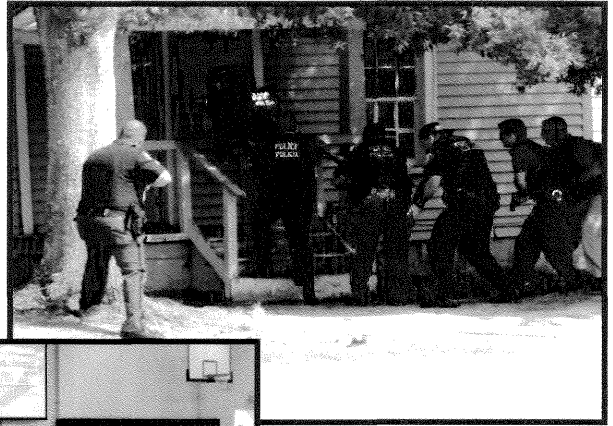


# TOWN OF ZEBULON NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

# TOWN OF ZEBULON, NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

Prepared by the Town of Zebulon Finance Department

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TOWN OF ZEBULON, NORTH CAROLINA

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## INTRODUCTORY SECTION



# *Town of Zebulon*

## *The Town of Friendly People*

September 8, 2011

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, 2011. 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, 2011, 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, 2011 of approximately 5,545, 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**  
5 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, Zebulon remains an attractive area for residents and businesses. Current population numbers for Zebulon reflect an almost 2% increase from last fiscal year. During fiscal year 2011, the Town issued 43 building permits with a total value of approximately \$6.3 million; 73% of this value is attributed to commercial or industrial growth.

Despite the value of the growth, the Town of Zebulon tax base for the fiscal year ending June 30, 2011 totaled only \$832,787,780, a decrease of 1% from the previous year. With the Town's tax base heavily concentrated in commercial and industrial properties, the depreciation on existing property outpaced permit values. Despite the decrease in value, the Board of Commissioners approved no increase in the property tax rate, which remained at \$.50 per \$100 of assessed value in order to remain competitive with surrounding communities. 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. The main adjustments to the plan in the past year were related to expansion projects or projects that were dependent on residential growth to support the project's costs. These projects have been delayed to future years when strong residential growth is projected to return.

Zebulon, just like many other communities, continues to project slower than normal (or pre-recession) growth. However, commercial development interest is still strong in the area, and residential growth is expected to regain momentum within two years. The Town will maintain a cautious approach to budgeting over the next year.

## **MAJOR INITIATIVES**

The Town continues to take advantage of grant opportunities and the competitive construction market to complete facilities that will serve citizens for years to come. The Town partnered with Wake County to renovate the Town's largest park, which included replacement of all playground equipment, trail enhancements and construction of a restroom facility. The project, which was completed in July 2011 was 80% grant funded. The Town also completed improvements to East Barbee Street, providing better emergency and pedestrian access to residences, churches, and businesses in this area.

In 2010, the Town was included by the State under Federal mandates to a stormwater infrastructure maintenance program. The goal of such a program is to inspect and maintain public stormwater infrastructure and provide public awareness of the effects of stormwater pollution. The Town completed its permit application requirements during fiscal year 2011, and will implement the program in fiscal year 2012 with the addition of two full-time positions. The program will be partially supported through a stormwater fee.



With a strong fund balance on hand, Town leaders were able to maintain the fiscal year 2011 property tax rate again for fiscal year 2012. The Town was able to prepare a budget that cut no services, but reduced merit pay available to employees. Fund balance was used to balance the budget, which equaled approximately the same amount budgeted in previous years. However, the Town has not had to use any fund balance since 2006.

The Town's budget for fiscal year 2012 includes several projects and objectives for the coming year. Among them are:

- Completion of an unified development ordinance, which will help provide better quality planning services and create more uniformity and consistency of development standards;
- Hiring of three additional firefighters to improve fire protection services to the Town's service district (funded 100% through the Staffing for Adequate Fire and Emergency Response Grant Program);
- Via grant funding, complete a roadway widening projects on one of Zebulon's main thoroughfares and roadways associated with the construction of a new Boys & Girls Club 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 2011.

**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 \$32.9 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 2010. 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



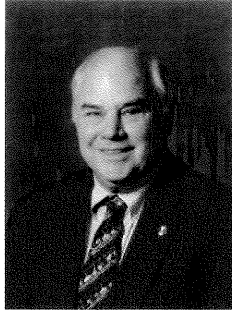
Emily Lucas  
Finance Director

TOWN OF ZEBULON, NORTH CAROLINA

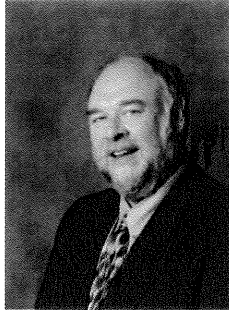
BOARD OF COMMISSIONERS AND TOWN OFFICIALS

June 30, 2011

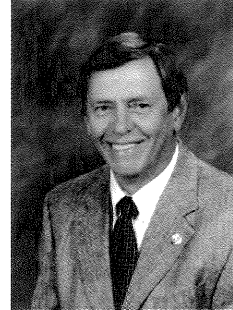
**Town of Zebulon Board of Commissioners**



Robert S. Matheny  
Mayor



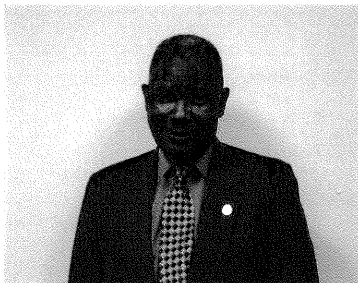
Don Bumgarner  
Mayor Pro Tem



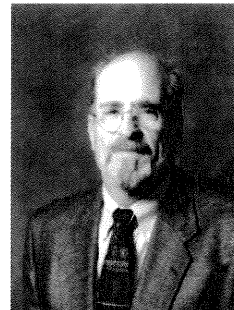
R. Dale Beck  
Commissioner



Beverly Wall Clark  
Commissioner



Roy Collins  
Commissioner



Curtis Strickland  
Commissioner

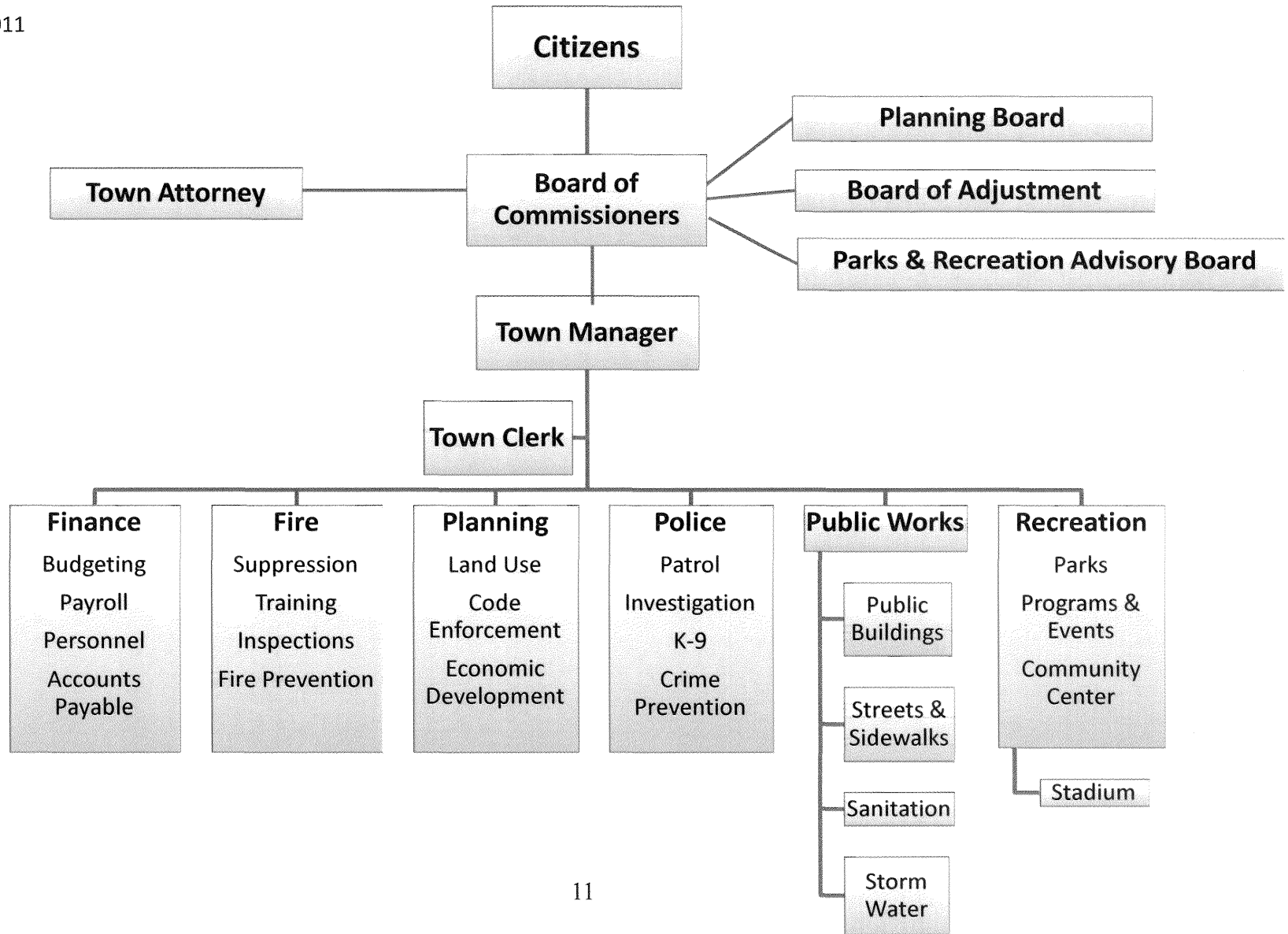
**Town of Zebulon Officials**

- 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, 2011



# 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, 2010

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.



President

Executive Director



## FINANCIAL SECTION

## 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 fund information of the Town of Zebulon, North Carolina, as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where appropriate, 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 8, 2011 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, grant agreements and other matters. The purpose of the 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 and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules 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 on it.

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 individual fund statements, budgetary schedules and other 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 individual fund statements, budgetary schedules, other 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. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements, and accordingly, we express no opinion on them.

*Joyce and Company, CPA*  
JOYCE AND COMPANY, CPA

September 8, 2011

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, 2011. 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 \$19,848,028.
- The government's total net assets increased by \$67,495 due to decreases of long-term liabilities in governmental activities.
- Zebulon's governmental funds reported ending fund balances of \$7,023,439, an increase of \$411,690 compared to the prior year. This increase is due a reduction in capital expenditures and debt service payments.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$6,388,073, or 90% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt decreased by \$926,869.
- The Town's bond rating was upgraded from A+ to AA- by Standard and Poor's Corporation; the Town maintained its A2 rating 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 34 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	
	2011	2010	2011	2010	2011	2010
<b>ASSETS</b>						
Current and other assets	\$ 7,485,523	\$ 7,045,844	\$ 1,994,368	\$ 2,452,127	\$ 9,479,891	\$ 9,497,971
Capital assets	18,478,221	19,088,667	-	-	18,478,221	19,088,667
Total assets	<u>25,963,744</u>	<u>26,134,511</u>	<u>1,994,368</u>	<u>2,452,127</u>	<u>27,958,112</u>	<u>28,586,638</u>
<b>LIABILITIES</b>						
Long-term liabilities outstanding	5,191,391	5,394,738	1,463,238	1,941,618	6,654,629	7,336,356
Other liabilities	861,399	918,813	591,056	547,936	1,452,455	1,466,749
Total liabilities	<u>6,052,790</u>	<u>6,313,551</u>	<u>2,054,294</u>	<u>2,489,554</u>	<u>8,107,084</u>	<u>8,803,105</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	13,449,478	13,606,167	-	-	13,449,478	13,606,167
Restricted	635,366	159,123	-	-	635,366	159,123
Unrestricted	5,826,110	6,055,670	(59,926)	(37,427)	5,766,184	6,018,243
Total net assets	<u>\$ 19,910,954</u>	<u>\$ 19,820,960</u>	<u>\$ (59,926)</u>	<u>\$ (37,427)</u>	<u>\$ 19,851,028</u>	<u>\$ 19,783,533</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 \$19,851,028 as of June 30, 2011. The Town’s net assets increased by \$67,495 for the fiscal year ended June 30, 2011. Approximately 68% 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 \$635,366 (3%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,766,184 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:

- Continued diligence by the Town to time capital projects based on growth and utilize favorable construction markets to bring projects in under budget.
- Funds unrestricted in previous years were reclassified as restricted based on the implementation of GASB 54.

**Town of Zebulon Changes in Net Assets**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 516,948	\$ 494,500	\$ -	\$ -	\$ 516,948	\$ 494,500
Operating grants & contributions	629,693	629,278	-	-	629,693	629,278
Capital grants & contributions	10,825	504,339	-	-	10,825	504,339
General revenues:						
Property taxes	4,173,228	4,254,209	-	-	4,173,228	4,254,209
Other taxes	44,111	45,709	-	-	44,111	45,709
Unrestricted intergovernmental	1,822,245	1,778,698	-	-	1,822,245	1,778,698
Other	139,031	140,160	110,765	132,197	249,796	272,357
Total revenues	<u>7,336,081</u>	<u>7,846,893</u>	<u>110,765</u>	<u>132,197</u>	<u>7,446,846</u>	<u>7,979,090</u>
<b>EXPENDITURES</b>						
General government	1,695,678	1,630,391	-	-	1,695,678	1,630,391
Public safety	2,928,037	2,787,740	-	-	2,928,037	2,787,740
Streets	766,885	804,201	-	-	766,885	804,201
Sanitation	797,076	748,643	-	-	797,076	748,643
Storm water	101,888	-	-	-	101,888	-
Culture and recreation	885,495	843,239	-	-	885,495	843,239
Interest on long-term debt	194,085	211,298	104,644	124,220	298,729	335,518
Total expenditures	<u>7,369,144</u>	<u>7,025,512</u>	<u>104,644</u>	<u>124,220</u>	<u>7,473,788</u>	<u>7,149,732</u>
Increase (decrease) in net assets	(33,063)	821,381	6,121	7,977	(26,942)	829,358
Gain (Loss) on disposal of fixed assets	123,057	45,769	-	-	123,057	45,769
Special item	-	-	(28,620)	(1,495,579)	(28,620)	(1,495,579)
Increase (decrease) in net assets	89,994	867,150	(22,499)	(1,487,602)	67,495	(620,452)
Net assets July 1	<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>
Net assets June 30	<u>\$ 19,910,954</u>	<u>\$ 19,820,960</u>	<u>\$ (59,926)</u>	<u>\$ (37,427)</u>	<u>\$ 19,851,028</u>	<u>\$ 19,783,533</u>

**Governmental Activities.** Governmental activities increased the Town's net assets by \$89,994. Key elements of this increase are as follows:

- An increased number of recreation and athletic participants and greater collection efforts on solid waste fees increased charges for services by approximately 5%.
- With the addition of storm water management services and increased personnel costs in public safety, expenses increased by approximately 5%.
- Although the property tax base depreciated, the tax collection rate increased to 98.7%, which is above the statewide average of 97.5%.

TOWN OF ZEBULON, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS

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**Business-type Activities.** Business-type activities decreased the Town of Zebulon's net assets by \$22,499. 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, unassigned fund balance of the General Fund was \$5,723,873, while total fund balance reached \$7,023,439. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 81% of total General Fund expenditures, while total fund balance represents approximately 100% of that same amount. Due to the implementation of GASB 54, certain fund that were reclassified from reserved and unreserved to either restricted, committed or assigned.

At June 30, 2011, the governmental funds of the Town of Zebulon reported a fund balance of \$7,023,439, a 6% increase from last year. This increase is the result of additional restricted funds from federal and state agencies and a reduction in capital outlay.

**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 4%. Restricted intergovernmental revenues were less than budgeted due to the fact that several grant-funded projects were delayed or incomplete at fiscal year end. 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 continue to increase with increased participating in recreation and athletic programs offered by the Town. Miscellaneous revenues were boosted by the sale of properties vacated by the Town in 2009.

Expenditures were held below budgeted amounts by a number of factors, including: changes in personnel, lower than estimated maintenance and operational costs at several new Town facilities, a reduction in legal services used, 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

TOWN OF ZEBULON, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS

of the fiscal year amounted to a negative \$59,926. 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 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, 2011, totals \$18,478,221 (net of accumulated depreciation). These assets include buildings, roads, land and easements, machinery and equipment, intangibles, park facilities, and vehicles.

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

- The sale of two Town properties vacated in 2009 when the Town completed new governmental office facilities.
- Investments in streets and sidewalk improvements through grants, Town-invested funds and by developers totaling \$240,748.
- Reclassifications of the types of assets and their related depreciation were made.

As previously mentioned, the Town had a major disposal of assets in its business-type activities in fiscal year 2007 as a result of the merger of water and sewer operations with the City of Raleigh.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,246,217	\$ 2,404,522	\$ -	\$ -	\$ 2,246,217	\$ 2,404,522
Construction in progress	78,021	2,337	-	-	78,021	2,337
Buildings	10,200,141	10,497,330	-	-	10,200,141	10,497,330
Other improvements	1,160,544	458,825	-	-	1,160,544	458,825
Roads and infrastructure	3,025,115	3,079,868	-	-	3,025,115	3,079,868
Intangibles	35,700	-	-	-	35,700	-
Equipment	408,374	1,016,717	-	-	408,374	1,016,717
Vehicles and motorized equipment	1,324,109	1,629,068	-	-	1,324,109	1,629,068
<b>Total capital assets</b>	<b>\$ 18,478,221</b>	<b>\$ 19,088,667</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,478,221</b>	<b>\$ 19,088,667</b>

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, 2011, the Town of Zebulon had total bonded debt outstanding of \$4,915,000. This outstanding debt is backed by the full faith and credit of the Town. The Town also had outstanding debt in the amount of \$871,280, 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 \$1,265,616.

TOWN OF ZEBULON, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 3,925,000	\$ 4,150,000	\$ 990,000	\$ 1,140,000	\$ 4,915,000	\$ 5,290,000
Revenue notes	-	-	871,280	1,161,708	871,280	1,161,708
Installment purchase notes	1,182,439	1,415,599	83,177	122,434	1,265,616	1,538,033
<b>Total bonds and notes</b>	<b>\$ 5,107,439</b>	<b>\$ 5,565,599</b>	<b>\$ 1,944,457</b>	<b>\$ 2,424,142</b>	<b>\$ 7,051,896</b>	<b>\$ 7,989,741</b>

The Town of Zebulon’s total debt decreased by \$926,869 during the past fiscal year. The Town did not issue any new debt during the fiscal year.

As mentioned in the financial highlights section of this document, the Town of Zebulon bond rating by Standard and Poor’s Corporation was upgraded from A+ to AA-, and an A2 was maintained 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 the Town is \$60,718,389. The Town had authorized but unissued bonds at June 30, 2011 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 were reflected in the Town of Zebulon fiscal year 2012 budget:

- Stability in property tax base and projected collection rate with a strong commercial and industrial sector.
- A decrease in state-shared revenues distributed based on population due to the projected adjustment of population figures for the Town as a result of the 2010 census.
- A slight increase in sales tax revenues due to the increase in retail sales estimates for NC.

**Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities.** The total General Fund budget is projected to increase 14% for fiscal year 2012, as compared to the actual results of fiscal year 2011. The two major components of this increase are the full-implementation of a state-mandated storm water management program, which will include two full-time positions, and the hiring of three new firefighters through a federal grant program to provide better fire protection service in the fire district.

Even with the economy improving slightly, the Town will keep its tax rate to \$.50 per \$100 of assessed value so that citizens still facing economic hardships are not further pressed and to continue to attract commercial



TOWN OF ZEBULON, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS

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and industrial development with competitive rates. A new storm water fee will be implemented to partially offset the costs of the storm water management program, and user fees for sanitation services will increase to offset increasing costs. Various grant and Town funds also have been included in the budget for street improvements and parks and recreation programs.

**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, 2011

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,853,029	\$ 34,487	\$ 6,887,516
Taxes receivable (net)	170,614	-	170,614
Accounts receivable (net)	12,908	44,044	56,952
Internal balances	28,620	(28,620)	-
Note receivable - current portion	-	481,219	481,219
Due from other governments	420,352	-	420,352
Total current assets	<u>7,485,523</u>	<u>531,130</u>	<u>8,016,653</u>
Non-current assets:			
Note receivable - noncurrent portion	-	1,463,238	1,463,238
Capital assets:			
Land and other non-depreciable assets	2,324,238	-	2,324,238
Other capital assets, net of depreciation	16,153,983	-	16,153,983
Total capital assets	<u>18,478,221</u>	<u>-</u>	<u>18,478,221</u>
Total assets	<u>25,963,744</u>	<u>1,994,368</u>	<u>27,958,112</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	241,007	86,849	327,856
Unearned revenue	29,538	-	29,538
Accrued interest payable	64,013	25,828	89,841
Due within one year			
Compensated absences	97,764	-	97,764
Bonds and notes payable	429,077	478,379	907,456
Total current liabilities	<u>861,399</u>	<u>591,056</u>	<u>1,452,455</u>
Long-term liabilities:			
Due in more than one year			
Compensated absences	158,389	-	158,389
Net pension obligation	87,711	-	87,711
Other postemployment benefits	329,927	-	329,927
Bonds and notes payable	4,615,364	1,463,238	6,078,602
Total long-term liabilities	<u>5,191,391</u>	<u>1,463,238</u>	<u>6,654,629</u>
Total liabilities	<u>6,052,790</u>	<u>2,054,294</u>	<u>8,107,084</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,449,478	-	13,449,478
Restricted for:			
Stabilization by State Statute	440,955	-	440,955
Streets	171,383	-	171,383
Law Enforcement	23,028	-	23,028
Unrestricted	5,826,110	(59,926)	5,766,184
Total net assets	<u>\$ 19,910,954</u>	<u>\$ (59,926)</u>	<u>\$ 19,851,028</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, 2011

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	\$ 1,695,678	\$ 83,574	\$ 17,280	\$ -	\$ (1,594,824)	\$ -	\$ (1,594,824)
Public safety	2,928,037	6,244	446,962	5,000	(2,469,831)	-	(2,469,831)
Streets	766,885	-	144,097	5,825	(616,963)	-	(616,963)
Sanitation	797,076	341,160	4,276	-	(451,640)	-	(451,640)
Storm water	101,888	-	-	-	(101,888)	-	(101,888)
Cultural and recreation	885,495	85,970	17,078	-	(782,447)	-	(782,447)
Interest on long-term debt	194,085	-	-	-	(194,085)	-	(194,085)
Total governmental activities	7,369,144	516,948	629,693	10,825	(6,211,678)	-	(6,211,678)
Business-type activities							
Water and sewer	104,644	-	-	-	-	(104,644)	(104,644)
<b>Total</b>	<b>\$ 7,473,788</b>	<b>\$ 516,948</b>	<b>\$ 629,693</b>	<b>\$ 10,825</b>	<b>(6,211,678)</b>	<b>(104,644)</b>	<b>(6,316,322)</b>
General revenues							
Taxes							
Property taxes, levied for general purpose					4,173,228	-	4,173,228
Other taxes and licenses					44,111	-	44,111
Unrestricted intergovernmental					1,822,245	-	1,822,245
Unrestricted investment earnings					12,114	104,219	116,333
Miscellaneous					126,917	6,546	133,463
Gain (loss) on disposal of capital assets					123,057	-	123,057
Special item: transfer of assets to the City of Raleigh					-	(28,620)	(28,620)
Total general revenues and special items					6,301,672	82,145	6,383,817
Change in net assets					89,994	(22,499)	67,495
Net assets - beginning of year					19,820,960	(37,427)	19,783,533
Net assets - ending					\$ 19,910,954	\$ (59,926)	\$ 19,851,028

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2011

Exhibit 3  
Page 1 of 2

	<u>Major</u>
	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,853,029
Receivables (net)	
Taxes	170,614
Accounts	12,908
Due from other funds	28,620
Due from other governments	<u>420,352</u>
Total current assets	<u><u>\$ 7,485,523</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 241,007
Deferred revenues	191,539
Unearned revenues	<u>29,538</u>
Total liabilities	<u>462,084</u>
Fund balances	
Restricted	
Stabilization by State Statute	440,955
Streets	171,383
Law Enforcement	23,028
Committed	
Stadium improvements	150,000
Assigned	
Subsequent year's expenditures	514,200
Unassigned	<u>5,723,873</u>
Total fund balances	<u>7,023,439</u>
Total liabilities and fund balances	<u><u>\$ 7,485,523</u></u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2011

Exhibit 3  
Page 2 of 2

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Fund balances - total governmental funds	\$ 7,023,439
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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	\$ 26,923,069	
Less accumulated depreciation	<u>(8,444,848)</u>	18,478,221

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	(5,028,743)	
Compensated absences	(256,153)	
Other postemployment benefits	(329,927)	
Net pension obligation	<u>(87,711)</u>	(5,702,534)

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

Premiums on bond issuance	(15,698)
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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	(64,013)
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Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenue	<u>191,539</u>
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Net assets of governmental activities	<u><u>\$ 19,910,954</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, 2011

Exhibit 4  
Page 1 of 2

	<u>Major</u>
	<u>General</u>
<b>REVENUES</b>	
Ad valorem taxes	\$ 4,179,121
Other taxes and licenses	43,903
Unrestricted intergovernmental	1,822,245
Restricted intergovernmental	633,400
Permits and fees	38,654
Investment earnings	12,114
Sales and services	465,286
Miscellaneous	<u>275,239</u>
Total revenues	<u>7,469,962</u>
<b>EXPENDITURES</b>	
Current	
General government	1,476,530
Public safety	2,604,805
Streets	421,031
Sanitation	728,086
Storm Water	46,015
Cultural and recreation	642,403
Capital outlay	479,616
Debt service	
Installment note principal	458,160
Installment note interest	<u>201,626</u>
Total expenditures	<u>7,058,272</u>
Net change in fund balance	411,690
Fund balance - beginning of year	<u>6,611,749</u>
Fund balance - end of year	<u>\$ 7,023,439</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, 2011

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		\$ 411,690
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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	\$ 479,616	
Less current year depreciation	<u>(1,075,622)</u>	(596,006)

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

Contributed capital	10,825	
Change in deferred revenues	<u>3,616</u>	14,441

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.

Principal payments		458,160
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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	(25,265)	
Compensated absences	(26,584)	
Change in accrued interest payable	11,066	
Amortization of bond issuance costs	(4,403)	
Amortization of premiums on bond issuance	878	
Postemployment benefits	(141,961)	
Net pension obligation	<u>(12,022)</u>	<u>(198,291)</u>

Total changes in net assets of governmental activities		<u>\$ 89,994</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, 2011

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,916,000	\$ 3,916,000	\$ 4,179,121	\$ 263,121
Other taxes and licenses	30,600	30,600	43,903	13,303
Unrestricted intergovernmental	1,787,000	1,787,000	1,822,245	35,245
Restricted intergovernmental	610,500	836,308	633,400	(202,908)
Permits and fees	44,500	44,500	38,654	(5,846)
Investment earnings	71,100	71,100	12,114	(58,986)
Sales and services	419,000	419,000	465,286	46,286
Miscellaneous	44,300	96,451	275,239	178,788
<b>Total revenues</b>	<b>6,923,000</b>	<b>7,200,959</b>	<b>7,469,962</b>	<b>269,003</b>
<b>EXPENDITURES</b>				
General government	1,713,600	1,831,053	1,514,737	316,316
Public safety	2,682,800	2,791,260	2,692,046	99,214
Streets	693,200	856,900	661,779	195,121
Sanitation	761,100	765,500	737,070	28,430
Stormwater	85,000	85,000	82,015	2,985
Cultural and recreation	800,900	804,500	710,839	93,661
Debt service				
Note principal	459,281	459,281	458,160	1,121
Note interest	202,119	202,119	201,626	493
<b>Total expenditures</b>	<b>7,398,000</b>	<b>7,795,613</b>	<b>7,058,272</b>	<b>737,341</b>
Revenues over (under) expenditures	(475,000)	(594,654)	411,690	1,006,344
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	475,000	594,654	-	(594,654)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	411,690	\$ 411,690
Fund balance - beginning of year			6,611,749	
Fund balance - end of year			\$ 7,023,439	

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

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

June 30, 2011

Exhibit 6

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**ASSETS**

Current assets	
Cash	\$ 34,487
Accounts receivable	44,044
Note receivable - current portion	481,219
Total current assets	<u>559,750</u>
Non-current assets	
Note receivable - noncurrent portion	<u>1,463,238</u>
Total assets	<u>2,022,988</u>

**LIABILITIES**

Current liabilities	
Accounts payable and accrued expenses	86,849
Due to other funds	28,620
Accrued interest	25,828
Bond payable-current	437,588
Notes payable-current	40,791
Total current liabilities	<u>619,676</u>
Noncurrent liabilities	
Bonds payable-noncurrent	1,420,852
Notes payable-noncurrent	42,386
Total noncurrent liabilities	<u>1,463,238</u>
Total liabilities	<u>2,082,914</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ (59,926)</u></u>

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, 2011

Exhibit 7

<hr/>	
<b>OPERATING REVENUES</b>	
Miscellaneous	\$ 6,546
<b>OPERATING EXPENSES</b>	<u>-</u>
Operating income	<u>6,546</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	104,219
Amortization	(5,695)
Interest expense	<u>(98,949)</u>
Total nonoperating revenues (expenses)	<u>(425)</u>
Income before transfers and other items	6,121
Loss on transfer of sassets to the City of Raleigh	<u>(28,620)</u>
Change in net assets	(22,499)
Total net assets - beginning	<u>(37,427)</u>
Total net assets - ending	<u><u>\$ (59,926)</u></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, 2011

Exhibit 8

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net cash provided by operating activities	\$ 49,958
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interfund loan	12,800
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(28,620)
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	479,684
Principal paid on debt	(479,684)
Interest paid on debt and equipment contracts	(103,870)
Net cash used by capital and related financing activities	(132,490)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	104,219
Net increase in cash and cash equivalents	34,487
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	-
End of year	\$ 34,487
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 6,546
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Increase in accounts receivable	(239)
Increase in accounts payable	43,651
Total adjustments	43,412
Net cash provided by operating activities	\$ 49,958

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

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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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.

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 such as investment earnings.

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, 2011

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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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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. 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 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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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:

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



TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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Restricted Fund Balance

This classification includes amounts of fund balance restricted by or subject to externally enforceable legal restrictions, including, but not limited to creditors, grantors, contributors, or other governments through enabling legislation.

*Restricted for Stabilization by State statute* - portion of fund balance which is restricted by North Carolina G.S. 159-8(a).

*Restricted for streets-Powell Bill* - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

*Restricted for law enforcement* - portion of fund balance restricted by revenue source for purchases related to public safety.

Committed Fund Balance

This classification includes amounts of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Zebulon's governing body. Any changes or removal of specific purpose requires majority action by the governing body.

*Committed for stadium improvements* – portion of fund balance restricted by the governing board for future improvements to baseball stadium.

Assigned Fund Balance

This classification includes amounts of fund balance that reflect a government's intended of resources through authority delegated by the Town of Zebulon's governing body to some other body or official.

*Assigned for subsequent year's expenditures* – portion of total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2011 the Town's water and sewer fund had a deficit in net assets totaling \$59,926. This is a result of current capital outlay combined with future amortization of bond premiums. As detailed in Note 8 this fund has only minimal activity other than the payment of remaining outstanding debt and the reimbursement of these payments from the City of Raleigh.

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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NOTE 3– 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 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. The board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2011, the Town's deposits had a carrying value of \$1,781,372 and a bank balance of \$1,869,837. 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, 2011, \$1,092,551 of the bank balance was covered by federal depository insurance and \$777,286 was covered by collateral held under the Pooling Method. At June 30, 2011 the Town's petty cash fund totaled \$500.

2. INVESTMENTS

At June 30, 2011, the Town had \$5,105,644 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, 2011. 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, 2011

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,246,217	\$ -	\$ -	\$ 2,246,217
Construction in progress	2,337	75,684	-	78,021
	<u>2,248,554</u>	<u>75,684</u>	<u>-</u>	<u>2,324,238</u>
Capital assets being depreciated:				
Building	12,686,442	-	5,751	12,680,691
Other improvements	2,752,425	-	-	2,752,425
Roads and infrastructure	4,083,403	239,326	-	4,322,729
Equipment	1,232,232	61,414	28,329	1,265,317
Intangibles	-	36,000	-	36,000
Vehicles and motorized equipment	3,538,929	78,018	75,277	3,541,670
	<u>24,293,431</u>	<u>414,758</u>	<u>109,357</u>	<u>24,598,832</u>
Less accumulated depreciation for:				
Buildings	2,166,994	318,516	4,960	2,480,550
Other Improvements	1,468,946	122,935	-	1,591,881
Roads and infrastructure	1,003,538	294,076	-	1,297,614
Equipment	788,782	95,240	27,079	856,943
Intangibles	-	300	-	300
Vehicles and motorized equipment	2,025,059	244,555	52,053	2,217,561
	<u>7,453,319</u>	<u>1,075,622</u>	<u>84,092</u>	<u>8,444,849</u>
Total capital assets being depreciated, net	<u>16,840,112</u>	<u>(660,864)</u>	<u>25,265</u>	<u>16,153,983</u>
Capital assets, net	<u>\$ 19,088,666</u>	<u>\$ (585,180)</u>	<u>\$ 25,265</u>	<u>\$ 18,478,221</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 183,753
Public safety	216,825
Transportation	337,427
Stormwater	55,872
Environmental protection	55,507
Cultural and recreational	226,238
Total	<u>\$ 1,075,622</u>

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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Reclassifications of the types of assets and related depreciation have been made to the above categories of capital assets at July 1, 2010.

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 6.71 percent and 6.69 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, 2011, 2010, and 2009 were \$184,666, \$135,275, and \$126,186, 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, 2010 the Separation Allowance's membership consisted of:

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
Total	<u>25</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.

*Amortization Method.* Amounts are being amortized using the level percent of pay closed method over a remaining period of 20 years.

***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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 7.85 percent per year. Both (a) and (b) included an inflation component of 3.0 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	\$34,341
Interest on net pension obligation	3,784
Adjustment to annual required contribution	<u>(4,052)</u>
Annual pension cost	34,073
Contributions made	<u>22,051</u>
Increase in net pension obligation	12,022
Net pension obligation beginning of year	<u>75,689</u>
Net pension obligation end of year	<u><u>\$87,711</u></u>

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

***Three Year Trend Information.***

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 21,718	98.09%	\$ 75,531
June 30, 2010	22,099	99.29	75,689
June 30, 2011	34,073	64.72	87,711

***Funded Status and Funding Progress.***

As of December 31, 2010, 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 \$233,793. The covered payroll (annual payroll of active employees covered by the plan) was \$1,013,325, and the ratio of the UAAL to the covered payroll was 23.07 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 Mail 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, 2011 were \$55,840, which consisted of \$50,588 from the Town and \$5,252 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, 2011 were \$149,874, which consisted of \$87,172 from the Town and \$62,702 from employees.

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

e. Firemen's and Rescue Squad Worker's Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund.

Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Worker's Pension Fund. 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 \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes the monthly amount of \$10 on behalf of the employees. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

f. 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, 2010:

	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	41	25



TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

*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: \$304.72 for child(ren) coverage, \$406.29 for spouse coverage, and \$711.01 for family coverage. The Town's members pay the following rates for dental coverage for dependents: \$33.77 for child(ren) coverage, \$22.78 for spouse coverage, and \$56.58 for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.54% of annual covered payroll. For the current year, the Town contributed \$31,192 or 1.09% 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 .80% and .29% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$4,185. 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 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	6,259
Adjustment to annual required contribution	-
Annual OPEB cost	<u>194,225</u>
Contributions made	<u>(31,192)</u>
Increase in net OPEB obligation	163,033
Net OPEB obligation beginning of year	<u>166,894</u>
Net OPEB obligation end of year	<u>\$ 329,927</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2011 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
June 30, 2011	\$187,966	16.59%	\$329,927

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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*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.

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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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	\$ -	\$ 8,538
Prepaid rent not yet earned	-	6,000
Other unearned revenue	-	15,000
Taxes receivable (net)	150,486	-
Decal receivable	20,128	-
Sanitation receivables	20,925	-
Total deferred revenues	<u>\$ 191,539</u>	<u>\$ 29,538</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.

The Town purchases insurance to provide the following types of major coverage: general liability (\$4,000,000), property (\$32,239,806), inland marine (\$663,915) 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, 2011, 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011 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. \$3,925,000

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. \$990,000

At June 30, 2011, The Town had a legal debt margin of \$59,238,323. The Town had authorized but unissued bonds outstanding at June 30, 2011 totaling \$400,000. The bonds will be used for the property acquisition of and related construction/renovation to the Town's new governmental complex.

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
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	225,000	110,425	150,000	18,350
2017-2021	1,125,000	449,750	240,000	16,500
2022-2026	1,125,000	233,188	-	-
2027-2031	550,000	38,212	-	-
Total	<u>\$ 3,925,000</u>	<u>\$ 1,352,025</u>	<u>\$ 990,000</u>	<u>\$ 185,750</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, 2011 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%.	\$ 162,439	\$ -

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

\$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.

\$ 1,020,000                      \$ -

\$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%.

-    83,177

Total

\$ 1,182,439                      \$ 83,177

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
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	127,500	18,564	-	-
2017-2020	382,500	27,846	-	-
Total	<u>\$ 1,182,439</u>	<u>\$ 173,905</u>	<u>\$ 83,177</u>	<u>\$ 4,910</u>

c. 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, 2011 totals \$871,280 with interest at 3.7% through May 1, 2014.

The future payments of the revenue note for the years ending June 30, 2011 are as follows:

Year Ending June 30:	Business-Type Activities	
	Principal	Interest
2012	\$ 290,428	\$ 32,237
2013	290,428	21,492
2014	290,424	10,746
Total	<u>\$ 871,280</u>	<u>\$ 64,475</u>

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

d. Changes in Long-Term Debt

	Balance July 1, 2010	Increases	Decreases	Balance July 1, 2011	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,150,000	\$ -	\$ 225,000	\$ 3,925,000	\$ 225,000
Premiums on bond issuance	16,576	-	(878)	15,698	878
Less deferred amounts for bond issuance costs	(83,099)	-	(4,403)	(78,696)	(4,403)
Total bonds payable	4,083,477	-	219,719	3,862,002	221,475
Installment notes	1,415,599	-	233,160	1,182,439	207,602
Compensated absences	229,569	161,055	134,471	256,153	97,764
Other post employment benefits	166,894	194,225	31,192	329,927	-
Net pension obligation	75,689	34,073	22,051	87,711	-
Governmental activity long- term liabilities	<u>\$ 5,971,228</u>	<u>\$ 389,353</u>	<u>\$ 640,593</u>	<u>\$ 5,718,232</u>	<u>\$ 526,841</u>
Business-type activities:					
General obligation bonds	\$ 1,140,000	\$ -	\$ 150,000	\$ 990,000	\$ 150,000
Less deferred amounts for bond issuance costs	(8,535)	-	(5,695)	(2,840)	(2,840)
	1,131,465	-	144,305	987,160	147,160
Installment and revenue notes	1,284,142	-	329,685	954,457	331,219
Business-type activity long- term liabilities	<u>\$ 2,415,607</u>	<u>\$ -</u>	<u>\$ 473,990</u>	<u>\$ 1,941,617</u>	<u>\$ 478,379</u>

Compensated absences, net pension obligations and net other postemployment benefits for governmental activities typically have been liquidated in the General Fund.

NOTE 4 – FUND BALANCE

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 7,023,439
Less:	
Stabalization by State Statute	(440,955)
Restricted for streets	(171,383)
Restricted for law enforcement	(23,028)
Committed for stadium improvements	(150,000)
Appropriated fund balance in 2012 budget	(514,200)
Remaining fund balance	<u>\$ 5,723,873</u>

TOWN OF ZEBULON, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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The Town has adopted a policy whereby unrestricted fund balance shall be no lower than 50 percent of the total expected expenditures. Unrestricted fund balance greater than 50 percent is available for appropriation during the year as approved by the governing board. After completion of the annual audit, the governing board may, at its discretion commit any fund balance greater than 75 percent of the subsequent year's budgeted expenditures toward future capital improvements. Fund balance as a percentage of expenditures can only drop below 50 percent in the event that total budgeted expenditures or revenues deviate by 25 percent or greater; in such an event, the governing board must adopt a plan to restore fund balance to the minimum percentage within 36 months the fiscal year end.

NOTE 5 – 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 6 – INTERFUND BALANCES AND ACTIVITY

At June 30, 2011 the Town's General Fund has a balance of \$28,620 due from the Water and Sewer Fund to cover outstanding receivables. This amount will be transferred or repaid in future years.

NOTE 7 – ECONOMIC DEPENDENCY

The Town is economically dependent upon one taxpaying entity, which provides 34% 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, 2011 of \$293,255,076, and property taxes assessed totaling \$1,466,275.

NOTE 8 – 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 \$1,944,457 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 \$481,219 due within one year and \$1,463,238 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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NOTE 9 – SUBSEQUENT EVENTS

Subsequent to June 30, 2011 and prior to the issuance of these financial statements the Town entered into an agreement to advance refund \$990,000 of existing general obligation water and sewer bonds with a current interest rate of 4.90% by issuing new bonds with an interest rate of 2.0%. These new bonds were issued on September 1, 2011.



TOWN OF ZEBULON, NORTH CAROLINA

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

Ten years ended December 31, 2010

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)
12/31/2001	\$ -	\$ 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%
12/31/2010	-	233,793	233,793	0%	1,013,325	23.07%

TOWN OF ZEBULON, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Ten years ended June 30, 2011

Exhibit A-2

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Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 16,109	31.67%
2003	18,556	4.67%
2004	22,281	46.12%
2005	27,500	38.98%
2006	25,492	42.05%
2007	20,678	97.10%
2008	19,503	106.05%
2009	20,864	105.16%
2010	21,381	103.13%
2011	34,341	64.21%

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**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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

TOWN OF ZEBULON, NORTH CAROLINA  
 RETIREMENT HEALTH CARE PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Two years ending December 31, 2010

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%

Note that fiscal year ending June 30, 2010 was the first year that the Town recognized this liability under GASB 45. Also note the last actuarial valuation was performed for the year ended June 30, 2010.

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

Two years ending June 30, 2011

Exhibit A-4

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 187,966	11.21%
2011	187,966	16.59%

**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	
Pre-Medicare trend rate	10.5 - 5.0%
Post-Medicare trend rate	9.0 - 5.0%
Year of Ultimate trend rate	2017
Includes inflation at	3.75%

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**INDIVIDUAL FUND STATEMENTS & SCHEDULES**

## **GENERAL FUND**

The General Fund is the Town's main operating account. 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, 2011  
With comparative actual amounts for year ended June 30, 2010

Schedule 1  
Page 1 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,891,000	\$ 4,162,879	\$ 271,879	\$ 4,218,962
Penalties and interest	25,000	16,242	(8,758)	13,442
Total	<u>3,916,000</u>	<u>4,179,121</u>	<u>263,121</u>	<u>4,232,404</u>
Other taxes and licenses				
Motor vehicle decals	15,400	16,934	1,534	17,190
Privilege licenses	15,200	19,778	4,578	16,243
Local housing in lieu of tax	-	7,191	7,191	11,501
Total	<u>30,600</u>	<u>43,903</u>	<u>13,303</u>	<u>44,934</u>
Unrestricted intergovernmental				
Local option sales tax	860,000	871,993	11,993	845,279
Franchise tax	424,000	435,486	11,486	440,661
Hold harmless funds	443,000	450,786	7,786	445,180
Video programming	38,000	39,532	1,532	39,813
Beer and wine	22,000	24,448	2,448	7,765
Total	<u>1,787,000</u>	<u>1,822,245</u>	<u>35,245</u>	<u>1,778,698</u>
Restricted intergovernmental				
Powell Bill	132,700	138,298	5,598	135,900
Federal grants	2,352	2,352	-	6,768
State grants	197,040	5,799	(191,241)	66,498
PEG Supplement	18,600	17,280	(1,320)	18,692
Solid waste disposal tax	3,000	3,707	707	3,697
Wake County Fire District	454,990	444,610	(10,380)	453,547
Wake County Stadium	17,500	17,078	(422)	15,695
Other grants	5,000	4,276	(724)	45,468
Total	<u>831,182</u>	<u>633,400</u>	<u>(197,782)</u>	<u>746,265</u>
Permits and fees				
Zoning permits and fees	35,000	26,147	(8,853)	34,110
Inspection fees	3,500	6,263	2,763	5,639
Officer fees	6,000	6,244	244	7,306
Total	<u>44,500</u>	<u>38,654</u>	<u>(5,846)</u>	<u>47,055</u>
Investment earnings	<u>71,100</u>	<u>12,114</u>	<u>(58,986)</u>	<u>42,456</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, 2011  
With comparative actual amounts for year ended June 30, 2010

Schedule 1  
Page 2 of 5

	Budget	Actual	Variance Positive Negative	Prior Year
<b>REVENUES (continued)</b>				
Sales and services				
Charges for services	\$ 310,000	\$ 328,152	\$ 18,152	\$ 324,452
Rent	47,000	51,164	4,164	47,773
Recreation	62,000	85,970	23,970	76,148
Total	<u>419,000</u>	<u>465,286</u>	<u>46,286</u>	<u>448,373</u>
Miscellaneous				
ABC revenue	19,300	20,847	1,547	20,545
Surplus property	-	122,623	122,623	68,555
Fines and forfeitures	-	21,403	21,403	9,422
Miscellaneous	82,277	110,366	28,089	63,961
Total	<u>101,577</u>	<u>275,239</u>	<u>173,662</u>	<u>162,483</u>
Total revenues	<u>7,200,959</u>	<u>7,469,962</u>	<u>269,003</u>	<u>7,502,668</u>
<b>EXPENDITURES</b>				
General government				
Governing body				
Personnel costs	62,400	58,141	4,259	57,708
Contract services	142,500	118,302	24,198	138,305
Other operating	140,319	97,293	43,026	87,454
Subtotal	<u>345,219</u>	<u>273,736</u>	<u>71,483</u>	<u>283,467</u>
Administration				
Personnel costs	446,050	435,823	10,227	403,112
Contract services	35,400	33,254	2,146	29,860
Other operating	37,800	32,884	4,916	25,056
Subtotal	<u>519,250</u>	<u>501,961</u>	<u>17,289</u>	<u>458,028</u>
Public buildings				
Personnel costs	102,000	89,850	12,150	85,443
Contract services	64,000	49,054	14,946	47,124
Utilities	177,600	146,471	31,129	95,010
Other operating	199,400	185,587	13,813	204,531
Capital outlay	45,000	38,207	6,793	5,831
Subtotal	<u>588,000</u>	<u>509,169</u>	<u>78,831</u>	<u>437,939</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, 2011  
With comparative actual amounts for year ended June 30, 2010

Schedule 1  
Page 3 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
<b>EXPENDITURES (continued)</b>				
Planning				
Personnel costs	\$ 228,400	\$ 202,974	\$ 25,426	\$ 191,336
Contract services	112,900	3,185	109,715	18,683
Other operating	29,284	23,712	5,572	20,468
Capital outlay	8,000	-	8,000	-
Subtotal	<u>378,584</u>	<u>229,871</u>	<u>148,713</u>	<u>230,487</u>
Total general government	<u>1,831,053</u>	<u>1,514,737</u>	<u>316,316</u>	<u>1,409,921</u>
Public safety				
Police				
Personnel costs	1,434,126	1,404,518	29,608	1,322,343
Contract services	139,000	129,977	9,023	148,056
Other operating	223,777	207,836	15,941	200,012
Capital outlay	74,367	71,581	2,786	178,130
Subtotal	<u>1,871,270</u>	<u>1,813,912</u>	<u>57,358</u>	<u>1,848,541</u>
Fire				
Personnel costs	730,700	716,999	13,701	680,217
Contract services	4,350	4,070	280	4,264
Other operating	160,340	141,405	18,935	130,925
Capital outlay	24,600	15,660	8,940	277,115
Subtotal	<u>919,990</u>	<u>878,134</u>	<u>41,856</u>	<u>1,092,521</u>
Total public safety	<u>2,791,260</u>	<u>2,692,046</u>	<u>99,214</u>	<u>2,941,062</u>
Streets				
Non-Powell Bill				
Personnel costs	123,300	118,370	4,930	111,368
Contract services	11,000	10,758	242	5,206
Utilities	152,100	138,165	13,935	142,701
Other operating	52,300	49,848	2,452	47,630
Capital outlay	378,700	223,002	155,698	99,828
Subtotal	<u>717,400</u>	<u>540,143</u>	<u>177,257</u>	<u>406,733</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, 2011  
With comparative actual amounts for year ended June 30, 2010

Schedule 1  
Page 4 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
<b>EXPENDITURES (continued)</b>				
Powell Bill				
Personnel costs	\$ 67,000	\$ 64,088	\$ 2,912	\$ 60,711
Contract services	5,000	4,864	136	2,741
Other operating	39,500	34,938	4,562	34,451
Capital outlay	28,000	17,746	10,254	121,654
Subtotal	139,500	121,636	17,864	219,557
Total streets	856,900	661,779	195,121	626,290
Sanitation				
Personnel costs	313,100	308,035	5,065	292,745
Contract services	348,000	332,648	15,352	316,209
Other operating	95,400	87,403	7,997	68,883
Capital outlay	9,000	8,984	16	130,839
Total sanitation	765,500	737,070	28,430	808,676
Storm Water				
Contract services	43,000	40,200	2,800	-
Other operating	6,000	5,815	185	-
Capital outlay	36,000	36,000	-	-
Total Storm Water	85,000	82,015	2,985	-
Cultural and recreation				
Recreation				
Personnel costs	402,300	393,329	8,971	362,399
Contract services	47,900	42,089	5,811	42,786
Other operating	158,300	146,694	11,606	183,848
Capital outlay	93,500	68,436	25,064	82,546
Subtotal	702,000	650,548	51,452	671,579
Stadium				
Utilities	55,100	33,129	21,971	42,268
Other operating	27,400	27,162	238	20,921
Capital outlay	20,000	-	20,000	-
Subtotal	102,500	60,291	42,209	63,189
Total cultural and recreation	804,500	710,839	93,661	734,768

(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, 2011  
 With comparative actual amounts for year ended June 30, 2010

Schedule 1  
 Page 5 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
<b>EXPENDITURES (continued)</b>				
Debt service				
Principal	\$ 459,281	\$ 458,160	\$ 1,121	\$ \$ 694,708
Interest	202,119	201,626	493	214,934
Total debt service	661,400	659,786	1,614	909,642
Total expenditures	7,795,613	7,058,272	737,341	7,430,359
Revenues over (under) expenditures	(594,654)	411,690	1,006,344	72,309
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Purchase Proceeds	-	-	-	325,000
Transfers in (out)				
Recreation Center Project	-	-	-	74,980
Parks and Recreation Project	-	-	-	7,431
Maintenance Building Project	-	-	-	40,407
Appropriated fund balance	594,654	-	(594,654)	-
Total other financing sources (uses)	594,654	-	(594,654)	447,818
Revenues and other financing sources over expenditures and other financing uses	\$ -	411,690	\$ 411,690	520,127
Fund balance - beginning of year		6,611,749		6,091,622
Fund balance- end of year		\$ 7,023,439		\$ 6,611,749

## **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, 2011  
 With comparative actual amounts for year ended June 30, 2010

Schedule 2

	Budget	Actual	Variance Positive (Negative)	Prior Year
<b>OPERATING REVENUES</b>				
Miscellaneous revenues	\$ 28,620	\$ 6,546	\$ (22,074)	\$ 8,271
<b>NON-OPERATING REVENUES</b>				
Debt reimbursements from Raleigh	583,570	583,555	(15)	601,650
Investment earnings	-	348	348	483
Total non-operating revenues	583,570	583,903	333	602,133
Total revenues	612,190	590,449	(21,741)	610,404
<b>OPERATING EXPENDITURES</b>				
Capital	28,620	28,620	-	-
Debt service				
Principal	479,696	479,684	12	478,207
Interest	103,874	103,870	4	123,443
Total debt service	612,190	612,174	16	601,650
Total operating expenditures	612,190	612,174	16	601,650
Revenues over (under) expenditures	\$ -	(21,725)	\$ (21,725)	8,754
<b>ADJUSTMENTS TO ACCRUAL</b>				
Add (deduct)				
Debt principal		479,684		478,207
Decrease in accrued interest payable		4,921		4,918
Capital outlay		28,620		-
Amortization		(5,695)		(5,695)
Loss on transfer of capital assets to Raleigh		(28,620)		(1,495,579)
Reimbursement for debt payments from City of Raleigh		(479,684)		(478,207)
Net loss		\$ (22,499)		\$ (1,487,602)

## **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, 2011

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 4,166,859	\$ 4,111,810	\$ 55,049
2009-2010	79,404	-	47,470	31,934
2008-2009	18,468	-	4,167	14,301
2007-2008	14,227	-	1,918	12,309
2006-2007	8,925	-	687	8,238
2005-2006	9,515	-	604	8,911
2004-2005	6,480	-	309	6,171
2003-2004	5,332	-	351	4,981
2002-2003	5,512	-	506	5,006
2001-2002	3,739	-	153	3,586
2000-2001	4,777	-	4,777	-
	<u>\$ 156,379</u>	<u>\$ 4,166,859</u>	<u>\$ 4,172,752</u>	<u>\$ 150,486</u>

Revenue Reconciliation:

Ad valorem taxes - General Fund	\$ 4,179,121
Add (deduct):	
Releases allowed	5,096
Taxes written off	4,777
Penalties and interest	<u>(16,242)</u>
Total collections and credits	<u>\$ 4,172,752</u>



TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2011

Schedule 4

	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	\$ 813,642,000	0.50	\$ 4,068,210	\$ 3,911,531	\$ 156,679
Penalties	-		8,402	8,402	-
Total	813,642,000		4,076,612	3,919,933	156,679
Discoveries:					
Prior year taxes	-		102,866	98,411	4,455
Abatements	(2,523,800)	0.50	(12,619)	(12,619)	-
Total property valuation	<u>\$ 811,118,200</u>				
Net levy			4,166,859	4,005,725	161,134
Uncollected taxes at June 30, 2011			55,049	23,009	32,040
Current year's taxes collected			\$ 4,111,810	\$ 3,982,716	\$ 129,094
Current levy collection percentage			<u>98.7%</u>	<u>99.4%</u>	<u>80.1%</u>



## STATISTICAL SECTION

## **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 report relates to the services and activities of the government.

Town of Zebulon, North Carolina

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

Table 1

	Fiscal Years							
	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 13,449,478
Restricted	-	241,582	-	-	185,640	247,739	159,123	635,366
Unrestricted	3,682,304	4,116,868	4,097,336	4,694,031	7,192,556	6,259,317	6,055,670	5,823,110
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>	<u>\$ 19,907,954</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)	(59,926)
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>	<u>\$ (59,926)</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	\$ 13,449,478
Restricted	-	241,582	-	-	185,640	247,739	159,123	635,366
Unrestricted	3,936,957	4,523,884	5,116,994	5,025,282	7,147,204	6,213,913	6,018,243	5,763,184
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>	<u>\$ 19,848,028</u>

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

Town of Zebulon, North Carolina

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

Table 2  
Page 1 of 2

	Fiscal Years							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
Governmental activities:								
General government	\$ 776,091	\$ 841,561	\$ 1,057,300	\$ 1,066,702	\$ 1,189,509	\$ 1,335,282	\$ 1,630,391	\$ 1,695,678
Public safety	2,258,828	2,076,999	2,201,314	2,295,867	2,466,260	2,583,566	2,787,740	2,928,037
Streets	369,450	420,061	553,831	571,469	704,267	759,235	804,201	766,885
Sanitation	489,937	524,590	515,589	558,012	661,410	717,081	748,643	797,076
Storm water	-	-	-	-	-	-	-	101,888
Cultural and recreational	959,149	543,220	568,273	694,708	662,694	654,523	843,239	885,495
Interest on long-term debt	313,734	333	3,074	6,493	77,303	211,803	211,298	194,085
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>	<u>7,369,144</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	104,644
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>	<u>104,644</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>	<u>\$ 7,473,788</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$ 69,953	\$ 71,899	\$ 79,513	\$ 124,391	\$ 121,381	\$ 92,517	\$ 87,522	\$ 83,574
Public safety	2,430	2,680	2,246	3,258	7,455	7,151	7,306	6,244
Sanitation	133,009	231,309	232,931	278,981	297,061	301,157	323,524	341,160
Cultural and recreational	42,428	48,996	47,950	47,058	53,905	48,211	76,148	85,970
Operating grants and contributions	644,152	521,722	557,412	558,410	584,145	698,721	629,278	629,693
Capital grants and contributions	1,019,197	588,267	1,031,415	1,858,246	641,043	1,563,108	504,339	10,825
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>	<u>1,157,466</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>	<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>	<u>\$ 1,157,466</u>

Town of Zebulon, North Carolina

Changes in Net Assets  
Last Eight 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)	\$ (6,211,678)
Business-type activities	954,517	503,565	858,267	(294,657)	(118,830)	865,260	(124,220)	(104,644)
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>	<u>\$ (6,316,322)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
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	4,173,228
Other taxes and licenses	40,601	45,492	47,094	51,317	35,345	43,648	45,709	44,111
Unrestricted intergovernmental revenues	1,502,243	1,535,747	1,657,754	1,713,013	1,763,225	1,909,107	1,778,698	1,822,245
Investment earnings	28,328	78,355	144,590	203,013	168,594	111,988	42,856	12,114
Miscellaneous	61,864	149,841	51,943	92,508	136,555	69,887	97,304	126,917
Transfers	-	(130,000)	-	15,338	-	-	-	-
Gain (loss) on disposal of capital assets	-	(5,497)	2,315	(29,172)	12,729	30,889	45,769	123,057
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>	<u>6,301,672</u>
Business-type activities:								
Investment earnings	\$ 8,238	\$ 12,837	\$ 27,783	\$ 185,579	\$ 67,979	\$ 143,688	\$ 123,926	\$ 104,219
Miscellaneous	-	-	-	-	-	-	8,271	6,546
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)	(28,620)
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>	<u>82,145</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>	<u>6,383,817</u>
<b>Change in net assets</b>								
Governmental activities	\$ (4,112,626)	\$ 1,017,957	\$ 1,359,980	\$ 2,453,514	\$ 1,557,028	\$ 3,258,618	\$ 867,150	\$ 89,994
Business-type activities	962,755	646,402	886,050	(13,267,090)	(220,109)	1,339,033	(1,487,602)	(22,499)
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>	<u>\$ 67,495</u>

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

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

Table 3

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets</u>	<u>Sanitation</u>	<u>Storm Water</u>	<u>Cultural &amp; Recreational</u>	<u>Interest on Long-Term Debt</u>	<u>Water &amp; 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
2011	1,695,678	2,928,037	766,885	797,076	101,888	885,495	194,085	104,644	7,473,788

Note: Only eight 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>Storm Water</u>	<u>Cultural &amp; Recreation</u>	<u>Debt Service</u>	<u>Total</u>	<u>Per Capita Expenditures</u>
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
2011	1,514,737	2,692,046	661,779	737,070	82,015	710,839	659,786	7,058,272	1,297

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 Souce  
Last Eight 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
2011	516,948	629,693	10,825	4,217,339	1,822,245	116,333	256,520	7,569,903

Note: Only eight 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
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
2011	4,223,024	2,455,645	38,654	12,114	465,286	275,239	7,469,962	1,372

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 Eight 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
2011	4,179,121	0.50

Note: Only eight 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 670,686	\$ 641,016	\$ 817,470	\$ 965,461	\$ 861,586	\$ 751,946	\$ 743,252	\$ 1,198,197	\$ 786,871	\$ -
Unreserved	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	-
Restricted	-	-	-	-	-	-	-	-	-	635,361
Committed	-	-	-	-	-	-	-	-	-	150,000
Assigned	-	-	-	-	-	-	-	-	-	514,200
Unassigned	-	-	-	-	-	-	-	-	-	5,723,873
Total General Fund	<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>	<u>7,023,434</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	164,928	164,928	217,347	328,703	172,386	50,429	2,109,565	630,023	-	-
Total all other governmental funds	<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>	<u>\$ -</u>

Note: Due to GASB 54 guidelines, reclassification of fund balance is in effect beginning with Fiscal Year 2011.

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				
	2002	2003	2004	2005	2006
<b>Revenues:</b>					
Ad valorem taxes	\$ 1,942,818	\$ 1,958,879	\$ 2,007,393	\$ 2,284,512	\$ 2,392,713
Other taxes and licenses	586,999	635,300	40,601	44,472	46,129
Unrestricted intergovernmental	490,935	310,117	1,502,243	1,535,747	1,657,823
Restricted intergovernmental	1,423,655	1,707,812	1,651,069	695,769	1,067,267
Permits and fees	26,496	20,542	35,813	34,277	42,839
Sales and services	91,238	419,509	208,952	304,247	330,021
Investment earnings	86,733	39,961	28,328	78,355	144,590
Miscellaneous	65,683	41,009	63,112	148,101	56,660
<b>Total revenues</b>	<b>4,714,557</b>	<b>5,133,129</b>	<b>5,537,511</b>	<b>5,125,480</b>	<b>5,738,042</b>
<b>Expenditures:</b>					
General government	807,236	821,826	774,695	810,224	890,169
Public safety	1,592,368	1,673,789	2,226,478	1,913,600	2,031,176
Streets	338,218	313,766	417,450	326,231	261,237
Sanitation	416,835	606,760	455,574	435,834	476,063
Storm water	-	-	-	-	-
Cultural and recreational	397,916	953,264	429,949	426,575	282,210
Capital outlay	24,975	401,251	29,749	363,328	2,123,973
Debt service:					
Principal retirement	523,825	561,161	542,150	47,552	113,113
Interest and fees	594,022	562,640	535,493	333	3,074
<b>Total expenditures</b>	<b>4,695,395</b>	<b>5,894,457</b>	<b>5,411,538</b>	<b>4,323,677</b>	<b>6,181,015</b>
Excess of revenues over (under) expenditures	19,162	(761,328)	125,973	801,803	(442,973)
<b>Other financing sources (uses):</b>					
Installment note proceeds	-	-	254,603	-	194,000
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	319,954	-	78,965	-	-
Transfers (out)	(319,954)	-	(78,965)	(130,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>254,603</b>	<b>(130,000)</b>	<b>194,000</b>
<b>Net change in fund balances</b>	<b>\$ 19,162</b>	<b>\$ (761,328)</b>	<b>\$ 380,576</b>	<b>\$ 671,803</b>	<b>\$ (248,973)</b>
Debt service as a percentage of noncapital expenditures	31.5%	25.7%	25.0%	1.2%	2.9%

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				
	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Ad valorem taxes	\$ 2,731,035	\$ 3,495,858	\$ 4,638,563	\$ 4,232,404	\$ 4,179,121
Other taxes and licenses	47,545	32,900	42,336	44,934	43,903
Unrestricted intergovernmental	1,714,457	1,763,225	1,909,107	1,778,698	1,822,245
Restricted intergovernmental	718,020	709,938	1,826,500	746,265	633,400
Permits and fees	91,728	92,915	48,719	47,055	38,654
Sales and services	358,081	378,147	425,135	448,373	465,286
Investment earnings	203,013	186,926	111,988	42,856	12,114
Miscellaneous	137,508	149,284	126,517	162,483	275,239
<b>Total revenues</b>	<b>6,001,387</b>	<b>6,809,193</b>	<b>9,128,865</b>	<b>7,503,068</b>	<b>7,469,962</b>
<b>Expenditures:</b>					
General government	1,026,700	1,159,519	1,280,987	1,404,090	1,476,530
Public safety	2,148,573	2,296,946	2,383,688	2,485,817	2,604,805
Streets	351,108	373,323	399,985	404,808	421,031
Sanitation	512,103	620,648	665,235	677,837	728,086
Storm water	-	-	-	-	46,015
Cultural and recreational	487,433	502,384	508,143	652,222	642,403
Capital outlay	1,046,435	3,718,508	5,326,963	1,403,548	479,616
Debt service:					
Principal retirement	228,935	619,199	460,487	694,708	458,160
Interest and fees	6,493	23,877	178,914	214,934	201,626
<b>Total expenditures</b>	<b>5,807,780</b>	<b>9,314,404</b>	<b>11,204,402</b>	<b>7,937,964</b>	<b>7,058,272</b>
Excess of revenues over (under) expenditures	193,607	(2,505,211)	(2,075,537)	(434,896)	411,690
<b>Other financing sources (uses):</b>					
Installment note proceeds	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)	-
<b>Total other financing sources (uses)</b>	<b>412,100</b>	<b>5,247,545</b>	<b>1,275,000</b>	<b>325,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 605,707</b>	<b>\$ 2,742,334</b>	<b>\$ (800,537)</b>	<b>\$ (109,896)</b>	<b>\$ 411,690</b>
Debt service as a percentage of noncapital expenditures	5.2%	13.0%	12.2%	16.2%	11.1%

Town of Zebulon, North Carolina

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

Table 10

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Property</b>	<b>Total Assessed Value</b>	<b>Property Tax Rate</b>	<b>Taxable Assessed Ratio of Assesed Value to Estimated Actual Value</b>
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%
2011	459,011,789	341,237,427	10,868,984	811,118,200	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

<b>Fiscal Year</b>	<b>Town of Zebulon</b>	<b>Wake County</b>	<b>Total Direct Rate</b>
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
2011	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	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline <sup>(1)</sup>	\$ 241,460,616	1	28.09	\$ 103,473,674	1	24.95
Glaxo Inc <sup>(1)</sup>	51,794,460	2	6.02	38,471,592	2	9.28
Nomacorc LLC <sup>(2)</sup>	25,960,737	3	3.02	-	-	-
USF Propco LLC <sup>(3)</sup>	18,705,870	4	2.18	9,043,253	3	2.18
Wal-Mart	16,022,117	5	1.86	-	-	-
Zeb Land LLC <sup>(4)</sup>	10,662,144	6	1.24	-	-	-
Corc LLC <sup>(2)</sup>	8,081,650	7	0.94	-	-	-
Triangle East Shopping Centre	7,775,623	8	0.90	4,426,257	7	-
Illinois Tool Works Inc	7,247,143	9	0.84	4,398,941	8	-
Nomaco Zebulon <sup>(4)</sup>	7,193,205	10	0.84	8,265,398	4	-
Progress Energy Carolinas <sup>(5)</sup>	6,459,992	11	0.75	4,966,846	6	1.20
Atlas NC 1 SPE LLC	6,170,000	12	0.72	-	-	-
US Foodservice Inc <sup>(3)</sup>	5,449,563	13	0.63	-	-	-
Zebulon Pharmacy LP	5,029,286	14	0.58	-	-	-
NMC of North America Inc <sup>(4)</sup>	-	-	-	7,554,077	5	1.82
Omark Properties Inc	-	-	-	4,273,124	9	1.03
Bellsouth Tel Co	-	-	-	4,197,234	10	1.01
Blount Inc	-	-	-	4,169,249	11	1.01
Chatham Enterprises Inc	-	-	-	4,056,667	12	0.98
<b>Total</b>	<b>\$ 418,012,406</b>		<b>48.62 %</b>	<b>\$ 197,296,312</b>		<b>43.46 %</b>

Source: Wake County Revenue Department

Note:

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

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

(3) USF Propco LLC formerly Zebulon LKE LLC. USF Propco LLC and US Foodservice Inc comprise a single business entity in Zebulon.

(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
2002	1,967,344	1,910,690	97.12	52,300	1,962,990	99.78
2003	1,956,014	1,901,311	97.20	49,697	1,951,008	99.74
2004	1,989,063	1,946,098	97.84	37,984	1,984,082	99.75
2005	2,278,441	2,231,834	97.95	40,436	2,272,270	99.73
2006	2,398,434	2,339,957	97.56	49,566	2,389,523	99.63
2007	2,727,709	2,670,120	97.89	49,351	2,719,471	99.70
2008	3,500,815	3,436,107	98.15	52,399	3,488,506	99.65
2009	4,792,459	4,727,252	98.64	50,906	4,778,158	99.70
2010	4,249,259	4,169,855	98.13	47,470	4,217,325	99.25
2011	4,166,859	4,111,810	98.68	-	4,111,810	98.68

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			
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 <sup>(1)</sup>	-	2,040,000	27,063 <sup>(1)</sup>	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 <sup>(2)</sup>	-	1,740,000	384,542 <sup>(3)</sup>	2,323,420	4,654,848	0.96%	1,074
2007	399,993 <sup>(4)</sup>	-	1,590,000	327,042	2,032,992	4,350,027	0.81%	944
2008	520,794 <sup>(5)</sup>	4,600,000 <sup>(6)</sup>	1,440,000	196,571	1,742,564	8,499,929	1.35%	1,778
2009	1,560,307 <sup>(7)</sup>	4,375,000	1,290,000	160,213	1,452,136	8,837,656	1.09%	1,784
2010	1,543,871 <sup>(8)</sup>	4,150,000	1,140,000	122,434	1,161,708	8,118,013	0.97%	1,491
2011	1,182,439	3,925,000	990,000	83,177	871,280	7,051,896	0.87%	1,295

Notes:

- (1) During fiscal year 2004, an installment note for \$291,378 was issued for the purchase of vehicles and equipment.
- (2) During fiscal year 2006, an installment note for \$194,000 was issued for the purchase of vehicles and equipment.
- (3) During fiscal year 2006, an installment note for \$374,600 was issued for the construction of sewer lines.
- (4) During fiscal year 2007, an installment note for \$412,100 was issued for the purchase of vehicles and equipment.
- (5) During fiscal year 2008, an installment note for \$361,000 was issued for the purchase of vehicles and equipment.
- (6) 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.
- (7) During fiscal year 2009, an installment note for \$1,275,000 was issued for the construction and renovation of park facilities.
- (8) 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, 2011

Table 15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> <sup>(2)</sup>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes-Wake County	\$ 1,831,620,000 <sup>(1)</sup>	0.72%	\$ 13,187,664
Town of Zebulon direct debt			<u>5,107,439</u> <sup>(3)</sup>
Total direct and other overlapping debt			<u>\$ 18,295,103</u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,603,321,834, or 88%, 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 debt.

Town of Zebulon, North Carolina

Legal Debt Margin Information  
Last Ten Fiscal Years

Table 16

	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 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	\$ 64,889,456
Total net debt applicable to limit	10,580,960	9,615,116	580,214	504,747	922,028	1,029,135	5,590,965	6,340,620	5,904,633	5,904,633
Legal debt margin	<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>	<u>\$ 58,984,823</u>
Total net debt applicable to the limit as a percentage of debt limit	31.15%	29.64%	1.77%	1.33%	2.37%	2.40%	11.06%	9.77%	8.80%	9.10%

Legal Debt Margin for Fiscal Year 2011

Assessed value	\$811,118,200
Debt limit (8% of assessed value)	<u>64,889,456</u>
Debt applicable to limit:	
General obligation bonds	4,915,000
Non-bonded debt	1,538,033
Less: State exclusion for general obligation water bonds	<u>(801,900)</u>
Total net debt applicable to limit	<u>5,651,133</u>
Legal debt margin	<u>\$ 59,238,323</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	
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	-
2011	-	-	-	-	-	150,000	56,100	-

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

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Median Age <sup>(2)</sup></b>	<b>Per Capita Income <sup>(3)</sup></b>	<b>School Enrollment <sup>(4)</sup></b>	<b>Unemployment Rate <sup>(5)</sup></b>
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	34.6	46,696	1,561	8.2%
2011	5,545	Not Available	Not Available	1,589	8.3%

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	661	1
US Foodservice	650	2
Wal-Mart	250	3
Nomacor	240	4
Wake County Public School System	225	5
Nomaco	130	6
East Wake Academy	120	7
Devil Dog Manufacturing	100	8
Advanced Plastiform	100	8
Food Lion	78	9
Piggly Wiggly	65	10
Total	<u>2,619</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2	2	3	3	3	3	3	3
Buildings & Grounds	1	1	1	1	1	1	2	2	2	2
Public Safety										
Police	19	21	21	21	21	22	22	23	23	23
Fire	6	6	8	8	11	11	11	11	11	11
Streets	4.5	3.5	3.5	3.5	2.5	3	3	3	3	3
Environmental Protection	5	4	4	4	3	5	5	5	5	5
Cultural and Recreation	4	4	4	4	4	4	4	4	5	5
Water/Sewer Maintenance	6	6	6	6	6	0	0	0	0	0
Water Plant	1.5	1.5	1.5	1.5	0.5	0	0	0	0	0
Sewer Plant	4	4	4	4	4	0	0	0	0	0
Total	65	65	66	66	67	60	61	62	63	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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Building permits issued	88	76	123	183	135	151	76	47	47	44
Privilege licenses issued	197	277	257	290	469	390	287	274	288	302
Code violations corrected	173	165	220	260	346	401	192	183	105	124
Public Safety										
Police calls for service	N/A	N/A	N/A	N/A	N/A	N/A	9,994	11,581	11,906	12,310
Physical arrests	546	606	617	652	691	747	594	953	736	465
Traffic violations	255	274	271	268	203	196	318	268	261	326
Warrants served	N/A	N/A	N/A	N/A	N/A	N/A	244	236	435	179
Civil citations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	480	133
Child safety seat inspections	N/A	N/A	N/A	N/A	N/A	54	39	35	30	19
Emergency responses	576	657	929	1,352	1,216	1,442	1,598	1,484	1,490	1,530
Fires extinguished	94	56	63	72	66	37	67	45	47	43
Property losses due to fire (dollars)	\$ 816,687	\$ 35,650	\$ 281,900	\$ 543,860	\$ 354,562	\$ 44,785	\$ 153,205	\$300,984	\$457,055	\$277,900
Fire code violations corrected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,196	644
Streets										
Miles of road maintained	15.53	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30	19.30
Feet of sidewalk maintained	N/A	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175	42,278
Storm Water										
Miles of storm drainage pipe maintained	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.26
Miles of ditches maintained	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.06
Environmental Protection										
Yard waste collected (tons)	12.50	18.94	24.74	2.30	2.40	12.00	12.00	12.00	12.00	18.08
White goods collected (pounds)	N/A	N/A	N/A	N/A	N/A	5,100	6,000	800	800	500
Number of sanitation customers	1,515	1,535	1,541	1,556	1,560	1,584	1,653	1,711	1,721	1,735
Number of recycling customers	1,420	1,441	1,447	1,454	1,454	1,471	1,568	1,613	1,642	1,661
Garbage collection fee	\$ -	\$ 6.00	\$ 6.00	\$ 12.00	\$ 12.00	\$15.50	\$15.50	\$17.00	\$17.00	\$17.00

Town of Zebulon, North Carolina

Operating Indicators by Function  
Last Ten Fiscal Years

Table 21  
Page 2 of 2

Function/Program	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Recreation and Parks										
Summer camp participants	240	300	315	287	260	256	234	197	255	229
Athletic program participants (youth and adult)	932	942	950	947	940	864	726	676	591	579
Recreation program participants (youth and adult)	N/A	N/A	N/A	N/A	N/A	N/A	71	85	458	1,425
Senior program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	233	433
Park and community center facility rentals	N/A	N/A	N/A	N/A	N/A	42	30	46	50	112
Special events attendance	N/A	N/A	N/A	N/A	N/A	3,500	2,375	2,415	3,266	3,573
Water										
Utility customers	1,830	1,839	1,844	1,849	1,920	N/A	N/A	N/A	N/A	N/A
Avg daily consumption (thousands of gallons)	472	498	543	605	604	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 24.25	\$ 24.25	\$ 28.25	\$ 35.75	\$ 35.75	N/A	N/A	N/A	N/A	N/A
Wastewater										
Avg daily sewer treatment (thousands of gallons)	841	960	730	711	558	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 27.42	\$ 27.42	\$ 29.42	\$ 34.00	\$ 34.00	N/A	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 control 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	19	19	20	20	21	22	22	23	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	8
Streets										
Streets (miles)	15.53	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30	19.30
Sidewalk (feet)	N/A	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175	42,278
Recreation and Parks										
Parks	4	4	4	6	6	6	6	6	6	6
Acreage	54.79	54.79	54.79	64.04	64.04	64.04	64.04	64.04	64.04	75.21
Baseball fields	2	2	2	4	4	4	4	4	4	4
Tennis courts	2	2	2	2	2	2	2	2	2	2
Basketball courts	3	3	3	4	4	4	4	4	4	4
Community centers	0	0	0	0	0	0	0	0	1	1
Water										
Water mains (miles)	33.1	33.3	34.0	34.1	35.0	0	0	0	0	0
Fire hydrants	304	312	325	339	359	0	0	0	0	0
Storage capacity (million gallons)	2.075	2.075	2.075	2.000	2.000	0	0	0	0	0
Wastewater										
Sanitary sewers (miles)	33.2	34.2	34.3	34.8	36.2	0	0	0	0	0
Lift stations	7	9	9	10	9	0	0	0	0	0
Treatment capacity (million gallons)	1.85	1.85	1.85	1.85	1.85	0	0	0	0	0
Reclaimed Water										
Water mains (miles)	0	0	0.5	0.5	0.5	0	0	0	0	0
Storage capacity (million gallons)	0	0	0.25	0.25	0.25	0	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.



## COMPLIANCE SECTION

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, 2011, which collectively comprises the Town of Zebulon's basic financial statements, and have issued our report thereon dated September 8, 2011. 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 a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting (Item 1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 8, 2011.

The Town's response to the finding identified in our audit is 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 entity, 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, PA*  
JOYCE AND COMPANY, CPA

September 8, 2011

Town of Zebulon, North Carolina  
**Schedule of Findings and Questioned Costs**

For the year ended June 30, 2011

**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	_____ no	
• Significant deficiency (s) identified that are not considered to be material weaknesses?	_____ X yes	_____ none reported	
Noncompliance material to financial statement noted	_____ yes	_____ X 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**

Criteria                    Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, especially during periods when one employee is absent.

Condition                    There is a lack of segregation of duties among Town personnel.

Effect                        Transactions could be mishandled.

Cause                         There are a limited number of personnel for certain functions.

Recommendation        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.

Views of responsible officials and planned corrective actions    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, 2011

Schedule 6

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
<b>FEDERAL GRANT:</b>					
<u>U. S. Department of Transportation</u>					
Pass through N.C. Department of Transportation					
ARRA-Highway Planning and Construction	20.205	STM-0532 (003)	\$ 5,799	\$ -	\$ 1,450
Total federal award expenditures			5,799	-	1,450
<b>STATE GRANT:</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill Fund					
		N/A	-	126,297	-
Total state award expenditures			-	126,297	-
Total expenditure of federal and state awards			<u>\$ 5,799</u>	<u>\$ 126,297</u>	<u>\$ 1,450</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. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.