in 1907 still remains intact. Under this system, the citizens elect a mayor and five at-large council members as the Town's governing body. The Council members are elected for staggered four-year terms. The Board is responsible for budget approval and appointing a Town Manager. The Town Manager is responsible for implementing Board policies and Town ordinances.

The Town provides its citizens with a wide range of services that include public safety, cultural, recreational and athletic activities, street construction and maintenance, solid waste disposal, development and planning activities, and general government management.

ECONOMIC CONDITIONS

Although the recession has been declared over, the Triangle region of North Carolina continues to experience the effects of the recession, as do many areas throughout the country. The recession has

FIRE DEPARTMENT
113 E. Vance Street
Zebulon, NC 27597
(919) 269-6487
Facsimile (919) 269-2618

POLICE DEPARTMENT
1001 N. Arendell Avenue
Zebulon, NC 27597
(919) 269-7455
Facsimile (919) 269-0312

TOWN HALL
1003 N. Arendell Avenue
Zebulon, NC 27597
(919) 269-7455
Facsimile (919) 269-6200

PUBLIC WORKS DEPARTMENT
450 E. Horton Street
Zebulon, NC 27597
(919) 269-5285
Facsimile (919) 269-2617

resulted in less spending by consumers, slowdowns in the construction market, and higher unemployment.

However, with its lower cost of living and convenience of services, the area did experience population growth. Current population numbers for Zebulon reflect an almost 10% increase from last fiscal year. People are moving to the region for the opportunity of additional higher education or training, as well as employment opportunities in the healthcare and technology industries. During fiscal year 2010, the Town issued 47 building permits with a total value of approximately \$7.8 million.

The Town of Zebulon tax base for the fiscal year ending June 30, 2010 was \$838,626,843, an increase of 3% from the previous year. Because the Board of Commissioners recognized the struggles the recession has put on citizens, they lowered the tax rate from \$.51 to \$.50 per \$100 of assessed value. The Town adjusted its budget accordingly to accommodate for the lower revenues.

The Town continues to use a six-year Capital Improvement Plan to prepare for needed improvements and investments in the Town. This plan is developed based on criteria such as federal or state mandates, improvements to public safety, guaranteed funding sources, and improvements or expansion of Town services.

With the effects of the recession projected to continue for the next year, the Town expects slower than normal growth. However, development interest is still strong in the area, and growth is expected to regain momentum by mid-2011. The Town will maintain a cautious approach to budgeting over the next year.

MAJOR INITIATIVES

The Town has taken advantage of the competitive construction market to complete critical facilities that will serve current citizens and the anticipated growth. In fall 2008, renovation work began on conversion of the Town's historic North Carolina National Guard Armory building into the Town's first community center. The project, which totals approximately \$2 million, was completed in August 2009. The Town utilized various grant funding sources for 50% of the project costs. The Town also constructed a new maintenance facility to service the community's five parks.

The Town also has been working on a traffic and corridor study of North Arendell Ave./NC Highway 96 north. This study will provide Town leaders and staff with a design concept and standards along this fast-developing commercial center. The design will include a multi-modal transportation network to connect commercial development with new residential areas. With the award of a stimulus grant, the Town will be able to begin making some roadway improvements in 2011 to ease congestion in the area.

With strong reserves on hand, Town leaders were able to maintain the fiscal year 2010 property tax rate again for fiscal year 2011. The Town was able to prepare a balanced budget that cut no services and budgeted no more in reserves than had been used in previous years.

The Town's budget for fiscal year 2011 includes several projects and objectives for the coming year. Among them are:

- Begin work on the implementation of a storm water management program that has been mandated by the state to begin in July 2012;
- Increase the number of programs and services offered at the Town's new new community center;

- Via grant funding, make major improvements to the Town's largest park facility; and
- Monitor expenditures and look for opportunities for efficiency in operations.

FINANCIAL INFORMATION

Internal and Budgetary Control. Responsibility for maintaining the accounting system of the Town rests with Town management. In developing and maintaining an accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets, (3) the effectiveness and efficiency of operations, and (4) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

In the Town of Zebulon, the budget is an integral long-term planning tool. The budget is prepared based on available revenues and the long-term goals and objectives of the various departments and the Town as a whole. Appropriations in the General and Enterprise Funds are made at the department level. All other funds are budgeted at the functional or project level. However, for internal accounting purposes, budgetary control is maintained by line item account.

In accordance with State law, the Town's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued vacation benefits. Governmental fund types, such as the General Fund, are reported on the modified accrual basis. The Town's Enterprise Fund is reported on the full accrual basis. Under full accrual accounting, revenues are recorded when earned and expenses are recorded when incurred.

The General Fund is the general operating fund of the Town of Zebulon. It is used to account for all financial resources except for those required to be accounted for in another fund. The Town of Zebulon has one proprietary fund—the Water and Sewer Fund.

For more information about the finances of the Town, please refer to the Management Discussion and Analysis (MD&A) section, which immediately follows the auditor's report. The MD&A provides an overview of the financial statements that follow and an analysis of the significant transactions that occurred during fiscal year 2010.

Cash Management. The Town uses a central depository system to pool moneys from all funds to facilitate disbursements and investments. All depositories are designed by the Board and collateralized according to North Carolina General Statutes. Investments are made in accordance with North Carolina General Statutes and a Board-adopted policy. Cash temporarily idle during the year is invested in demand deposits, in time deposits with maturity no longer than 90 days, and in the North Carolina Cash Management Trust. All Town deposits are either insured by federal depository insurance or fully collateralized.

Risk Management. The Town has insurance contracts with Argonaut Great Central Insurance Company and Star Insurance Company. Through these programs the Town has property coverage up to \$30.4 million blanket coverage to cover all locations and equipment, general liability of \$4 million, and auto liability coverage of \$2 million per occurrence and workers compensation coverage up to statutory limits. The Town retains a portion of risk with deductibles up to \$5,000. The Town has an established safety committee to review accidents, provide employee safety education, and make recommendations to improve safety practices.

INDEPENDENT AUDIT

North Carolina General Statutes require an annual independent audit by a certified public accountant. The independent certified public accounting firm of Joyce and Company, CPAs was selected by the Town of Zebulon Board of Commissioners. This auditor's report on the general purpose financial statements and combining individual fund and account group financial statements and schedules is included in the Financial Section of this report. The auditor's report specifically related to the single audit is included in the Compliance Section.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Zebulon for its Comprehensive Annual Financial Report for the fiscal years ending June 30, 1993 through 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Preparation of this report would not have been possible without the teamwork and dedication of the entire Town of Zebulon staff, especially the efforts of the Finance Department staff. We greatly appreciate the assistance and cooperation of the staff at Joyce and Company, CPAs during the audit and reporting process. We also thank the mayor and members of the Town of Zebulon Board of Commissioners for their continued support .

Respectfully submitted,



Richard D. Hardin
Town Manager



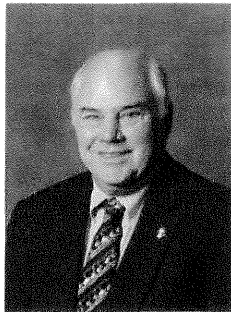
Emily Lucas
Finance Director

TOWN OF ZEBULON, NORTH CAROLINA

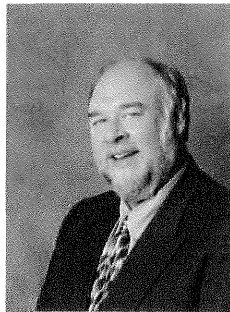
BOARD OF COMMISSIONERS AND TOWN OFFICIALS

June 30, 2010

Town of Zebulon Board of Commissioners



Robert S. Matheny
Mayor



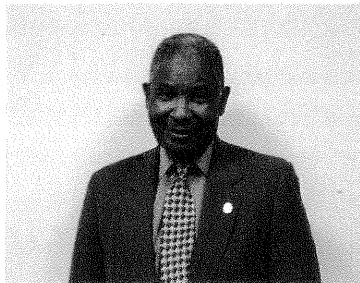
Don Bumgarner
Mayor Pro Tem



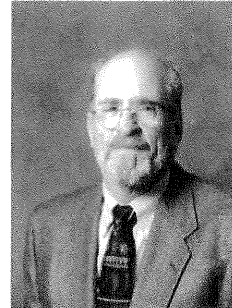
R. Dale Beck
Commissioner



Beverly Wall Clark
Commissioner



Roy Collins
Commissioner



Curtis Strickland
Commissioner

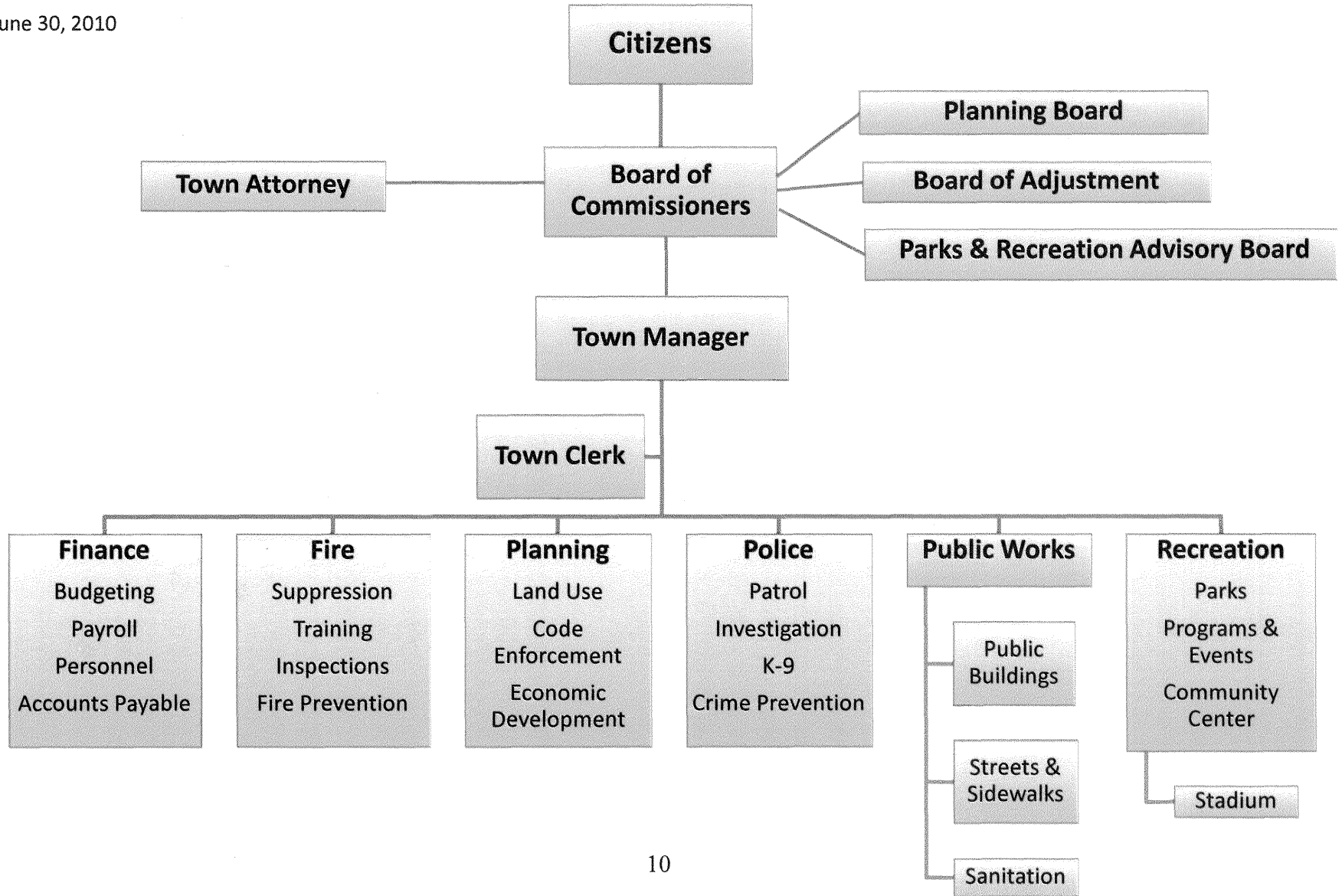
Town of Zebulon Officials

Richard Hardin – Town Manager
Eric Vernon, Wyrick, Robbins, Yates & Ponton LLC – Town Attorney
Timothy Hayworth – Police Chief
Mark Hetrick – Planning Director
Gregory Johnson – Parks and Recreation Director
Emily Lucas – Finance Director
Lisa Markland – Town Clerk
Sidney Perry – Fire Chief
Chris Ray, Public Works Director

TOWN OF ZEBULON, NORTH CAROLINA

ORGANIZATION CHART

June 30, 2010



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Zebulon
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enner".

Executive Director

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Zebulon, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining information of the Town of Zebulon, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Zebulon, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Zebulon, North Carolina, as of June 30, 2010, and the respective changes in financial position, and, where applicable cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2010 on our consideration of the Town of Zebulon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Zebulon, North Carolina. The combining and individual nonmajor fund financial statements and schedules, as well as the accompanying schedule of expenditures of

federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


JOYCE AND COMPANY, CPA

September 7, 2010

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Town of Zebulon, we offer readers of the Zebulon's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights for the Town of Zebulon, North Carolina

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$19,783,533.
- The government's total net assets decreased by \$620,452, due to decreases of capital assets in business-type activities.
- Zebulon's governmental funds reported ending fund balances of \$6,611,749, a decrease of \$109,896 compared to the prior year. This decrease is due to the use of installment proceeds issued in the prior year for the completion of various capital projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,824,878, or 78% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt decreased by \$847,915.
- The Town continues to maintain bond ratings of an A+ by Standard and Poor's Corporation and an A2 by Moody's Investor Service.

Overview of the Financial Statements

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

Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide financial statements are divided into two categories, governmental activities and business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, streets, sanitation, and general administration. Property taxes and unrestricted state funds finance most of these activities. The business-type activities are those that Zebulon charges customers to provide. Until October 1, 2006, the Town of Zebulon provided water, sewer, and reclaimed water services to its citizens. At that time, the Town merged these systems with the City of Raleigh; as a result, the only remaining water, sewer, and reclaimed water activities are capital projects that were uncompleted and debt service payments that existed at the time of merger.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Zebulon, like all other governmental entities in North Carolina, uses fund accounting to ensure compliance (on non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Zebulon budget ordinance. All of the funds of the Town of Zebulon can be divided into two categories: governmental funds and proprietary funds.

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

Zebulon adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, management, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not Zebulon succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Proprietary Funds—Zebulon has one proprietary fund, an enterprise-type fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. As noted above, only minimal activity is recorded in this fund due to the merger of water, sewer, and reclaimed activities with the City of Raleigh. This fund is the same as what is shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 35 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

Government-Wide Financial Analysis

**Town of Zebulon Net Assets
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current and other assets	\$ 7,045,844	\$ 7,481,431	\$ 2,452,127	\$ 3,955,097	\$ 9,497,971	\$ 11,436,528
Capital assets	19,088,667	18,294,559	-	1,495,579	19,088,667	19,790,138
Total assets	<u>26,134,511</u>	<u>25,775,990</u>	<u>2,452,127</u>	<u>5,450,676</u>	<u>28,586,638</u>	<u>31,226,666</u>
LIABILITIES						
Long-term liabilities outstanding	5,394,738	5,502,626	1,941,618	2,415,607	7,336,356	7,918,233
Other liabilities	918,813	1,319,554	547,936	1,584,894	1,466,749	2,904,448
Total liabilities	<u>6,313,551</u>	<u>6,822,180</u>	<u>2,489,554</u>	<u>4,000,501</u>	<u>8,803,105</u>	<u>10,822,681</u>
NET ASSETS						
Invested in capital assets, net of related debt	13,606,167	12,446,754	-	1,495,579	13,606,167	13,942,333
Restricted	159,123	248,169	-	-	159,123	248,169
Unrestricted	6,055,670	6,258,887	(37,427)	(45,404)	6,018,243	6,213,483
Total net assets	<u>\$ 19,820,960</u>	<u>\$ 18,953,810</u>	<u>\$ (37,427)</u>	<u>\$ 1,450,175</u>	<u>\$ 19,783,533</u>	<u>\$ 20,403,985</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Zebulon exceeded liabilities by \$19,783,533 as of June 30, 2010. The Town's net assets decreased by \$620,452 for the fiscal year ended June 30, 2010. Approximately 69% of net assets reflect the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt outstanding that was issued to acquire those items. Zebulon uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net assets in the amount of \$159,123 (1%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,018,243 is unrestricted.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

The following are some of the items that influenced the change in total unrestricted governmental net assets:

- Decreases in the amounts invested in capital assets of business-type activities related to Zebulon's prior merger of its water, sewer, and reclaimed water systems with the City of Raleigh.
- Funds unrestricted in previous years were invested in the completion of a new community center and other park facilities.

Town of Zebulon Changes in Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program revenues:						
Charges for services	\$ 494,500	\$ 449,036	\$ -	\$ -	\$ 494,500	\$ 449,036
Operating grants & contributions	629,278	697,230	-	-	629,278	697,230
Capital grants & contributions	504,339	1,563,108	-	1,009,000	504,339	2,572,108
General revenues:						
Property taxes	4,254,209	4,643,724	-	-	4,254,209	4,643,724
Other taxes	45,709	43,648	-	-	45,709	43,648
Unrestricted intergovernmental	1,778,698	1,910,598	-	-	1,778,698	1,910,598
Other	140,160	181,875	132,197	143,688	272,357	325,563
Total revenues	<u>7,846,893</u>	<u>9,489,219</u>	<u>132,197</u>	<u>1,152,688</u>	<u>7,979,090</u>	<u>10,641,907</u>
EXPENDITURES						
General government	1,630,391	1,335,282	-	-	1,630,391	1,335,282
Public safety	2,787,740	2,583,566	-	-	2,787,740	2,583,566
Streets	804,201	759,235	-	-	804,201	759,235
Sanitation	748,643	717,081	-	-	748,643	717,081
Culture and recreation	843,239	654,523	-	-	843,239	654,523
Interest on long-term debt	211,298	211,803	124,220	143,740	335,518	355,543
Total expenditures	<u>7,025,512</u>	<u>6,261,490</u>	<u>124,220</u>	<u>143,740</u>	<u>7,149,732</u>	<u>6,405,230</u>
Increase (decrease) in net assets	821,381	3,227,729	7,977	1,008,948	829,358	4,236,677
Gain (Loss) on disposal of fixed assets	45,769	30,889	-	-	45,769	30,889
Special item	-	-	(1,495,579)	330,085	(1,495,579)	330,085
Increase (decrease) in net assets	<u>867,150</u>	<u>3,258,618</u>	<u>(1,487,602)</u>	<u>1,339,033</u>	<u>(620,452)</u>	<u>4,597,651</u>
Net assets July 1 (as previously stated)	18,953,810	15,749,865	1,450,175	111,142	20,403,985	15,861,007
Adjustments to beginning net assets	-	(54,673)	-	-	-	(54,673)
Net assets July 1 (as restated)	<u>18,953,810</u>	<u>15,695,192</u>	<u>1,450,175</u>	<u>111,142</u>	<u>20,403,985</u>	<u>15,806,334</u>
Net assets June 30	<u>\$ 19,820,960</u>	<u>\$ 18,953,810</u>	<u>\$ (37,427)</u>	<u>\$ 1,450,175</u>	<u>\$ 19,783,533</u>	<u>\$ 20,403,985</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$867,150. Key elements of this increase are as follows:

- With the opening of the Town's first community center, an increased number of programs offered to the public increased charges for services by 10%.
- Unrestricted intergovernmental revenues decreased by 7%, as these economically-dependent revenues reflected a weakened economy.
- Though the property tax rate was reduced by \$.01, the tax collection percentage for the fiscal year remained high at 98.1%, which is above the statewide average of 97.6%.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Business-type Activities. Business-type activities decreased the Town of Zebulon's net assets by \$1,487,602. Although the Town merged its sole business activity, a water and sewer fund, with the City of Raleigh in 2006, the Town continues to complete capital projects started prior to the merger. The decrease in business-type activities is mainly the result the completion of and transfer to Raleigh of these capital projects.

Financial Analysis of Town of Zebulon Funds

As noted earlier, the Town of Zebulon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Zebulon's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Zebulon's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Zebulon. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,824,878, while total fund balance reached \$6,611,749. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 78% of total General Fund expenditures, while total fund balance represents 89% of that same amount.

At June 30, 2010, the governmental funds of the Town of Zebulon reported a combined fund balance of \$6,611,749, a 2% decrease from last year. This decrease is the result of the use of unreserved fund balance reported in capital project funds for the completion of capital projects. Fund balance for the General Fund actually increased 9% through the receipt of installment proceeds and transfers from other funds.

General Fund Budgetary Highlights. During the fiscal year, the Town of Zebulon revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Ad valorem tax revenues were greater than budgeted because a higher percentage of taxes were collected than anticipated (by 3%). Restricted intergovernmental revenues were less than budgeted due to the fact that several grant-funded projects came in under budget. Investment earnings were less than budgeted due to the continued low interest rates available for idle investment funds of the Town. Sales and service revenues were greater than budgeted due to the great response by the public to participate in new and seek additional programs at the new community center.

Expenditures were held below budgeted amounts by a number of factors, including: changes in personnel, decreases in employee benefit costs, lower than estimated maintenance and operational costs at several new Town facilities, and careful monitoring of the budget by each department. As a result of the current economic conditions and current slower residential growth, Town leaders took a proactive approach and held off on some capital projects until the development regains its pre-recession pace.

Proprietary Funds. The Town of Zebulon proprietary fund provides the same type of information found in the government-wide statements but in more detail. Total net assets of the Water and Sewer Fund at the end of the fiscal year amounted to a negative \$37,427. The negative balance at fiscal year end is the result of a delay in a year-end reimbursement by the City of Raleigh for a pre-existing debt service payment. The

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

finances of this fund already have been addressed in the discussion of the Town of Zebulon’s business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Zebulon’s investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$19,088,667 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- The completion of the Town’s first community center, totaling \$1,955,322.
- Investments in street, storm drainage and sidewalk improvements through grants and by developers totaling \$205,337.
- Upgrades totaling \$260,576 to the Town’s aerial truck.

As previously mentioned, the Town had a major disposal of assets in its business-type activities in fiscal year 2007. The only business-type capital assets remaining are items that were construction in progress as of the merger of water and sewer operations with the City of Raleigh. As these projects are completed, they are transferred to the City of Raleigh. The Town transferred the final completed capital project to the City of Raleigh during fiscal year 2010.

**Town of Zebulon Capital Assets
Figure 3
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,404,522	\$ 2,260,851	\$ -	\$ -	\$ 2,404,522	\$ 2,260,851
Construction in progress	2,337	1,815,172	-	1,495,579	2,337	3,310,751
Buildings	10,497,330	8,525,661	-	-	10,497,330	8,525,661
Other improvements	458,825	324,601	-	-	458,825	324,601
Roads and infrastructure	3,079,868	3,153,844	-	-	3,079,868	3,153,844
Equipment	1,016,717	1,157,133	-	-	1,016,717	1,157,133
Vehicles and motorized equipment	1,629,068	1,057,297	-	-	1,629,068	1,057,297
Total capital assets	\$ 19,088,667	\$ 18,294,559	\$ -	\$ 1,495,579	\$ 19,088,667	\$ 19,790,138

Additional information on the Town of Zebulon’s capital assets can be found in Note 2.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2010, the Town of Zebulon had total bonded debt outstanding of \$5,290,000. This outstanding debt is backed by the full faith and credit of the Town. The Town also had outstanding debt in the amount of \$1,161,708, secured solely by specified water and sewer revenue sources. However, due to the merger of the Town’s Water and Sewer fund with the City of Raleigh, the Town no longer has specific revenues to cover this debt. This debt is now paid from transfers from the City of Raleigh as payments become due. The Town also has installment purchase notes outstanding of \$1,538,033.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

**Town of Zebulon Outstanding Debt
General Obligation and Revenue Bonds
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 4,150,000	\$ 4,375,000	\$ 1,140,000	\$ 1,290,000	\$ 5,290,000	\$ 5,665,000
Revenue notes	-	-	1,161,708	1,452,136	1,161,708	1,452,136
Installment purchase notes	1,415,599	1,560,307	122,434	160,213	1,538,033	1,720,520
Total bonds and notes	\$ 5,565,599	\$ 5,935,307	\$ 2,424,142	\$ 2,902,349	\$ 7,989,741	\$ 8,837,656

The Town of Zebulon's total debt decreased by \$847,915 during the past fiscal year. The Town issued \$325,000 in installment financing for the purchase of vehicles and equipment; however the amount of existing debt retired was greater than the new debt issued.

As mentioned in the financial highlights section of this document, the Town of Zebulon maintained bond ratings of an A+ by Standard and Poor's Corporation and an A2 by Moody's Investor Service. These ratings are a clear indication of the sound financial condition of the Town.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town is \$61,185,514. The Town had authorized but unissued bonds at June 30, 2010 totaling \$400,000.

Additional information regarding the Town of Zebulon's long-term debt can be found in Note 2.B.5 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability of the Town of Zebulon:

- Continued expansion of the Town's commercial tax base through various retail developments.
- Completion of the next phase of a comprehensive transportation study and design for the NC Highway 96 North corridor, allowing for cohesive development of this critical commercial zone.
- Continue to work with Triangle Transit to expand regional commuter bus service in eastern Wake County.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities. The total General Fund budget is projected to remain flat for fiscal year 2011, as compared to the actual results of fiscal year 2010. The Town will approach the fiscal year 2011 budget with caution as it waits for signs of economic recovery and growth. The Town will complete some preliminary

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

engineering and maintenance services for a new storm water program that has been mandated by the state, effective in July 2012.

Because of the current economic conditions faced by the Town's citizens and the strong financial position of the Town, the Town will keep its tax rate to \$.50 per \$100 of assessed value. As the economy continues to stabilize, the Town projects that sales tax revenues will begin to recover slightly during fiscal year 2011. Recreation fee-related revenues are projected to increase with the number of new programs offered at new community center. Various grant and Town funds have been included in the budget for street improvements, park improvements, and equipment replacements.

Business-type Activities. Because of the merger of the Town's Water and Sewer Fund with the City of Raleigh in 2006, no major operational budget will be completed for business-type activities. The only items budgeted are scheduled debt-service payments for debt incurred prior to merger. These debt service payments will be covered by transfers of cash from the City of Raleigh.

Requests for Information

This report is designed to provide an overview of the Town of Zebulon finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Emily Lucas, Finance Director, Town of Zebulon, 1003 North Arendell Avenue, Zebulon NC, 27597.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

TOWN OF ZEBULON, NORTH CAROLINA

STATEMENT OF NET ASSETS

June 30, 2010

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,361,734	\$ -	\$ 6,361,734
Taxes receivable (net)	176,299	-	176,299
Accounts receivable (net)	1,040	43,805	44,845
Internal balances	15,820	(15,820)	-
Note receivable - current portion	-	479,684	479,684
Due from other governments	490,951	-	490,951
Total current assets	<u>7,045,844</u>	<u>507,669</u>	<u>7,553,513</u>
Non-current assets:			
Note receivable - noncurrent portion	-	1,944,458	1,944,458
Capital assets			
Land and other non-depreciable assets	2,406,859	-	2,406,859
Other capital assets, net of depreciation	16,681,808	-	16,681,808
Total capital assets	<u>19,088,667</u>	<u>-</u>	<u>19,088,667</u>
Total assets	<u>26,134,511</u>	<u>2,452,127</u>	<u>28,586,638</u>
LIABILITIES			
Current liabilities:			
Accounts payable	184,709	43,198	227,907
Unearned revenue	61,463	-	61,463
Accrued interest payable	75,079	30,749	105,828
Deferred bond premiums	16,576	-	16,576
Due within one year			
Compensated absences	105,288	-	105,288
Net pension obligation	21,941	-	21,941
Bonds and notes payable	453,757	473,989	927,746
Total current liabilities	<u>918,813</u>	<u>547,936</u>	<u>1,466,749</u>
Long-term liabilities:			
Due in more than one year			
Compensated absences	124,281	-	124,281
Net pension obligation	53,748	-	53,748
Other postemployment benefits	187,966	-	187,966
Bonds and notes payable	5,028,743	1,941,618	6,970,361
Total long-term liabilities	<u>5,394,738</u>	<u>1,941,618</u>	<u>7,336,356</u>
Total liabilities	<u>6,313,551</u>	<u>2,489,554</u>	<u>8,803,105</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,606,167	-	13,606,167
Restricted for:			
Streets-Powell Bill	159,123	-	159,123
Unrestricted	6,055,670	(37,427)	6,018,243
Total net assets	<u>\$ 19,820,960</u>	<u>\$ (37,427)</u>	<u>\$ 19,783,533</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Exhibit 2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,630,391	\$ 87,522	\$ 18,692	\$ -	\$ (1,524,177)	\$ -	\$ (1,524,177)
Public safety	2,787,740	7,306	481,349	-	(2,299,085)	-	(2,299,085)
Streets	804,201	-	113,542	480,205	(210,454)	-	(210,454)
Sanitation	748,643	323,524	-	-	(425,119)	-	(425,119)
Cultural and recreation	843,239	76,148	15,695	24,134	(727,262)	-	(727,262)
Interest on long-term debt	211,298	-	-	-	(211,298)	-	(211,298)
Total governmental activities	<u>7,025,512</u>	<u>494,500</u>	<u>629,278</u>	<u>504,339</u>	<u>(5,397,395)</u>	<u>-</u>	<u>(5,397,395)</u>
Business-type activities							
Water and sewer	124,220	-	-	-	-	(124,220)	(124,220)
Total	<u>\$ 7,149,732</u>	<u>\$ 494,500</u>	<u>\$ 629,278</u>	<u>\$ 504,339</u>	<u>(5,397,395)</u>	<u>(124,220)</u>	<u>(5,521,615)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					4,254,209	-	4,254,209
Other taxes and licenses					45,709	-	45,709
Unrestricted intergovernmental					1,778,698	-	1,778,698
Unrestricted investment earnings					42,856	123,926	166,782
Miscellaneous					97,304	8,271	105,575
Gain (loss) on disposal of capital assets					45,769	-	45,769
Special item: transfer of assets to the City of Raleigh					-	(1,495,579)	(1,495,579)
Total general revenues and special items					<u>6,264,545</u>	<u>(1,363,382)</u>	<u>4,901,163</u>
Change in net assets					867,150	(1,487,602)	(620,452)
Net assets - beginning of year					<u>18,953,810</u>	<u>1,450,175</u>	<u>20,403,985</u>
Net assets - ending					<u>\$ 19,820,960</u>	<u>\$ (37,427)</u>	<u>\$ 19,783,533</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010

Exhibit 3
Page 1 of 2

	<u>Major</u>
	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 6,361,734
Receivables (net)	
Taxes	176,299
Accounts	1,040
Due from other funds	15,820
Due from other governments	<u>490,951</u>
Total current assets	<u>\$ 7,045,844</u>
LIABILITIES AND FUND BALANCES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 184,709
Deferred revenues	187,923
Unearned revenues	<u>61,463</u>
Total liabilities	<u>434,095</u>
Fund balances	
Reserved for	
State Statute	496,141
Streets	159,123
Stadium	130,000
Law Enforcement	1,607
Unreserved, reported in	
General Fund	<u>5,824,878</u>
Total fund balances	<u>6,611,749</u>
Total liabilities and fund balances	<u>\$ 7,045,844</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010

Exhibit 3
Page 2 of 2

Fund balances - total governmental funds	\$ 6,611,749
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 26,541,985	
Less accumulated depreciation	<u>(7,453,318)</u>	19,088,667

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Government bonds and notes payable	(5,482,500)	
Compensated absences	(229,569)	
Other postemployment benefits	(187,966)	
Net pension obligation	<u>(75,689)</u>	(5,975,724)

Premiums received on issuance of bonds are not considered to be revenues of the current period.

Premiums on bond issuance	(16,576)
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds

Accrued interest payable	(75,079)
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Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenue	<u>187,923</u>
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Net assets of governmental activities	<u><u>\$ 19,820,960</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended June 30, 2010

Exhibit 4
Page 1 of 2

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 4,232,404	\$ -	\$ 4,232,404
Other taxes and licenses	44,934	-	44,934
Unrestricted intergovernmental	1,778,698	-	1,778,698
Restricted intergovernmental	746,265	-	746,265
Permits and fees	47,055	-	47,055
Investment earnings	42,456	400	42,856
Sales and services	448,373	-	448,373
Miscellaneous	162,483	-	162,483
Total revenues	<u>7,502,668</u>	<u>400</u>	<u>7,503,068</u>
EXPENDITURES			
Current			
General government	1,404,090	-	1,404,090
Public safety	2,485,817	-	2,485,817
Streets	404,808	-	404,808
Sanitation	677,837	-	677,837
Cultural and recreation	652,222	-	652,222
Capital outlay	895,943	507,605	1,403,548
Debt service			
Installment note principal	694,708	-	694,708
Installment note interest	214,934	-	214,934
Total expenditures	<u>7,430,359</u>	<u>507,605</u>	<u>7,937,964</u>
Revenues over (under) expenditures	<u>72,309</u>	<u>(507,205)</u>	<u>(434,896)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	122,818	-	122,818
Transfers out	-	(122,818)	(122,818)
Issuance of debt	325,000	-	325,000
Total other financing sources (uses)	<u>447,818</u>	<u>(122,818)</u>	<u>325,000</u>
Net change in fund balance	520,127	(630,023)	(109,896)
Fund balance - beginning of year	<u>6,091,622</u>	<u>630,023</u>	<u>6,721,645</u>
Fund balance - end of year	<u>\$ 6,611,749</u>	<u>\$ -</u>	<u>\$ 6,611,749</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended June 30, 2010

Exhibit 4
Page 2 of 2

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		\$ (109,896)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 1,403,548	
Less current year depreciation	<u>(981,079)</u>	422,469

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Contributed capital	391,049	
Change in deferred revenues	<u>17,955</u>	409,004

The issuance of debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds of long-term debt	(325,000)	
Principal payments	<u>694,708</u>	369,708

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Gain on sale of equipment	(19,410)	
Compensated absences	(20,237)	
Change in accrued interest payable	7,161	
Amortization of bond issuance costs	(4,403)	
Amortization of premiums on bond issuance	878	
Postemployment benefits	(187,966)	
Net pension obligation	<u>(158)</u>	<u>(224,135)</u>

Total changes in net assets of governmental activities		<u><u>\$ 867,150</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 4,008,000	\$ 4,008,000	\$ 4,232,404	\$ 224,404
Other taxes and licenses	28,500	28,500	44,934	16,434
Unrestricted intergovernmental	1,794,000	1,779,000	1,778,698	(302)
Restricted intergovernmental	607,400	773,989	746,265	(27,724)
Permits and fees	44,000	44,000	47,055	3,055
Investment earnings	72,500	72,500	42,456	(30,044)
Sales and services	412,300	412,300	448,373	36,073
Miscellaneous	38,300	73,729	162,483	88,754
Total revenues	7,005,000	7,192,018	7,502,668	310,650
EXPENDITURES				
General government	1,583,300	1,637,311	1,409,921	227,390
Public safety	3,078,400	3,109,362	2,941,062	168,300
Streets	643,300	898,575	626,290	272,285
Sanitation	859,000	848,400	808,676	39,724
Cultural and recreation	764,500	819,950	734,768	85,182
Debt service				
Note principal	650,304	699,286	694,708	4,578
Note interest	201,196	216,350	214,934	1,416
Total expenditures	7,780,000	8,229,234	7,430,359	798,875
Revenues over (under) expenditures	(775,000)	(1,037,216)	72,309	1,109,525
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	122,818	122,818	-
Installment proceeds	325,000	325,000	325,000	-
Appropriated fund balance	450,000	589,398	-	(589,398)
Total other financing sources (uses)	775,000	1,037,216	447,818	(589,398)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	520,127	\$ 520,127
Fund balance - beginning of year			6,091,622	
Fund balance - end of year			\$ 6,611,749	

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

TOWN OF ZEBULON, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2010

Exhibit 6

ASSETS

Current assets	
Accounts receivable	\$ 43,805
Note receivable - current portion	479,684
Total current assets	<u>523,489</u>
Non-current assets	
Note receivable - noncurrent portion	<u>1,944,458</u>
Total assets	<u>2,467,947</u>

LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	43,198
Due to other funds	15,820
Accrued interest	30,749
Bond payable-current	434,733
Notes payable-current	39,256
Total current liabilities	<u>563,756</u>
Noncurrent liabilities	
Bonds payable-noncurrent	1,858,440
Notes payable-noncurrent	83,178
Total noncurrent liabilities	<u>1,941,618</u>
Total liabilities	<u>2,505,374</u>

NET ASSETS

Unrestricted	<u><u>\$ (37,427)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

For the year ended June 30, 2010

Exhibit 7

OPERATING REVENUES	
Miscellaneous	\$ 8,271
OPERATING EXPENSES	
	<u>-</u>
Operating income	<u>8,271</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	123,926
Amortization	(5,695)
Interest expense	<u>(118,525)</u>
Total nonoperating revenues (expenses)	<u>(294)</u>
Income before transfers and other items	7,977
Loss on transfer of sassets to the City of Raleigh	<u>(1,495,579)</u>
Change in net assets	(1,487,602)
Total net assets - beginning	<u>1,450,175</u>
Total net assets - ending	<u>\$ (37,427)</u>

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

TOWN OF ZEBULON, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended June 30, 2010

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Net cash used by operating activities	\$ (39,513)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interfund loan	15,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	478,207
Principal paid on debt	(478,207)
Interest paid on debt and equipment contracts	(123,443)
Net cash used by capital and related financing activities	(123,443)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	123,926
Net decrease in cash and cash equivalents	(23,210)
CASH AND CASH EQUIVALENTS	
Beginning of year	23,210
End of year	\$ -
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 8,271
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Increase in accounts receivable	(23,267)
Decrease in accounts payable	(24,517)
Total adjustments	(47,784)
Net cash used by operating activities	\$ (39,513)

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

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Zebulon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. REPORTING ENTITY

The Town of Zebulon (the Town) is a municipal corporation governed by an elected mayor and a five member Board of Commissioners. The Town's financial statements include all funds, account groups, agencies, boards, commissions and authorities for which the Town is financially accountable. There are no component units that are required to be included in these financial statements.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net assets and the statement of activities report information on all of the activities of the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are supported by taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees and charges to external parties.

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

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

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

The government reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services.

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The government reports the following major proprietary fund:

Water and Sewer Fund – The water and sewer utility system of the Town was transferred to the City of Raleigh effective October 1, 2006; however the fund remains open to collect availability fees and other fees on behalf of the City of Raleigh and to pay long-term debt and interest on long-term debt as it becomes due.

The government reports the following non-major governmental funds:

Recreation Center Capital Project Fund – The Recreation Center Capital Project Fund is used to account for financial resources to be used for the construction of a recreation center.

Maintenance Building Capital Project – The Maintenance Building Capital project fund accounts for the construction of a new maintenance facility for the parks and recreation department.

Park Restrooms Capital Project – The Park Restrooms Capital Project fund accounts for a new restroom facility at two of the existing joint Town/Wake County parks.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Town transferred operations of the existing water and sewer system to the City of Raleigh effective October 1, 2006. Therefore there are no operating revenues or expenses for the Town.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers revenues to be available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wake County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county including the Town of Zebulon. For motor vehicles registered under the staggered system property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. BUDGETARY DATA

The Town's budgets are adopted as required by North Carolina General Statutes. Annual budget ordinances are adopted for the general and proprietary funds. All annual appropriations lapse at fiscal year-end. Project ordinances, which may cover more than one year, are adopted for capital project funds and proprietary capital improvements. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Interfund transfer of moneys may be made only with specific advanced approval of the Town Board. Interdepartmental transfers between non-capital line items may be made for amounts up to \$5,000 with Board notification at the next regularly scheduled meeting; all other interdepartmental transfers may be made only with specific advanced approval of the Town Board. Supplemental appropriations that amend the total expenditures of any fund require a resolution of the Town Board. The Budget Officer is authorized to reallocate any appropriations within departments. Budgets are reported as originally adopted or as amended by executive action or Board resolution. During the year

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

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

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

The Town's investments are valued at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

2. CASH AND CASH EQUIVALENTS

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

3. AD VALOREM TAXES RECEIVABLE

In accordance with North Carolina General Statutes (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles, on July 1, the beginning of the fiscal year. These amounts are due September 1 (lien date); however, interest and penalties do not accrue until the following January 6. The taxes levied are based on the assessed values as of the previous January 1.

4. CAPITAL ASSETS

Capital assets are defined by the government as assets with an an estimated useful life in excess of one year and an individual cost of \$5,000 or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. As required for Phase 3 governments by GASB 34, only land has been retroactively reported as infrastructure in these statements in the governmental column of the government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Item	Life
Infrastructure	14-30 years
Vehicles	7-10 years
Equipment	7-10 years
Buildings and Improvements	15-40 years

5. LONG-TERM DEBT

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

6. COMPENSATED ABSENCES

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Accrued vacation at calendar year end in excess of 240 hours is transferred to sick leave. The Town also allows employees to accrue compensatory time for hours worked in excess of a regular workweek. Non-exempt employees may accumulate this time and then use it at a later date in lieu of using vacation time or they will be paid for these hours when leaving the Town's employment. Employees not engaged in law enforcement may accumulate eighty (80) compensatory hours and law enforcement officers may accumulate one hundred (100) compensatory hours. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

For the Town's government-wide funds, an expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

7. NET ASSETS/FUND BALANCES

Net Assets

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law G.S. 159-13(b)(16) restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance which is not available for appropriation under State law G.S. 159-8(a). This amount is usually composed of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets-Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for stadium - portions of fund balance segregated for future stadium improvements, which are not available spendable resources.

Reserved for law enforcement - portion of fund balance, which represents funds collected for drug enforcement and education operations in the Town.

Unreserved

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. DEPOSITS

All the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the Town's deposits had a carrying value of \$4,049,526 and a bank balance of \$4,338,110. All Town deposits are maintained with financial institutions, which collateralize deposits in excess of amounts insured by the FDIC by the Pooling Method. At June 30, 2010, \$527,465 of the bank balance was covered by federal depository insurance and \$3,810,645 was covered by collateral held under the Pooling Method. At June 30, 2010 the Town's petty cash fund totaled \$6,250.

2. INVESTMENTS

At June 30, 2010, the Town had \$2,305,958 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's as of June 30, 2010. The Town has no formal policy regarding credit risk.

Interest Rate Risk: The Town does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Town has no formal policy regarding credit risk.

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,260,854	\$ 143,668	\$ -	\$ 2,404,522
Construction in progress	1,815,172	507,608	2,320,443	2,337
	<u>4,076,026</u>	<u>651,276</u>	<u>2,320,443</u>	<u>2,406,859</u>
Capital assets being depreciated:				
Building	10,320,391	2,212,085	-	12,532,476
Other improvements	1,427,154	169,101	-	1,596,255
Roads and infrastructure	3,878,068	205,337	-	4,083,405
Equipment	2,278,831	59,822	49,581	2,289,072
Vehicles and motorized equipment	2,972,205	817,419	155,706	3,633,918
	<u>20,876,649</u>	<u>3,463,764</u>	<u>205,287</u>	<u>24,135,126</u>
Less accumulated depreciation for:				
Buildings	1,766,546	268,600	-	2,035,146
Other Improvements	1,089,745	47,685	-	1,137,430
Roads and infrastructure	724,224	279,313	-	1,003,537
Equipment	1,162,683	155,757	46,085	1,272,355
Vehicles and motorized equipment	1,914,915	229,724	139,789	2,004,850
	<u>6,658,113</u>	<u>981,079</u>	<u>185,874</u>	<u>7,453,318</u>
Total capital assets being depreciated, net	<u>14,218,536</u>	<u>2,482,685</u>	<u>19,413</u>	<u>16,681,808</u>
Capital assets, net	<u>\$ 18,294,562</u>	<u>\$ 3,133,961</u>	<u>\$ 2,339,856</u>	<u>\$ 19,088,667</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 183,253
Public safety	184,890
Transportation	389,350
Environmental protection	53,720
Cultural and recreational	169,866
Total	<u>\$ 981,079</u>

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

	Beginning Balances	Increases	Decreases	Ending Balances
Business activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 1,495,579	\$ -	\$ 1,495,579	\$ -

B. LIABILITIES

1. PENSION PLAN OBLIGATIONS

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Zebulon contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.16 percent and 5.14 percent, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Zebulon are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$135,275, \$126,186, and \$117,609, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Zebulon administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2009 the Separation Allowance's membership consisted of:

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u>23</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 12.3 percent per year. Both (a) and (b) included an inflation component of 3.75 percent. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation.

The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$21,381
Interest on net pension obligation	5,476
Adjustment to annual required contribution	<u>(4,758)</u>
Annual pension cost	22,099
Contributions made	<u>21,941</u>
Increase in net pension obligation	158
Net pension obligation beginning of year	<u>75,531</u>
Net pension obligation end of year	<u><u>\$75,689</u></u>

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 20,337	101.70%	\$ 75,115
June 30, 2009	21,718	98.09	75,531
June 30, 2010	22,099	99.29	75,689

Funded Status and Funding Progress.

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$243,773. The covered payroll (annual payroll of active employees covered by the plan) was \$986,654, and the ratio of the UAAL to the covered payroll was 24.71 percent.

c. **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$58,208, which consisted of \$48,081 from the Town and \$10,127 from law enforcement officers.

d. **Supplemental Retirement Income Plan For Employees Other Than Law Enforcement Officers**

Plan Description. All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan; a defined contribution pension plan as described above.

Funding Policy. The Town contributes each month an amount equal to five percent of each employee's (excluding law enforcement officers) salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Total contributions for the year ended June 30, 2010 were \$138,440, which consisted of \$83,185 from the Town and \$55,255 from employees.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

e. Other Postemployment Benefit (OPEB) – Healthcare Benefits

Plan Description. Under a Town resolution July 1, 2009, the Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees' Retirement System (System) and have met certain service requirements with the Town. Employees who have 20 or more years of continuous creditable service under the Local Government Retirement System and their last 5 years of service with the Town with the Town (last 10 years with the Town for employees hired July 1, 2005 or after) at the time of their retirement will receive full benefits. In addition the Town will provide to employees hired prior to July 1, 2005, at age 65, a Medicare supplemental insurance policy payment not to exceed the cost of providing health coverage to full-time personnel. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	7	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	34	22
Total	<u>41</u>	<u>27</u>

Funding Policy. The Board of Commissioners established the contribution requirements of plan members and this may be amended by the Board. The Town's members pay the following rates for medical coverage for dependents: \$280.35 for child(ren) coverage, \$377.77 for spouse coverage, and \$654.12 for family coverage. The Town's members pay the following rates for dental coverage for dependents: \$34.04 for child(ren) coverage, \$22.96 for spouse coverage, and \$57.00 for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 7.12% of annual covered payroll. For the current year, the Town contributed \$21,072 or .80% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .60% and .20% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$3,776. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

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

Annual OPEB Cost and Net OPEB Obligation. The Town's annual (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Annual required contribution	\$ 187,966
Interest on OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>187,966</u>
Contributions made	<u>21,072</u>
Increase in net OPEB obligation	166,894
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 166,894</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2010 were as follows:

<u>For Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$187,966	11.21%	\$166,894

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,814,992. The covered payroll (annual payroll of active employees covered by the plan) was \$2,638,538 and the ratio of the UAAL to the covered payroll was 68.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

In the December 31, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 to 5.0 percent annually. The investment rate included a 3.75% inflation assumption. The actuarial value, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period of December 31, 2009 was 30 years.

f. Other Employment Benefits

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

2. DEFERRED/UNEARNED REVENUES

The balance in deferred/unearned revenues at year-end is composed of the following elements:

General Fund:	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned	\$ -	\$ 16,220
Prepaid rent not yet earned	-	9,000
Prepaid fire district taxes not yet earned	-	36,197
Other unearned revenue	-	46
Taxes receivable (net)	156,379	-
Decal receivable	19,920	-
Sanitation receivables	11,624	-
Total deferred revenues	<u>\$ 187,923</u>	<u>\$ 61,463</u>

3. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town provides workers' compensation insurance with coverage up to statutory limits through a mutual insurance company. In accordance with G.S. 159-29, the Town carries bonds in the amount of \$50,000 on the town manager, finance director and tax collector.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The Town purchases insurance to provide the following types of major coverage: general liability (\$4,000,000), property (\$29,808,418), inland marine (\$548,101) auto liability (\$2,000,000), public officials liability (\$2,000,000), law enforcement liability (\$2,000,000) and an umbrella policy (\$2,000,000). The coverage has deductibles up to \$5,000. There have been no significant reductions in insurance coverage from coverage in the prior year by major categories of risk. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

4. CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2010, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction of a new town government campus. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Utility Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2010 are composed of the following individual issues:

Serviced by the General Fund:

\$4,600,000 public improvement bonds issued April 15, 2008; due in annual installments of \$225,000 plus interest at 3.5% to 4.0% through 2029.	\$4,150,000
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Serviced by the Water and Sewer Fund:

\$2,940,000 water and sewer bonds issued February 1, 1998; due in annual installments of \$150,000 plus interest at 4.90% to 5.00% through 2018.	\$1,140,000
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At June 30, 2010, The Town had a legal debt margin of \$61,057,242. The Town had authorized but unissued bonds outstanding at June 30, 2010 totaling \$400,000. The bonds will be used for the property acquisition of and related construction/renovation to the Town's new governmental complex.

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Annual debt service requirements to maturity for bonds payable are as follows:

Year ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 225,000	\$ 149,800	\$ 150,000	\$ 56,100
2012	225,000	141,925	150,000	48,750
2013	225,000	134,050	150,000	41,400
2014	225,000	126,175	150,000	34,050
2015	225,000	118,300	150,000	26,700
2016-2020	1,125,000	489,125	390,000	35,850
2021-2025	1,125,000	274,250	-	-
2026-2030	775,000	68,200	-	-
Total	<u>\$ 4,150,000</u>	<u>\$ 1,501,825</u>	<u>\$ 1,140,000</u>	<u>\$ 242,850</u>

b. Installment Note Indebtedness

The Town also has installment notes for a capital project, equipment and vehicles. The installment notes payable at June 30, 2010 are composed of the following:

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$325,000 installment obligation to BB&T issued October 1, 2009; secured by vehicles, payable in annual installments of \$84,634, including interest, through 2012; interest at 2.79%.	\$ 240,366	\$ -
\$361,000 installment obligation to RBC Centura issued July 30, 2007; secured by vehicles, payable in annual installments of \$95,360, including interest, through 2010; interest at 3.80%.	91,869	-
\$1,275,000 installment obligation to BB&T issued October 16, 2008, secured by recreational facilities, payable in annual principal installments of \$127,500, plus interest at 3.64%, through 2018.	1,083,364	-
\$374,600 installment obligation to RBC Centura issued June 14, 2006; secured by sewer lines, payable in annual installments of \$44,044 including interest, through 2013; interest at 3.91%.	-	122,434
Total	<u>\$ 1,415,599</u>	<u>\$ 122,434</u>

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The future minimum payments of the installment notes as of June 30, 2010 including interest, are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 233,160	\$ 51,966	\$ 39,257	\$ 4,787
2012	207,602	41,660	40,791	3,252
2013	209,837	34,784	42,386	1,658
2014	127,500	27,846	-	-
2015	127,500	23,205	-	-
2016-2020	510,000	46,410	-	-
Total	\$ 1,415,599	\$ 225,871	\$ 122,434	\$ 9,697

Revenue Note

The Town's revenue note was issued in 1981 to finance the construction of a wastewater treatment facility and is collateralized by future revenues of the water and sewer fund. This debt is recorded as long-term debt in the Proprietary Fund with principal and interest requirements appropriated when due. The revenue note outstanding at June 30, 2010 totals \$1,161,708 with interest at 3.7% through May 1, 2014.

The future payments of the revenue note for the years ending June 30, 2010 are as follows:

Year Ending June 30:	Business-Type Activities	
	Principal	Interest
2011	\$ 290,428	\$ 42,983
2012	290,428	32,237
2013	290,428	21,492
2014	290,424	10,746
Total	\$ 1,161,708	\$ 107,458

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

d. Changes in Long-Term Debt

	Balance July 1, 2009	Increases	Decreases	Balance July 1, 2010	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,375,000	\$ -	\$ 225,000	\$ 4,150,000	\$ 225,000
Less deferred amounts for bond issuance costs	(87,502)	-	(4,403)	(83,099)	(4,403)
Total bonds payable	4,287,498	-	220,597	4,066,901	220,597
Installment notes	1,560,307	325,000	469,708	1,415,599	233,160
Compensated absences	209,332	158,337	138,100	229,569	105,288
Other post employment benefits	-	187,966	-	187,966	-
Net pension obligation	75,531	22,099	21,941	75,689	21,941
Governmental activity long- term liabilities	\$ 6,132,668	\$ 693,402	\$ 850,346	\$ 5,975,724	\$ 580,986
Business-type activities:					
General obligation bonds	\$ 1,290,000	\$ -	\$ 150,000	\$ 1,140,000	\$ 150,000
Less deferred amounts for bond issuance costs	(14,230)	-	(5,695)	(8,535)	(5,695)
	1,275,770	-	144,305	1,131,465	144,305
Installment and revenue notes	1,612,349	-	328,207	1,284,142	329,684
Business-type activity long- term liabilities	\$ 2,888,119	\$ -	\$ 472,512	\$ 2,415,607	\$ 473,989

Compensated absences for governmental activities typically have been liquidated in the General Fund.

6. INTERFUND TRANSFERS

During the year the Town had interfund transfers as follows:

From Fund	To Fund	Amount	Purpose
Recreation Center Capital Project	General Fund	\$74,980	Close Capital Project
Maintenance Building Capital Project	General Fund	\$40,407	Close Capital Project
Park Restrooms Capital Project	General Fund	\$7,431	Close Capital Project

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

At June 30, 2009 the Town's General Fund has a balance of \$15,820 due from the Water and Sewer Fund to cover outstanding receivables. This amount will be transferred or repaid in future years.

NOTE 5 – ECONOMIC DEPENDENCY

The Town is economically dependent upon one taxpaying entity, which provides 36% of the Town's property tax revenues. This taxpayer, Glaxo Smith Kline, a pharmaceutical manufacturer, had a total assessed property tax value for the year ended June 30, 2010 of \$307,884,377, and property taxes assessed totaling \$1,539,421.

NOTE 6 – MERGER OF WATER AND SEWER UTILITY SYSTEM WITH THE CITY OF RALEIGH

The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective October 1, 2006. Under the terms of the agreement, Raleigh assumed full responsibility for the provision of water and sewer services in Zebulon, including responsibility for Zebulon's water and sewer utility systems and related equipment and property rights. Upon the transfer, Raleigh assumed immediate and sole duty and responsibility for financing, operating, maintaining, improving and expanding the water and sewer systems serving Zebulon's existing and future corporate limits and Urban Services Area. The Town transferred ownership of all facilities, property, land, equipment, financial assets, information and data subject to the agreement with Raleigh. Pursuant to the agreement, the town has transferred all Utility Capital Projects upon completion.

The accompanying statement of net assets also shows total notes receivable of \$2,424,142 in the business type activity which is due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$479,684 due within one year and \$1,944,458 due in more than one year. The City of Raleigh will also pay interest on this balance based on the Town of Zebulon's interest rates on the associated long term debt.

TOWN OF ZEBULON, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Ten years ended December 31, 2009

Exhibit A-1

Actuarial Valuation Date	Net Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2000	-	113,162	113,162	0%	539,681	20.97%
12/31/2001	-	122,149	122,149	0%	679,639	17.97%
12/31/2002	-	152,282	152,282	0%	749,025	20.33%
12/31/2003	-	236,839	236,839	0%	745,691	31.76%
12/31/2004	-	212,180	212,180	0%	749,185	28.32%
12/31/2005	-	175,901	175,901	0%	750,540	23.44%
12/31/2006	-	168,993	168,993	0%	778,730	21.70%
12/31/2007	-	175,019	175,019	0%	816,007	21.45%
12/31/2008	-	174,427	174,427	0%	803,922	21.70%
12/31/2009	-	243,773	243,773	0%	986,654	24.71%

TOWN OF ZEBULON, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Ten years ended June 30, 2010

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2001	18,556	2.68%
2002	16,101	31.68%
2003	18,556	4.67%
2004	22,281	46.12%
2005	27,500	38.05%
2006	26,369	40.65%
2007	21,684	92.60%
2008	20,337	101.70%
2009	21,718	98.09%
2010	22,099	99.29%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

TOWN OF ZEBULON, NORTH CAROLINA

RETIREMENT HEALTH CARE PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

One year ended December 31, 2009

Exhibit A-3

Actuarial Valuation Date	Net Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	-	1,814,992	1,814,992	0%	2,638,538	68.8%

TOWN OF ZEBULON, NORTH CAROLINA
 RETIREMENT HEALTH CARE PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

One year ended June 30, 2010

Exhibit A-4

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	187,966	11.21%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	10.5 - 5.0%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

INDIVIDUAL FUND STATEMENTS & SCHEDULES

GENERAL FUND

The General Fund is the Town's main operating fund. The General Fund accounts for revenues and expenditures traditionally associated with operating governmental service functions.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010
With comparative actual amounts for year ended June 30, 2009

Schedule 1
Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Prior Year</u>
REVENUES				
Ad valorem taxes	\$ 3,983,000	\$ 4,218,962	\$ 235,962	\$ 4,622,762
Penalties and interest	25,000	13,442	(11,558)	15,801
Total	<u>4,008,000</u>	<u>4,232,404</u>	<u>224,404</u>	<u>4,638,563</u>
Other taxes and licenses				
Motor vehicle decals	14,500	17,190	2,690	17,141
Privilege licenses	14,000	16,243	2,243	17,512
Cable television franchise	-	-	-	3,759
Local housing in lieu of tax	-	11,501	11,501	3,924
Total	<u>28,500</u>	<u>44,934</u>	<u>16,434</u>	<u>42,336</u>
Unrestricted intergovernmental				
Local option sales tax	864,000	845,279	(18,721)	858,474
Franchise tax	448,000	440,661	(7,339)	566,300
Hold harmless funds	424,000	445,180	21,180	424,711
Video programming	38,000	39,813	1,813	37,369
Beer and wine	5,000	7,765	2,765	22,253
Total	<u>1,779,000</u>	<u>1,778,698</u>	<u>(302)</u>	<u>1,909,107</u>
Restricted intergovernmental				
Powell Bill	123,500	135,900	12,400	143,060
Federal grants	13,000	6,768	(6,232)	27,324
State grants	114,500	66,498	(48,002)	-
PEG Supplement	20,000	18,692	(1,308)	20,618
Solid waste disposal tax	-	3,697	3,697	1,491
Wake County Fire District	459,400	453,547	(5,853)	538,881
Wake County Stadium	19,900	15,695	(4,205)	18,156
Other grants	23,689	45,468	21,779	99,741
Total	<u>773,989</u>	<u>746,265</u>	<u>(27,724)</u>	<u>849,271</u>
Permits and fees				
Zoning permits and fees	36,000	34,110	(1,890)	36,677
Inspection fees	3,000	5,639	2,639	4,891
Officer fees	5,000	7,306	2,306	7,151
Total	<u>44,000</u>	<u>47,055</u>	<u>3,055</u>	<u>48,719</u>
Investment earnings	<u>72,500</u>	<u>42,456</u>	<u>(30,044)</u>	<u>94,558</u>

(continued)

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010
With comparative actual amounts for year ended June 30, 2009

Schedule 1
Page 2 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive Negative	<u>Prior Year</u>
REVENUES (continued)				
Sales and services				
Charges for services	\$ 313,000	\$ 324,452	\$ 11,452	\$ 325,975
Rent	43,000	47,773	4,773	50,949
Recreation	56,300	76,148	19,848	48,211
Total	<u>412,300</u>	<u>448,373</u>	<u>36,073</u>	<u>425,135</u>
Miscellaneous				
ABC revenue	18,300	20,545	2,245	21,072
Surplus property	-	68,555	68,555	39,243
Fines and forfeitures	450	9,422	8,972	1,524
Miscellaneous	54,979	63,961	8,982	48,942
Total	<u>73,729</u>	<u>162,483</u>	<u>88,754</u>	<u>110,781</u>
Total revenues	<u>7,192,018</u>	<u>7,502,668</u>	<u>310,650</u>	<u>8,118,470</u>
EXPENDITURES				
General government				
Governing body				
Personnel costs	61,300	57,708	3,592	56,482
Contract services	153,500	138,305	15,195	76,819
Other operating	123,555	87,454	36,101	85,029
Subtotal	<u>338,355</u>	<u>283,467</u>	<u>54,888</u>	<u>218,330</u>
Administration				
Personnel costs	420,700	403,112	17,588	391,624
Contract services	34,500	29,860	4,640	35,757
Other operating	34,900	25,056	9,844	28,321
Capital outlay	-	-	-	19,952
Subtotal	<u>490,100</u>	<u>458,028</u>	<u>32,072</u>	<u>475,654</u>
Public buildings				
Personnel costs	87,300	85,443	1,857	71,972
Contract services	52,700	47,124	5,576	36,166
Utilities	143,200	95,010	48,190	82,779
Other operating	267,556	204,531	63,025	162,099
Capital outlay	5,000	5,831	(831)	20,025
Subtotal	<u>555,756</u>	<u>437,939</u>	<u>117,817</u>	<u>373,041</u>

(continued)

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010
With comparative actual amounts for year ended June 30, 2009

Schedule 1
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Planning				
Personnel costs	\$ 201,600	\$ 191,336	\$ 10,264	\$ 182,150
Contract services	22,800	18,683	4,117	46,892
Other operating	28,700	20,468	8,232	24,897
Capital outlay	-	-	-	47,913
Subtotal	<u>253,100</u>	<u>230,487</u>	<u>22,613</u>	<u>301,852</u>
Total general government	<u>1,637,311</u>	<u>1,409,921</u>	<u>227,390</u>	<u>1,368,877</u>
Public safety				
Police				
Personnel costs	1,379,523	1,322,343	57,180	1,235,527
Contract services	155,900	148,056	7,844	128,303
Other operating	234,439	200,012	34,427	208,729
Capital outlay	195,000	178,130	16,870	40,511
Subtotal	<u>1,964,862</u>	<u>1,848,541</u>	<u>116,321</u>	<u>1,613,070</u>
Fire				
Personnel costs	713,700	680,217	33,483	662,945
Contract services	6,000	4,264	1,736	4,872
Other operating	147,600	130,925	16,675	143,312
Capital outlay	277,200	277,115	85	227,333
Subtotal	<u>1,144,500</u>	<u>1,092,521</u>	<u>51,979</u>	<u>1,038,462</u>
Total public safety	<u>3,109,362</u>	<u>2,941,062</u>	<u>168,300</u>	<u>2,651,532</u>
Streets				
Non-Powell Bill				
Personnel costs	117,000	111,368	5,632	108,830
Contract services	12,500	5,206	7,294	8,658
Utilities	146,000	142,701	3,299	136,864
Other operating	55,500	47,630	7,870	54,093
Capital outlay	335,875	99,828	236,047	1,303
Subtotal	<u>666,875</u>	<u>406,733</u>	<u>260,142</u>	<u>309,748</u>

(continued)

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010
 With comparative actual amounts for year ended June 30, 2009

Schedule 1
 Page 4 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Powell Bill				
Personnel costs	\$ 64,200	\$ 60,711	\$ 3,489	\$ 57,783
Contract services	5,000	2,741	2,259	3,832
Other operating	37,000	34,451	2,549	29,925
Capital outlay	<u>125,500</u>	<u>121,654</u>	<u>3,846</u>	<u>(6,450)</u>
Subtotal	<u>231,700</u>	<u>219,557</u>	<u>12,143</u>	<u>85,090</u>
Total streets	<u>898,575</u>	<u>626,290</u>	<u>272,285</u>	<u>394,838</u>
Sanitation				
Personnel costs	299,700	292,745	6,955	279,604
Contract services	335,850	316,209	19,641	307,662
Other operating	75,450	68,883	6,567	77,969
Capital outlay	<u>137,400</u>	<u>130,839</u>	<u>6,561</u>	<u>-</u>
Total sanitation	<u>848,400</u>	<u>808,676</u>	<u>39,724</u>	<u>665,235</u>
Cultural and recreation				
Recreation				
Personnel costs	382,450	362,399	20,051	291,034
Contract services	47,800	42,786	5,014	40,326
Other operating	202,450	183,848	18,602	118,099
Capital outlay	<u>86,450</u>	<u>82,546</u>	<u>3,904</u>	<u>135,605</u>
Subtotal	<u>719,150</u>	<u>671,579</u>	<u>47,571</u>	<u>585,064</u>
Stadium				
Utilities	51,500	42,268	9,232	32,482
Other operating	29,300	20,921	8,379	26,202
Capital outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>36,676</u>
Subtotal	<u>100,800</u>	<u>63,189</u>	<u>37,611</u>	<u>95,360</u>
Total cultural and recreation	<u>819,950</u>	<u>734,768</u>	<u>85,182</u>	<u>680,424</u>

(continued)

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2010
 With comparative actual amounts for year ended June 30, 2009

Schedule 1
 Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Debt service				
Principal	\$ 699,286	\$ 694,708	\$ 4,578	\$ \$ 460,487
Interest	<u>216,350</u>	<u>214,934</u>	<u>1,416</u>	<u>178,914</u>
Total debt service	<u>915,636</u>	<u>909,642</u>	<u>5,994</u>	<u>639,401</u>
Total expenditures	<u>8,229,234</u>	<u>7,430,359</u>	<u>798,875</u>	<u>6,400,307</u>
Revenues over (under) expenditures	<u>(1,037,216)</u>	<u>72,309</u>	<u>1,109,525</u>	<u>1,718,163</u>
OTHER FINANCING SOURCES (USES)				
Lease Purchase Proceeds	325,000	325,000	-	-
Transfers in (out)				
Recreation Center Project	74,980	74,980	-	(724,158)
Parks and Recreation Project	7,431	7,431	-	(315,000)
Maintenance Building Project	40,407	40,407	-	-
Appropriated fund balance	<u>589,398</u>	<u>-</u>	<u>(589,398)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,037,216</u>	<u>447,818</u>	<u>(589,398)</u>	<u>(1,039,158)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>520,127</u>	<u>\$ 520,127</u>	<u>679,005</u>
Fund balance - beginning of year		<u>6,091,622</u>		<u>5,412,617</u>
Fund balance- end of year		<u>\$ 6,611,749</u>		<u>\$ 6,091,622</u>

NON-MAJOR GOVERNMENTAL FUNDS

The purpose of these funds is to segregate large capital projects from departmental expenditures. The Town has the following capital project funds:

The Recreation Center Capital Project Fund accounts for financial reserves to be used for the construction of a new recreation facility.

The Maintenance Building Capital Project Fund accounts for the construction of a new maintenance center for parks and recreation facilities.

The Park Restrooms Capital Project Fund accounts for a new restroom and picnic shelter at two joint-use Town/County parks.

TOWN OF ZEBULON, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2010

Schedule 2

	Recreation Center Capital Project	Maintenance Building Capital Project	Park Restrooms Capital Project	Total
REVENUES				
Investment earnings	\$ 400	\$ -	\$ -	\$ 400
EXPENDITURES				
Capital projects	353,222	154,383	-	507,605
Revenues under expenditures	(352,822)	(154,383)	-	(507,205)
OTHER FINANCING USES				
Transfers out	(74,980)	(40,407)	(7,431)	(122,818)
Net change in fund balances	(427,802)	(194,790)	(7,431)	(630,023)
Fund balance- beginning of year	427,802	194,790	7,431	630,023
Fund balance-end of year	\$ -	\$ -	\$ -	\$ -

TOWN OF ZEBULON, NORTH CAROLINA
 RECREATION CENTER CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

From inception to June 30, 2010

Schedule 3

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
CDBG funds	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
PARTF grant	500,000	500,000	-	500,000
Donations	2,600	2,600	-	2,600
Investment earnings	2,022	1,622	400	2,022
Total revenues	1,004,622	1,004,222	400	1,004,622
EXPENDITURES				
Design services	145,073	134,909	10,164	145,073
Legal and professional services	15,761	15,506	255	15,761
Construction	1,716,328	1,373,525	342,803	1,716,328
Contingency	3,180	3,180	-	3,180
Total expenditures	1,880,342	1,527,120	353,222	1,880,342
Revenues under expenditures	(875,720)	(522,898)	(352,822)	(875,720)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Maintenance Building Project	10,700	10,700	-	10,700
General Fund	(74,980)	-	(74,980)	(74,980)
Issuance of debt	940,000	940,000	-	940,000
Total other financing sources (uses)	875,720	950,700	(74,980)	875,720
Revenues and other financing sources over (under) expenditures	\$ -	\$ 427,802	\$ (427,802)	\$ -

TOWN OF ZEBULON, NORTH CAROLINA
 MAINTENANCE BUILDING CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

From inception to June 30, 2010

Schedule 4

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Design services	44,356	34,856	9,500	44,356
Construction	252,838	108,007	144,831	252,838
Professional services	7,299	7,247	52	7,299
Total expenditures	<u>304,493</u>	<u>150,110</u>	<u>154,383</u>	<u>304,493</u>
Revenues under expenditures	<u>(304,493)</u>	<u>(150,110)</u>	<u>(154,383)</u>	<u>(304,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
General Fund	355,600	355,600	-	355,600
General Fund	(40,407)	-	(40,407)	(40,407)
Recreation Center Capital Project	<u>(10,700)</u>	<u>(10,700)</u>	<u>-</u>	<u>(10,700)</u>
Total other financing sources (uses)	<u>304,493</u>	<u>344,900</u>	<u>(40,407)</u>	<u>304,493</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 194,790</u>	<u>\$ (194,790)</u>	<u>\$ -</u>

TOWN OF ZEBULON, NORTH CAROLINA
 PARK RESTROOMS CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

From inception to June 30, 2010

Schedule 5

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ 577	\$ 577	\$ -	\$ 577
EXPENDITURES				
Design services	42,071	42,071	-	42,071
Construction	359,289	359,289	-	359,289
Contingency	2,786	2,786	-	2,786
Total expenditures	404,146	404,146	-	404,146
Revenues under expenditures	(403,569)	(403,569)	-	(403,569)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
General Fund	76,000	76,000	-	76,000
General Fund	(7,431)	-	(7,431)	(7,431)
Issuance of debt	335,000	335,000	-	335,000
Total other financing sources (uses)	403,569	411,000	(7,431)	403,569
Revenues and other financing sources over (under) expenditures	\$ -	\$ 7,431	\$ (7,431)	\$ -

PROPRIETARY FUNDS

Proprietary funds are financed and operated in a manner similar to private business enterprises. The Water and Sewer Fund is the Town's only proprietary fund.

TOWN OF ZEBULON, NORTH CAROLINA

WATER AND SEWER FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2010
 With comparative actual amounts for year ended June 30, 2009

Schedule 6

	Budget	Actual	Variance Positive (Negative)	Prior Year
OPERATING REVENUES				
Miscellaneous revenues	\$ -	\$ 8,271	\$ 8,271	\$ -
NON-OPERATING REVENUES				
Debt reimbursements from Raleigh	601,660	601,650	(10)	619,746
Investment earnings	-	483	483	727
Total non-operating revenues	601,660	602,133	473	620,473
Total revenues	601,660	610,404	8,744	620,473
OPERATING EXPENDITURES				
Debt service				
Principal	478,209	478,207	2	476,786
Interest	123,451	123,443	8	142,960
Total debt service	601,660	601,650	10	619,746
Total operating expenditures	601,660	601,650	10	619,746
Revenues over expenditures	\$ -	8,754	\$ 8,754	727
ADJUSTMENTS TO ACCRUAL				
Add (deduct)				
Debt principal		478,207		476,786
Decrease in accrued interest payable		4,918		4,916
Amortization		(5,695)		(5,695)
Loss on transfer of capital assets to Raleigh		(1,495,579)		-
Reimbursement for debt payments from City of Raleigh		(478,207)		(476,786)
Reclaimed Water Extension Capital Project CWMTF Grant		-		1,009,000
Transfer from City of Raleigh		-		330,085
Net gain (loss)		\$ (1,487,602)		\$ 1,339,033

OTHER SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

TOWN OF ZEBULON, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2010

Schedule 7

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 4,249,259	\$ 4,169,855	\$ 79,404
2008-2009	65,207	-	46,739	18,468
2007-2008	17,171	-	2,944	14,227
2006-2007	9,972	-	1,047	8,925
2005-2006	10,102	-	587	9,515
2004-2005	6,824	-	344	6,480
2003-2004	5,856	-	524	5,332
2002-2003	5,844	-	332	5,512
2001-2002	3,808	-	69	3,739
2000-2001	4,895	-	118	4,777
1999-2000	4,851	-	4,851	-
	<u>\$ 134,530</u>	<u>\$ 4,249,259</u>	<u>\$ 4,227,410</u>	<u>\$ 156,379</u>

Revenue Reconciliation:

Ad valorem taxes - General Fund	\$ 4,232,404
Add (deduct):	
Releases allowed	3,597
Taxes written off	4,851
Penalties and interest	<u>(13,442)</u>
Total collections and credits	<u>\$ 4,227,410</u>

TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2010

Schedule 8

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rates	\$ 834,134,600	0.50	\$ 4,170,673	\$ 4,069,953	\$ 100,720
Registered motor vehicles taxed at prior year's rate	10,027,843	0.51	51,142	-	51,142
Penalties	-		19,452	19,452	-
Total	844,162,443		4,241,267	4,089,405	151,862
Discoveries:					
Prior year taxes	-		35,670	31,323	4,347
Abatements	(5,535,600)	0.50	(27,678)	(24,052)	(3,626)
Total property valuation	<u>\$ 838,626,843</u>				
Net levy			4,249,259	4,096,676	152,583
Uncollected taxes at June 30, 2010			79,404	49,731	29,673
Current year's taxes collected			\$ 4,169,855	\$ 4,046,945	\$ 122,910
Current levy collection percentage			<u>98.1%</u>	<u>98.8%</u>	<u>80.6%</u>

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STATISTICAL TABLES

This section of the report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial position.

Financial trends tables contain information to help readers understand how financial performance has changed over time.

Revenue capacity tables contain information to help readers assess the most significant local revenue source, the property tax.

Debt capacity tables contain information to help readers assess the affordability of the current levels of outstanding debt and the ability to issue additional debt in the future.

Demographic and economic information tables contain information to help readers understand the environment within which the financial activities take place.

Operating information tables contain data to help the readers understand how the information in the financial reports relates to the services and activities of the government.

Town of Zebulon, North Carolina

Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Years						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	\$ 5,348,775	\$ 5,714,868	\$ 7,335,961	\$ 9,498,806	\$ 8,371,669	\$ 12,446,754	\$ 13,606,167
Restricted	-	241,582	-	-	185,640	247,739	159,123
Unrestricted	3,682,304	4,116,868	4,097,336	4,694,031	7,192,556	6,259,317	6,055,670
Total governmental activities net assets	<u>\$ 9,031,079</u>	<u>\$ 10,073,318</u>	<u>\$ 11,433,297</u>	<u>\$ 14,192,837</u>	<u>\$ 15,749,865</u>	<u>\$ 18,953,810</u>	<u>\$ 19,820,960</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 11,811,236	12,305,275	\$ 12,578,683	\$ -	\$ 156,494	\$ 1,495,579	\$ -
Unrestricted	254,653	407,016	1,019,658	331,251	(45,352)	(45,404)	(37,427)
Total business-type activities net assets	<u>\$ 12,065,889</u>	<u>\$ 12,712,291</u>	<u>\$ 13,598,341</u>	<u>\$ 331,251</u>	<u>\$ 111,142</u>	<u>\$ 1,450,175</u>	<u>\$ (37,427)</u>
Primary government							
Invested in capital assets, net of related debt	\$ 17,160,011	\$ 18,020,143	\$ 19,914,644	\$ 9,498,806	\$ 8,528,163	\$ 13,942,333	\$ 13,606,167
Restricted	-	241,582	-	-	185,640	247,739	159,123
Unrestricted	3,936,957	4,523,884	5,116,994	5,025,282	7,147,204	6,213,913	6,018,243
Total primary government net assets	<u>\$ 21,096,968</u>	<u>\$ 22,785,609</u>	<u>\$ 25,031,638</u>	<u>\$ 14,524,088</u>	<u>\$ 15,861,007</u>	<u>\$ 20,403,985</u>	<u>\$ 19,783,533</u>

Note: Only seven years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

Town of Zebulon, North Carolina

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

Table 2
Page 1 of 2

	Fiscal Years						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	\$ 776,091	\$ 841,561	\$ 1,057,300	\$ 1,066,702	\$ 1,189,509	\$ 1,335,282	\$ 1,630,391
Public safety	2,258,828	2,076,999	2,201,314	2,295,867	2,466,260	2,583,566	2,787,740
Streets	369,450	420,061	553,831	571,469	704,267	759,235	804,201
Sanitation	489,937	524,590	515,589	558,012	661,410	717,081	748,643
Cultural and recreational	959,149	543,220	568,273	694,708	662,694	654,523	843,239
Interest on long-term debt	313,734	333	3,074	6,493	77,303	211,803	211,298
Total governmental activities expenses	<u>5,167,189</u>	<u>4,406,764</u>	<u>4,899,381</u>	<u>5,193,251</u>	<u>5,761,443</u>	<u>6,261,490</u>	<u>7,025,512</u>
Business-type activities:							
Water and sewer	2,252,701	2,285,658	2,190,264	842,548	-	-	-
Interest on long-term debt	226,633	203,260	185,632	180,974	162,030	143,740	124,220
Total business-type activities	<u>2,479,334</u>	<u>2,488,918</u>	<u>2,375,896</u>	<u>1,023,522</u>	<u>162,030</u>	<u>143,740</u>	<u>124,220</u>
Total primary government expenses	<u>\$ 7,646,523</u>	<u>\$ 6,895,682</u>	<u>\$ 7,275,277</u>	<u>\$ 6,216,773</u>	<u>\$ 5,923,473</u>	<u>\$ 6,405,230</u>	<u>\$ 7,149,732</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 69,953	\$ 71,899	\$ 79,513	\$ 124,391	\$ 121,381	\$ 92,517	\$ 87,522
Public safety	2,430	2,680	2,246	3,258	7,455	7,151	7,306
Sanitation	133,009	231,309	232,931	278,981	297,061	301,157	323,524
Cultural and recreational	42,428	48,996	47,950	47,058	53,905	48,211	76,148
Operating grants and contributions	644,152	521,722	557,412	558,410	584,145	698,721	629,278
Capital grants and contributions	1,019,197	588,267	1,031,415	1,858,246	641,043	1,563,108	504,339
Total governmental activities program revenues	<u>1,911,169</u>	<u>1,464,873</u>	<u>1,951,467</u>	<u>2,870,344</u>	<u>1,704,990</u>	<u>2,710,865</u>	<u>1,628,117</u>
Business-type activities:							
Charges for services:							
Water and sewer	2,076,448	2,429,450	2,479,762	728,865	-	-	-
Operating grants and contributions	1,673	-	-	-	-	-	-
Capital grants and contributions	1,355,730	563,033	754,401	-	43,200	1,009,000	-
Total business-type activities program revenues	<u>3,433,851</u>	<u>2,992,483</u>	<u>3,234,163</u>	<u>728,865</u>	<u>43,200</u>	<u>1,009,000</u>	<u>-</u>
Total primary government program revenues	<u>\$ 5,345,020</u>	<u>\$ 4,457,356</u>	<u>\$ 5,185,630</u>	<u>\$ 3,599,209</u>	<u>\$ 1,748,190</u>	<u>\$ 3,719,865</u>	<u>\$ 1,628,117</u>

Town of Zebulon, North Carolina

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

Table 2
Page 2 of 2

Net Revenue (expense)							
Governmental activities	\$ (3,256,020)	\$ (2,941,891)	\$ (2,947,914)	\$ (2,322,907)	\$ (4,056,453)	\$ (3,550,625)	\$ (5,397,395)
Business-type activities	954,517	503,565	858,267	(294,657)	(118,830)	865,260	(124,220)
Total primary government net revenue (expense)	<u>\$ (2,301,503)</u>	<u>\$ (2,438,326)</u>	<u>\$ (2,089,647)</u>	<u>\$ (2,617,564)</u>	<u>\$ (4,175,283)</u>	<u>\$ (2,685,365)</u>	<u>\$ (5,521,615)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	1,994,285	2,285,910	2,404,198	2,730,404	3,497,033	4,643,724	4,254,209
Other taxes and licenses	40,601	45,492	47,094	51,317	35,345	43,648	45,709
Unrestricted intergovernmental revenues	1,502,243	1,535,747	1,657,754	1,713,013	1,763,225	1,909,107	1,778,698
Investment earnings	28,328	78,355	144,590	203,013	168,594	111,988	42,856
Miscellaneous	61,864	149,841	51,943	92,508	136,555	69,887	97,304
Transfers	-	(130,000)	-	15,338	-	-	-
Gain (loss) on disposal of capital assets	-	(5,497)	2,315	(29,172)	12,729	30,889	45,769
Special item: gain (loss) on transfer of assets to Wake County	(4,483,927)	-	-	-	-	-	-
Total governmental activities	<u>(856,606)</u>	<u>3,959,848</u>	<u>4,307,894</u>	<u>4,776,421</u>	<u>5,613,481</u>	<u>6,809,243</u>	<u>6,264,545</u>
Business-type activities:							
Investment earnings	\$ 8,238	\$ 12,837	\$ 27,783	\$ 185,579	\$ 67,979	\$ 143,688	\$ 123,926
Miscellaneous	-	-	-	-	-	-	8,271
Transfers	-	130,000	-	(15,338)	-	-	-
Special Item: gain (loss) on transfer of assets to City of Raleigh	-	-	-	(13,142,674)	(169,258)	330,085	(1,495,579)
Total business-type activities	<u>8,238</u>	<u>142,837</u>	<u>27,783</u>	<u>(12,972,433)</u>	<u>(101,279)</u>	<u>473,773</u>	<u>(1,363,382)</u>
Total primary government general revenues and other changes in net assets	<u>(848,368)</u>	<u>4,102,685</u>	<u>4,335,677</u>	<u>(8,196,012)</u>	<u>5,512,202</u>	<u>7,283,016</u>	<u>4,901,163</u>
Change in net assets							
Governmental activities	\$ (4,112,626)	\$ 1,017,957	\$ 1,359,980	\$ 2,453,514	\$ 1,557,028	\$ 3,258,618	\$ 867,150
Business-type activities	962,755	646,402	886,050	(13,267,090)	(220,109)	1,339,033	(1,487,602)
Total primary government change in net assets	<u>\$ (3,149,871)</u>	<u>\$ 1,664,359</u>	<u>\$ 2,246,030</u>	<u>\$ (10,813,576)</u>	<u>\$ 1,336,919</u>	<u>\$ 4,597,651</u>	<u>\$ (620,452)</u>

Note: Only seven years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

Town of Zebulon, North Carolina
 Government-Wide Expenses by Function
 Last Seven Fiscal Years

Table 3

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets</u>	<u>Sanitation</u>	<u>Cultural & Recreational</u>	<u>Interest on Long-Term Debt</u>	<u>Water & Sewer</u>	<u>Total</u>
2004	\$ 776,091	\$ 2,258,828	\$ 369,450	\$ 489,937	\$ 959,149	\$ 313,734	\$ 2,479,334	\$ 7,646,523
2005	841,564	2,076,999	420,061	524,590	543,220	333	2,488,918	6,895,685
2006	1,057,300	2,201,314	553,831	515,589	568,273	3,074	2,375,896	7,275,277
2007	1,066,702	2,295,867	571,469	558,012	694,708	6,493	842,548	6,035,799
2008	1,189,509	2,466,230	704,267	661,410	662,694	77,303	162,030	5,923,443
2009	1,335,282	2,583,566	759,235	717,081	654,523	211,803	143,740	6,405,230
2010	1,630,391	2,787,740	804,201	748,643	843,239	211,298	124,220	7,149,732

Note: Only seven years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

Town of Zebulon, North Carolina
 General Government Expenditures by Function
 Last Ten Fiscal Years

Table 4

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets</u>	<u>Sanitation</u>	<u>Cultural & Recreation</u>	<u>Debt Service</u>	<u>Total</u>	<u>Per Capita Expenditures</u>
2001	\$ 876,832	\$ 1,645,659	\$ 514,893	\$ 577,827	\$ 582,734	\$ 1,158,446	\$ 5,356,391	\$ 1,157
2002	807,236	1,592,368	338,218	416,835	397,916	1,117,847	4,670,420	1,149
2003	839,823	1,757,043	313,766	606,760	1,253,264	1,123,801	5,894,457	1,444
2004	774,695	2,226,478	417,450	455,574	429,949	1,077,643	5,381,789	1,272
2005	952,458	1,913,600	347,033	435,834	564,176	47,885	4,260,986	999
2006	1,128,319	2,242,226	1,079,177	484,563	654,210	116,187	5,704,682	1,316
2007	1,200,102	2,547,880	598,859	548,703	553,407	235,428	5,684,379	1,234
2008	1,195,810	2,502,873	784,937	745,801	606,136	255,289	6,090,846	1,274
2009	1,368,877	2,651,532	394,838	665,235	680,424	639,401	6,400,307	1,292
2010	1,409,921	2,941,062	626,290	808,676	734,768	909,642	7,430,359	1,365

Note: This table was prepared using the modified accrual basis of accounting. Capital outlay is budgeted within departments. This includes the General Fund only.

Town of Zebulon, North Carolina

Government-Wide Revenues by Source
Last Seven Fiscal Years

Table 5

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Taxes	Unrestricted Intergovernmental	Unrestricted Investment Earnings	Miscellaneous	
2004	\$ 2,324,268	\$ 645,825	\$ 2,374,927	\$ 2,034,886	\$ 1,502,243	\$ 36,566	\$ 61,864	\$ 8,980,579
2005	2,784,334	521,722	1,151,300	2,331,402	1,535,747	91,192	149,841	8,565,538
2006	2,842,402	557,412	1,785,816	2,451,292	1,657,754	172,373	54,258	9,521,307
2007	1,182,553	558,410	1,858,246	2,781,721	1,713,013	388,592	92,508	8,575,043
2008	479,802	584,145	684,243	3,532,378	1,763,225	236,573	149,284	7,429,650
2009	449,036	698,721	2,572,108	4,687,372	1,909,107	255,676	430,861	11,002,881
2010	494,500	629,278	504,339	4,299,918	1,778,698	166,782	151,344	8,024,859

Note: Only seven years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

Town of Zebulon, North Carolina

General Government Revenues by Source
Last Ten Fiscal Years

Table 6

Fiscal Year	Taxes	Intergovernmental Revenues	Licenses, Permits & Fees	Investment Earnings	Sales & Services	Miscellaneous	Total	Per Capita Revenues
2001	\$ 1,808,484	\$ 3,098,654	\$ 28,291	\$ 184,763	\$ 69,468	\$ 94,696	\$ 5,284,356	\$ 1,141
2002	1,942,818	2,496,151	31,668	79,060	91,238	65,683	4,706,618	1,158
2003	1,958,879	2,617,181	56,590	39,961	419,509	41,009	5,133,129	1,258
2004	2,007,393	3,153,312	76,414	28,328	208,952	59,909	5,534,308	1,308
2005	2,284,512	2,057,469	78,749	78,355	304,247	148,101	4,951,433	1,160
2006	2,392,713	2,405,074	88,968	144,590	330,021	56,660	5,418,026	1,250
2007	2,731,035	2,431,033	139,273	203,013	358,081	137,508	5,999,943	1,303
2008	3,495,858	2,425,392	125,815	149,559	378,147	146,684	6,721,455	1,406
2009	4,680,899	2,758,378	48,719	94,558	425,135	110,781	8,118,470	1,638
2010	4,277,338	2,524,963	47,055	42,456	448,373	162,483	7,502,668	1,378

Note: This table was prepared using the modified accrual basis of accounting. This includes the General Fund only.

Town of Zebulon, North Carolina

Governmental Activities Tax Revenues by Source
Last Seven Fiscal Years
(accrual basis of accounting)

Table 7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Rate</u>
2004	\$ 1,994,285	\$ 0.48
2005	2,285,910	0.48
2006	2,392,713	0.49
2007	2,731,035	0.50
2008	3,495,858	0.55
2009	4,638,563	0.51
2010	4,232,404	0.50

Note: Only seven years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

Town of Zebulon, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 8

	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 587,667	\$ 670,686	\$ 641,016	\$ 817,470	\$ 965,461	\$ 861,586	\$ 751,946	\$ 743,252	\$ 1,198,197	\$ 786,871
Unreserved	2,887,148	3,160,281	2,428,623	2,691,909	3,128,950	3,140,169	3,977,473	4,669,365	5,281,374	5,824,878
Total General Fund	<u>3,474,815</u>	<u>3,830,967</u>	<u>3,069,639</u>	<u>3,509,379</u>	<u>4,094,411</u>	<u>4,001,755</u>	<u>4,729,419</u>	<u>5,412,617</u>	<u>6,479,571</u>	<u>6,611,749</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	501,918	164,928	164,928	217,347	328,703	172,386	50,429	2,109,565	630,023	-
Total all other governmental funds	<u>\$ 501,918</u>	<u>\$ 164,928</u>	<u>\$ 164,928</u>	<u>\$ 217,347</u>	<u>\$ 328,703</u>	<u>\$ 172,386</u>	<u>\$ 50,429</u>	<u>\$ 2,109,565</u>	<u>\$ 630,023</u>	<u>\$ -</u>

Town of Zebulon, North Carolina

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 9
Page 1 of 2

	Fiscal Years				
	2001	2002	2003	2004	2005
Revenues:					
Ad valorem taxes	\$ 1,808,484	\$ 1,942,818	\$ 1,958,879	\$ 2,007,393	\$ 2,284,512
Other taxes and licenses	792,471	586,999	635,300	40,601	44,472
Unrestricted intergovernmental	927,535	490,935	310,117	1,502,243	1,535,747
Restricted intergovernmental	1,695,094	1,423,655	1,707,812	1,651,069	695,769
Permits and fees	20,615	26,496	20,542	35,813	34,277
Sales and services	69,468	91,238	419,509	208,952	304,247
Investment earnings	201,851	86,733	39,961	28,328	78,355
Miscellaneous	94,696	65,683	41,009	63,112	148,101
Total revenues	5,610,214	4,714,557	5,133,129	5,537,511	5,125,480
Expenditures:					
General government	876,832	807,236	821,826	774,695	810,224
Public safety	1,645,659	1,592,368	1,673,789	2,226,478	1,913,600
Streets	514,893	338,218	313,766	417,450	326,231
Sanitation	577,827	416,835	606,760	455,574	435,834
Cultural and recreational	582,734	397,916	953,264	429,949	426,575
Capital outlay	712,761	24,975	401,251	29,749	363,328
Debt service:					
Principal retirement	552,502	523,825	561,161	542,150	47,552
Interest and fees	605,944	594,022	562,640	535,493	333
Total expenditures	6,069,152	4,695,395	5,894,457	5,411,538	4,323,677
Excess of revenues over (under) expenditures	(458,938)	19,162	(761,328)	125,973	801,803
Other financing sources (uses):					
Installment note proceeds	368,998	-	-	254,603	-
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	150,000	319,954	-	78,965	-
Transfers (out)	(150,000)	(319,954)	-	(78,965)	(130,000)
Total other financing sources (uses)	368,998	-	-	254,603	(130,000)
Net change in fund balances	\$ (89,940)	\$ 19,162	\$ (761,328)	\$ 380,576	\$ 671,803
 Debt service as a percentage of noncapital expenditures	 27.6%	 31.5%	 25.7%	 25.0%	 1.2%

Town of Zebulon, North Carolina

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 9
Page 2 of 2

	Fiscal Years				
	2006	2007	2008	2009	2010
Revenues:					
Ad valorem taxes	\$ 2,392,713	\$ 2,731,035	\$ 3,495,858	\$ 4,638,563	\$ 4,232,404
Other taxes and licenses	46,129	47,545	32,900	42,336	44,934
Unrestricted intergovernmental	1,657,823	1,714,457	1,763,225	1,909,107	1,778,698
Restricted intergovernmental	1,067,267	718,020	709,938	1,826,500	746,265
Permits and fees	42,839	91,728	92,915	48,719	47,055
Sales and services	330,021	358,081	378,147	425,135	448,373
Investment earnings	144,590	203,013	186,926	111,988	42,856
Miscellaneous	56,660	137,508	149,284	126,517	162,483
Total revenues	5,738,042	6,001,387	6,809,193	9,128,865	7,503,068
Expenditures:					
General government	890,169	1,026,700	1,159,519	1,280,987	1,404,090
Public safety	2,031,176	2,148,573	2,296,946	2,383,688	2,485,817
Streets	261,237	351,108	373,323	399,985	404,808
Sanitation	476,063	512,103	620,648	665,235	677,837
Cultural and recreational	282,210	487,433	502,384	508,143	652,222
Capital outlay	2,123,973	1,046,435	3,718,508	5,326,963	1,403,548
Debt service:					
Principal retirement	113,113	228,935	619,199	460,487	694,708
Interest and fees	3,074	6,493	23,877	178,914	214,934
Total expenditures	6,181,015	5,807,780	9,314,404	11,204,402	7,937,964
Excess of revenues over (under) expenditures	(442,973)	193,607	(2,505,211)	(2,075,537)	(434,896)
Other financing sources (uses):					
Installment note proceeds	194,000	412,100	740,000	1,275,000	325,000
Bond Proceeds	-	-	4,600,000	-	-
Bond Issuance Costs	-	-	(92,455)	-	-
Transfers in	-	-	701,782	1,054,371	122,818
Transfers (out)	-	-	(701,782)	(1,054,371)	(122,818)
Total other financing sources (uses)	194,000	412,100	5,247,545	1,275,000	325,000
Net change in fund balances	\$ (248,973)	\$ 605,707	\$ 2,742,334	\$ (800,537)	\$ (109,896)
Debt service as a percentage of noncapital expenditures	2.9%	5.2%	13.0%	12.2%	16.2%

Town of Zebulon, North Carolina

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 10

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Property Tax Rate	Taxable Assessed Ratio of Assesed Value to Estimated Actual Value
2001	245,582,538	163,775,614	10,197,930	419,556,082	0.460	100%
2002	242,052,877	171,251,922	11,343,642	424,648,441	0.460	100%
2003	243,315,441	150,927,266	11,207,435	405,450,142	0.480	100%
2004	247,137,621	151,905,970	11,475,512	410,519,103	0.480	100%
2005	254,176,538	208,787,947	11,466,973	474,431,458	0.480	100%
2006	284,446,059	193,087,096	9,556,382	487,089,537	0.490	100%
2007	284,982,380	239,005,605	11,752,439	535,740,424	0.500	100%
2008	290,689,845	330,931,911	10,133,283	631,755,039	0.550	100%
2009	394,971,100	404,266,433	12,088,762	811,326,295	0.510	100%
2010	460,070,686	366,731,519	11,824,638	838,626,843	0.500	100%

Source: Wake County Revenue Department

Notes: Assessed value is established by the Wake County Tax Department at 100% estimated market value. A revaluation of all property is required every eight years by North Carolina General Statute. The last revaluation occurred as of January 1, 2008. Tax rates are per \$100 of assessed value.

Town of Zebulon, North Carolina

Direct and Overlapping Government Property Tax Rates
Last Ten Fiscal Years

Table 11

Fiscal Year	Town of Zebulon	Wake County	Total Direct Rate
2001	0.460	0.564	1.024
2002	0.460	0.564	1.024
2003	0.480	0.564	1.044
2004	0.480	0.604	1.084
2005	0.480	0.604	1.084
2006	0.490	0.604	1.094
2007	0.500	0.634	1.134
2008	0.550	0.678	1.228
2009	0.510	0.534	1.044
2010	0.500	0.534	1.034

Notes: Overlapping rates are those of local and county governments that apply to property owners within the Town of Zebulon. A revaluation of all property is required every eight years by North Carolina General Statute. The last revaluation occurred as of January 1, 2008. Tax rates are per \$100 of assessed value.

Town of Zebulon, North Carolina

Principal Property Tax Payers
Current and Ten Years Ago

Table 12

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline ⁽¹⁾	\$ 144,931,841	1	15.20	\$ 96,812,813	1	24.33
SmithKline Beecham Corporation ⁽¹⁾	111,158,076	2	11.66	-	-	-
Glaxo Inc ⁽¹⁾	51,794,460	3	5.43	41,648,875	2	10.47
Nomacorc LLC ⁽²⁾	26,344,910	4	2.76	-	-	-
USF Propco LLC ⁽³⁾	18,705,870	5	1.96	6,672,703	5	1.68
Wal-Mart Real Estate Buisness Trust	13,303,291	6	1.40	-	-	-
Noel Group LLC ⁽²⁾	10,662,144	7	1.12	-	-	-
Corc LLC ⁽²⁾	8,081,650	8	0.85	-	-	-
Illinois Tool Works Inc	7,887,958	9	0.83	4,358,292	8	-
Nomaco Zebulon ⁽⁴⁾	7,484,687	10	0.79	7,329,784	4	-
Triangle East Shopping Center	6,981,375	11	0.73	4,426,257	7	1.11
Progress Energy Carolinas ⁽⁵⁾	6,677,311	12	0.70	4,498,221	6	1.13
Atlas NC 1 SPE LLC	6,224,000	13	0.65	-	-	-
Eckerd Corporation	5,009,373	14	0.53	-	-	-
NMC of North America Inc	-	-	-	8,281,620	3	2.08
Omark Properties Inc	-	-	-	4,273,124	9	1.07
Bellsouth Tel Co	-	-	-	4,064,480	10	1.02
Daniel G. Kamin Zebulon Enterprises	-	-	-	3,717,951	11	0.93
Chatham Enterprises Inc	-	-	-	3,349,126	12	0.84
Total	\$ 425,246,946		44.61 %	\$ 189,433,246		44.67 %

Source: Wake County Revenue Department

Note:

(1) GlaxoSmithKline and SmithKline Beecham Corporation formerly Glaxo Wellcome Inc. GlaxoSmithKline, SmithKline Beecham Corporation, and Glaxo Inc. comprise a single business entity in Zebulon.

(2) Nomacorc LLC, Noel Group LLC, and Corc LLC comprise a single business entity in Zebulon.

(3) USF Propco LLC formerly Consolidated Foodservice.

(4) Nomaco Zebulon formerly Nomaco Inc. Nomaco Zebulon and NMC North America comprise a single business entity in Zebulon.

(5) Progress Energy Carolinas formerly Carolina Power & Light Company.

Town of Zebulon, North Carolina

Property Tax Levies and Collections
Last Ten Fiscal Years

Table 13

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Current Levy
2001	1,946,194	1,889,120	97.07	48,306	1,937,426	99.55
2002	1,967,344	1,910,690	97.12	54,242	1,964,932	99.88
2003	1,956,014	1,901,311	97.20	53,209	1,954,520	99.92
2004	1,989,063	1,946,098	97.84	56,483	2,002,581	100.68
2005	2,278,441	2,231,834	97.95	45,031	2,276,865	99.93
2006	2,398,434	2,339,957	97.56	46,992	2,386,949	99.52
2007	2,727,709	2,670,120	97.89	55,329	2,725,449	99.92
2008	3,500,815	3,436,107	98.15	60,190	3,496,297	99.87
2009	4,792,459	4,727,252	98.64	60,045	4,787,297	99.89
2010	4,249,259	4,169,855	98.13	57,555	4,227,410	99.49

Source: Wake County Revenue Department

Note: A revaluation of all property is required every eight years by North Carolina General Statute. The last revaluation occurred as of January 1, 2008.

Town of Zebulon, North Carolina

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 14

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Debt as a Percentage of Assessed Valuation	Per Capita
	Installment Purchases	GO Bonds	GO Bonds	Installment Purchases	Revenue Notes			
2001	10,322,508 ⁽¹⁾	-	2,490,000	-	3,775,560	16,588,068	3.95%	3,583
2002	9,782,077	-	2,340,000	-	3,485,132	15,607,209	3.68%	3,840
2003	9,220,916	-	2,190,000	-	3,194,704	14,605,620	3.60%	3,578
2004	173,551 ⁽²⁾	-	2,040,000	27,063 ⁽²⁾	2,904,276	5,144,890	1.25%	1,216
2005	125,999	-	1,890,000	19,648	2,613,848	4,649,495	0.98%	1,090
2006	206,886 ⁽³⁾	-	1,740,000	384,542 ⁽⁴⁾	2,323,420	4,654,848	0.96%	1,074
2007	399,993 ⁽⁵⁾	-	1,590,000	327,042	2,032,992	4,350,027	0.81%	944
2008	520,794 ⁽⁶⁾	4,600,000 ⁽⁷⁾	1,440,000	196,571	1,742,564	8,499,929	1.35%	1,778
2009	1,560,307 ⁽⁸⁾	4,375,000	1,290,000	160,213	1,452,136	8,837,656	1.09%	1,784
2010	1,543,871 ⁽⁸⁾	4,150,000	1,140,000	122,434	1,161,708	8,118,013	0.97%	1,491

Notes:

- (1) During fiscal year 2001, an installment note for \$368,998 was issued for the purchase of vehicles and equipment.
- (2) During fiscal year 2004, an installment note for \$291,378 was issued for the purchase of vehicles and equipment.
- (3) During fiscal year 2006, an installment note for \$194,000 was issued for the purchase of vehicles and equipment.
- (4) During fiscal year 2006, an installment note for \$374,600 was issued for the construction of sewer lines.
- (5) During fiscal year 2007, an installment note for \$412,100 was issued for the purchase of vehicles and equipment.
- (6) During fiscal year 2008, an installment note for \$361,000 was issued for the purchase of vehicles and equipment.
- (7) During fiscal year 2008, a general obligation bond in the amount of \$4,600,000 was issued for the construction of a new municipal building complex.
- (8) During fiscal year 2009, an installment note for \$1,275,000 was issued for the construction and renovation of park facilities.
- (9) During fiscal year 2010, an installment note for \$325,000 was issued for the purchase of vehicles and equipment.

Town of Zebulon, North Carolina
 Direct and Overlapping Governmental Activities Debt
 June 30, 2010

Table 15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> ⁽²⁾	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes-Wake County	\$ 1,794,370,000 ⁽¹⁾	0.70%	\$ 12,560,590
Town of Zebulon direct debt			<u>5,693,871</u> ⁽³⁾
Total direct and other overlapping debt			<u><u>\$ 18,254,461</u></u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,597,127,549, or 89%, is for the Wake County Public School System.

(2) The percentage of overlapping debt applicable to the Town is estimated using assessed property values. The applicable percentage represents the Town's total assessed value divided by Wake County's total assessed value.

(3) Includes all governmental activities installment financing debt.

Town of Zebulon, North Carolina

Legal Debt Margin Information
Last Ten Fiscal Years

Table 16

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 33,564,487	\$ 33,971,875	\$ 32,436,011	\$ 32,841,528	\$ 37,954,517	\$ 38,967,163	\$ 42,859,234	\$ 50,540,403	\$ 64,906,104	\$ 67,090,147
Total net debt applicable to limit	10,770,708	10,580,960	9,615,116	580,214	504,747	922,028	1,029,135	5,590,965	6,340,620	5,904,633
Legal debt margin	<u>\$ 22,793,779</u>	<u>\$ 23,390,915</u>	<u>\$ 22,820,895</u>	<u>\$ 32,261,314</u>	<u>\$ 37,449,770</u>	<u>\$ 38,045,135</u>	<u>\$ 41,830,099</u>	<u>\$ 44,949,438</u>	<u>\$ 58,565,484</u>	<u>\$ 61,185,514</u>
Total net debt applicable to the limit as a percentage of debt limit	32.09%	31.15%	29.64%	1.77%	1.33%	2.37%	2.40%	11.06%	9.77%	8.80%

Legal Debt Margin for Fiscal Year 2010

Assessed value	\$838,626,843
Debt limit (8% of assessed value)	<u>67,090,147</u>
Debt applicable to limit:	
General obligation bonds	5,290,000
Non-bonded debt	1,538,033
Less: State exclusion for general obligation water bonds	<u>(923,400)</u>
Total net debt applicable to limit	<u>5,904,633</u>
Legal debt margin	<u>\$ 61,185,514</u>

Note: Under North Carolina General Statutes, the legal debt limit should not exceed 8% of total assessed property value. By law, the statutes provide exclusions for bonded debt which has been issued for water and sewer systems, provided the criteria for excluding the debt has been satisfied by the unit of government.

Town of Zebulon, North Carolina

Pledge-Revenue Coverage
Last Ten Fiscal Years

Table 17

Fiscal Year	Water and Sewer Charges	Other Operating Revenues	Total Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2001	1,794,976	306,382	2,101,358	1,652,401	448,957	150,000	129,600	1.61
2002	1,904,162	55,420	1,959,582	1,754,488	205,094	150,000	122,750	0.75
2003	1,919,585	135,667	2,055,252	2,001,954	53,298	150,000	114,900	0.20
2004	1,948,567	127,881	2,076,448	2,257,554	(181,106)	150,000	107,550	(0.70)
2005	2,237,731	191,719	2,429,450	2,285,658	143,792	150,000	100,200	0.57
2006	2,227,676	252,086	2,479,762	2,190,264	289,498	150,000	92,850	1.19
2007	638,218	90,647	728,865	842,548	(113,683)	150,000	85,500	(0.48)
2008	-	-	-	-	-	150,000	78,150	-
2009	-	-	-	-	-	150,000	70,800	-
2010	-	-	-	-	-	150,000	63,450	-

Note: Effective October 1, 2006, the Town of Zebulon merged its water and sewer operations with the City of Raleigh. As a result, the Town no longer collects water- and sewer-related revenues and has no operating expenses. The City of Raleigh provides funds to cover debt service payments as they come due.

Town of Zebulon, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 18

Fiscal Year	Population ⁽¹⁾	Median Age ⁽²⁾	Per Capita Income ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2001	4,630	33.1	36,920	97,583	3.1%
2002	4,064	33.4	37,596	101,397	5.6%
2003	4,082	33.7	38,376	104,373	5.2%
2004	4,232	33.7	39,572	1,716	4.0%
2005	4,267	34.2	40,560	1,710	4.0%
2006	4,336	33.0	43,160	1,865	3.5%
2007	4,606	34.1	41,975	1,879	3.9%
2008	4,781	34.1	43,628	2,072	4.8%
2009	4,955	34.1	43,371	2,044	8.8%
2010	5,444	Not Available	Not Available	1,561	8.2%

Notes:

- (1) Population projections provided by NC Office of State Planning - State Demographer
- (2) Median age for Wake County according to Community Sourcebook of County Demographics for Wake County.
- (3) Per capita income for Wake County according to the North Carolina Employment Security Commission.
- (4) School enrollment data provided by Wake County Public School system. For fiscal years 2003 and prior, only county-wide enrollment data available. Data for fiscal years 2004 and forward is based on enrollment at public schools within the Town of Zebulon.
- (5) Unemployment rate for Wake County as reported by the North Carolina Employment Security Commission.

Town of Zebulon, North Carolina

Principal Employers
June 30, 2010

Table 19

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
GlaxoSmithKline	635	1
US Foodservice	634	2
Wal-Mart	240	3
Nomacor	236	4
Wake County Public School System	211	5
Nomaco	185	6
East Wake Academy	100	7
Devil Dog Manufacturing	95	8
Food Lion	81	9
Advanced Plastiform	80	10
Total	<u>2,497</u>	

Note: Information for nine years ago was not readily available. Information on total employment for the Town not available.

Town of Zebulon, North Carolina

Full-time-Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Table 20

Function	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Governing body	6	6	6	6	6	6	6	6	6	6
Administration/Finance	5	5	5	5	5	5	5	5	5	5
Planning	3	3	3	2	2	3	3	3	3	3
Buildings & Grounds	1	1	1	1	1	1	1	2	2	2
Public Safety										
Police	19	19	21	21	21	21	22	22	23	23
Fire	5	6	6	8	8	11	11	11	11	11
Streets	4.5	4.5	3.5	3.5	3.5	2.5	3	3	3	3
Environmental Protection	5	5	4	4	4	3	5	5	5	5
Cultural and Recreation	4	4	4	4	4	4	4	4	4	5
Water/Sewer Maintenance	6	6	6	6	6	6	0	0	0	0
Water Plant	2.5	1.5	1.5	1.5	1.5	0.5	0	0	0	0
Sewer Plant	4	4	4	4	4	4	0	0	0	0
Total	65	65	65	66	66	67	60	61	62	63

Note: Effective October 1, 2006, the Town of Zebulon merged its water and wastewater operations with the City of Raleigh. All employees associate with these functions were transferred to Raleigh.

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 1 of 2

Function/Program	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Building permits issued	84	88	76	123	183	135	151	76	47	47
Privilege licenses issued	209	197	277	257	290	469	390	287	274	288
Code violations corrected	89	173	165	220	260	346	401	192	183	105
Public Safety										
Police calls for service	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9,994	11,581	11,906
Physical arrests	326	546	606	617	652	691	747	594	953	736
Traffic violations	196	255	274	271	268	203	196	318	268	261
Warrants served	N/A	N/A	N/A	N/A	N/A	N/A	N/A	244	236	435
Civil citations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	480
Child safety seat inspections	N/A	N/A	N/A	N/A	N/A	N/A	54	39	35	30
Emergency responses	580	576	657	929	1,352	1,216	1,442	1,598	1,484	1,490
Fires extinguished	91	94	56	63	72	66	37	67	45	47
Property losses due to fire (dollars)	\$ 237,700	\$ 816,687	\$ 35,650	\$ 281,900	\$ 543,860	\$ 354,562	\$ 44,785	\$ 153,205	\$ 300,984	457,055
Fire code violations corrected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,196
Streets										
Miles of road maintained	15.53	15.53	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30
Feet of sidewalk maintained	N/A	N/A	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175
Environmental Protection										
Yard waste collected (tons)	770	1,250	1,894	2,474	230	240	1,200	1,200	1,200	1,200
White goods collected (pounds)	N/A	N/A	N/A	N/A	N/A	N/A	5,100	6,000	800	800
Number of sanitation customers	1,464	1,515	1,535	1,541	1,556	1,560	1,584	1,653	1,711	1,721
Number of recycling customers	1,395	1,420	1,441	1,447	1,454	1,454	1,471	1,568	1,613	1,642
Garbage collection fee	\$ -	\$ -	\$ 6.00	\$ 6.00	\$ 12.00	\$ 12.00	\$ 15.50	\$ 15.50	\$ 17.00	\$ 17.00
Recreation and Parks										
Summer camp participants	225	240	300	315	287	260	256	234	197	255
Athletic program participants (youth and adult)	927	932	942	950	947	940	864	726	676	591
Recreation program participants (youth and adult)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71	85	458
Senior program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	233
Park and community center facility rentals	N/A	N/A	N/A	N/A	N/A	N/A	42	30	46	50
Special events attendance	N/A	N/A	N/A	N/A	N/A	N/A	3,500	2,375	2,415	3,266

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 2 of 2

Function/Program	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water										
Utility customers	1,812	1,830	1,839	1,844	1,849	1,920	N/A	N/A	N/A	N/A
Avg daily consumption (thousands of gallons)	446	472	498	543	605	604	N/A	N/A	N/A	N/A
Average utility bill	\$ 24.25	\$ 24.25	\$ 24.25	\$ 28.25	\$ 35.75	\$ 35.75	N/A	N/A	N/A	N/A
Wastewater										
Avg daily sewer treatment (thousands of gallons)	N/A	841	960	730	711	558	N/A	N/A	N/A	N/A
Average utility bill	\$ 27.42	\$ 27.42	\$ 27.42	\$ 29.42	\$ 34.00	\$ 34.00	N/A	N/A	N/A	N/A

Notes: Effective October 1, 2006, the Town of Zebulon merged its water and wastewater operations with the City of Raleigh. All maintenance and operations of the systems are under the City of Raleigh. The Town opened its first community center on October 1, 2009, increasing the number of recreation and senior programs available to the public.
N/A=Data Not Available

Town of Zebulon, North Carolina

Capital Assets by Function
Last Ten Fiscal Years

Table 22

Function/Program	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	19	19	19	20	20	21	22	22	23	23
K-9 Units	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	7	7	7	7	7	7	7	7	7	7
Streets										
Streets (miles)	15.53	15.53	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30
Sidewalk (feet)	N/A	N/A	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175
Recreation and Parks										
Parks	4	4	4	4	6	6	6	6	6	6
Acreage	54.79	54.79	54.79	54.79	64.04	64.04	64.04	64.04	64.04	64.04
Baseball fields	2	2	2	2	4	4	4	4	4	4
Tennis courts	2	2	2	2	2	2	2	2	2	2
Basketball courts	3	3	3	3	4	4	4	4	4	4
Community centers	0	0	0	0	0	0	0	0	0	1
Water										
Water mains (miles)	33.1	33.1	33.3	34.0	34.1	35.0	0	0	0	0
Fire hydrants	304	304	312	325	339	359	0	0	0	0
Storage capacity (million gallons)	2.075	2.075	2.075	2.075	2.000	2.000	0	0	0	0
Wastewater										
Sanitary sewers (miles)	33.0	33.2	34.2	34.3	34.8	36.2	0	0	0	0
Lift stations	7	7	9	9	10	9	0	0	0	0
Treatment capacity (million gallons)	1.85	1.85	1.85	1.85	1.85	1.85	0	0	0	0
Reclaimed Water										
Water mains (miles)	0	0	0	0.5	0.5	0.5	0	0	0	0
Storage capacity (million gallons)	0	0	0	0.25	0.25	0.25	0	0	0	0

Note: Effective October 1, 2006, the Town of Zebulon merged its water and wastewater operations with the City of Raleigh. All assets of the system were transferred to Raleigh.

104 Brady Court, Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

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

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Zebulon, North Carolina

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 Zebulon, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town of Zebulon's basic financial statements, and have issued our report thereon dated September 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Zebulon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Zebulon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

We noted additional matters involving the internal control of financial reporting that we have reported to management of the Town of Zebulon in a separate letter dated September 7, 2010.

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, members of the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


JOYCE AND COMPANY, CPA

September 7, 2010

TOWN OF ZEBULON, NORTH CAROLINA
 SCHEDULE OF FINDINGS & QUESTIONED COSTS
 For the year ended June 30, 2010

Schedule 9

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> X </u> yes	_____ none reported
Noncompliance material to financial statement noted	_____ yes	<u> X </u> no

Federal Awards

The Town of Zebulon has no major federal programs.

State Awards

The Town of Zebulon has no major state programs.

Section II. Financial Statement Findings

Item 1

Segregation of Duties

<u>Criteria</u>	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, especially during periods when one employee is absent.
<u>Condition</u>	There is a lack of segregation of duties among Town personnel.
<u>Effect</u>	Transactions could be mishandled.
<u>Cause</u>	There are a limited number of personnel for certain functions.
<u>Recommendation</u>	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.
<u>Views of responsible officials and planned corrective actions</u>	The Town agrees with this finding. At this time, management will not make changes to procedures that are affected by a lack of segregation of duties, as the costs to implement such changes outweigh the assurances that would be provided. Management will continue to evaluate alternative procedures and controls regarding this condition.

Section III. Federal Award Findings and Questioned Costs.

None.

Section IV. State Award Findings and Questioned Costs.

None.

TOWN OF ZEBULON, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Fiscal Year Ended June 30, 2010

Schedule 10

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS:					
<u>U. S. Department of Transportation</u>					
Pass through N.C. Governor's Highway Safety Program					
<i>Highway Safety</i>	20.605	PT-09-03-04-29	\$ 6,768	\$ -	\$ 6,764
<u>U. S. Department of Transportation</u>					
Pass through N.C. Department of Transportation					
<i>ARRA-Highway Planning and Construction</i>	20.205	STM-0532 (003)	66,498	-	16,869
Total expenditure of federal awards			<u>73,266</u>	<u>-</u>	<u>23,633</u>
STATE GRANT:					
<u>N.C. Department of Transportation</u>					
<i>Powell Bill Fund</i>					
		N/A	-	224,818	-
Total expenditure of state awards			<u>-</u>	<u>224,818</u>	<u>-</u>
Total expenditure of federal and state awards			<u>\$ 73,266</u>	<u>\$ 224,818</u>	<u>\$ 23,633</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Zebulon and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.