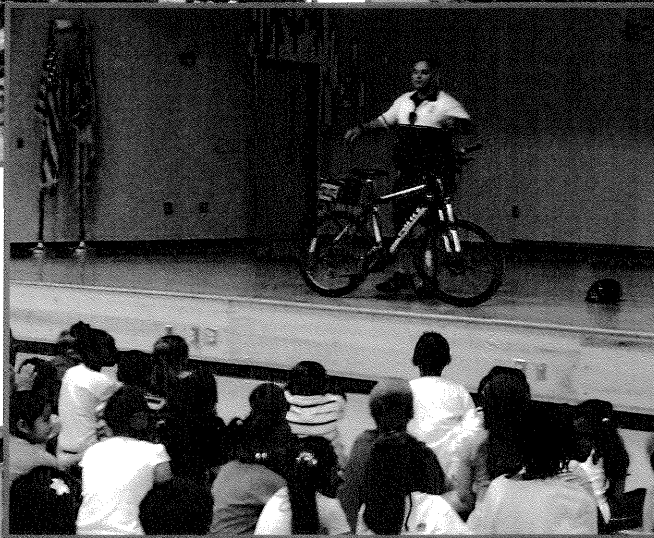
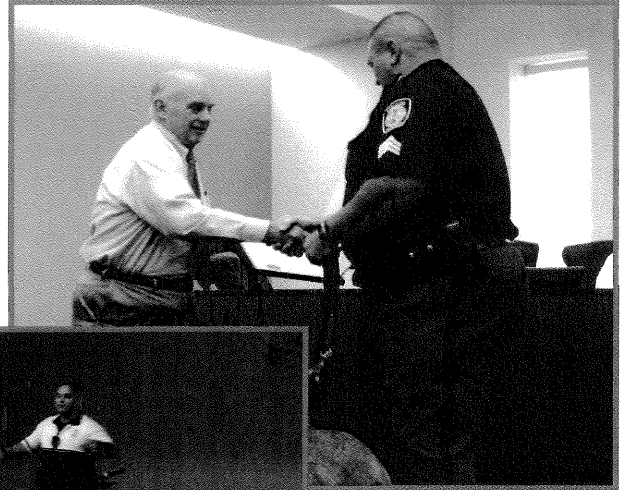


TOWN OF ZEBULON NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

TOWN OF ZEBULON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Prepared by the Town of Zebulon Finance Department

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TOWN OF ZEBULON, NORTH CAROLINA

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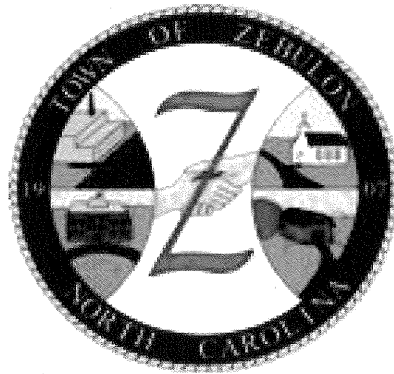
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INTRODUCTORY SECTION



Town of Zebulon

The Town of Friendly People

September 25, 2012

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, 2012. 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, 2012, 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, 2012 of approximately 4,464, 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

The nation is undergoing a period of recovery and transition, and the eastern region of Wake County is no exception to the slow pace that has been seen elsewhere and continues to face growth

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

5

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

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

challenges. The aftermath of the recession continues to affect spending by consumers, the construction market, and ability to provide services. The Town continues to add value through small commercial and residential developments. During fiscal year 2012, the Town issued 31 building permits with a total value of approximately \$5 million.

Despite the value of the growth, the Town of Zebulon tax base for the fiscal year ending June 30, 2012 totaled only \$781,290,000, a decrease of 4% 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.

One of the greater impacts on the Town were the results of the official 2010 population count conducted by the United State Census Bureau. The count revealed that the NC Office of the State Demographer had overestimated the Town's population growth by 20%. As a result of the new population number, many of the revenues the Town receives from other government agencies on a per capita basis decreased 10% to 15%. The Town also prepared for these losses of revenue by adjusting the budget or seeking other sources of revenue to continue programs and services.

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, development interest is still strong in the area, and 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 the NC Department of Transportation to complete roadway improvements on NC Highway 96/Arendell Avenue, the Town's busiest thoroughfare as well as complete roadway improvements near the Town's new Boys & Girls Club.

The Town also was the recipient of a three-year grant from the NC Department of Health & Human Services, Public Health Division. These grant funds are being used to expand walking trails at the Town's largest park and fund youth fitness programs. The Town also expanded its firefighting staff through a grant from the federal Staffing for Adequate Fire and Emergency Response Program. This grant, which will fund 100% of the personnel costs for two fiscal years for three additional

firefighters, will help ensure adequate fire protection and response for the district, which encompasses both the Town and a six-mile radius within Wake County.

With the pace of growth still not exceeding depreciation on large values of business personal property, the Town leaders made adjustments to the fiscal year 2013 budget. The budget included, for the first time in four years, a 1.25¢ property tax rate increase to \$.5125 per \$100 of assessed value, and limited merit pay available to employees.

The Town's budget for fiscal year 2013 includes several projects and objectives for the coming year. Among them are:

- Continued expansion of the stormwater management program as required by state and federal mandates, to be funded through a monthly fee to property owners;
- Completion of various facility improvements at the Community Center, Public Works facility, and Community Park to maintain or improve functionality;
- Via grant funding, complete sidewalk projects between the Town's middle school and the recently completed Boys & Girls Club; 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 2012.

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 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 2011. 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



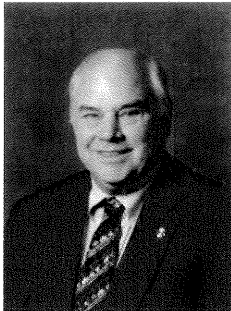
Emily Lucas
Finance Director

TOWN OF ZEBULON, NORTH CAROLINA

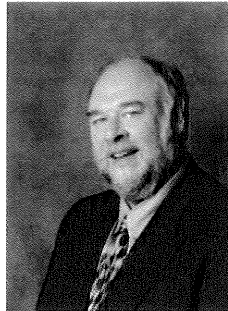
BOARD OF COMMISSIONERS AND TOWN OFFICIALS

June 30, 2012

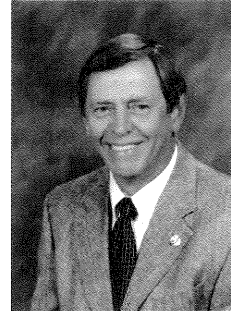
Town of Zebulon Board of Commissioners



Robert S. Matheny
Mayor



Don Bumgarner
Mayor Pro Tem



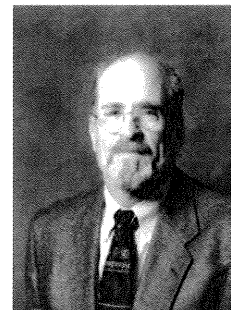
R. Dale Beck
Commissioner



Beverly Wall Clark
Commissioner



Roy Collins
Commissioner



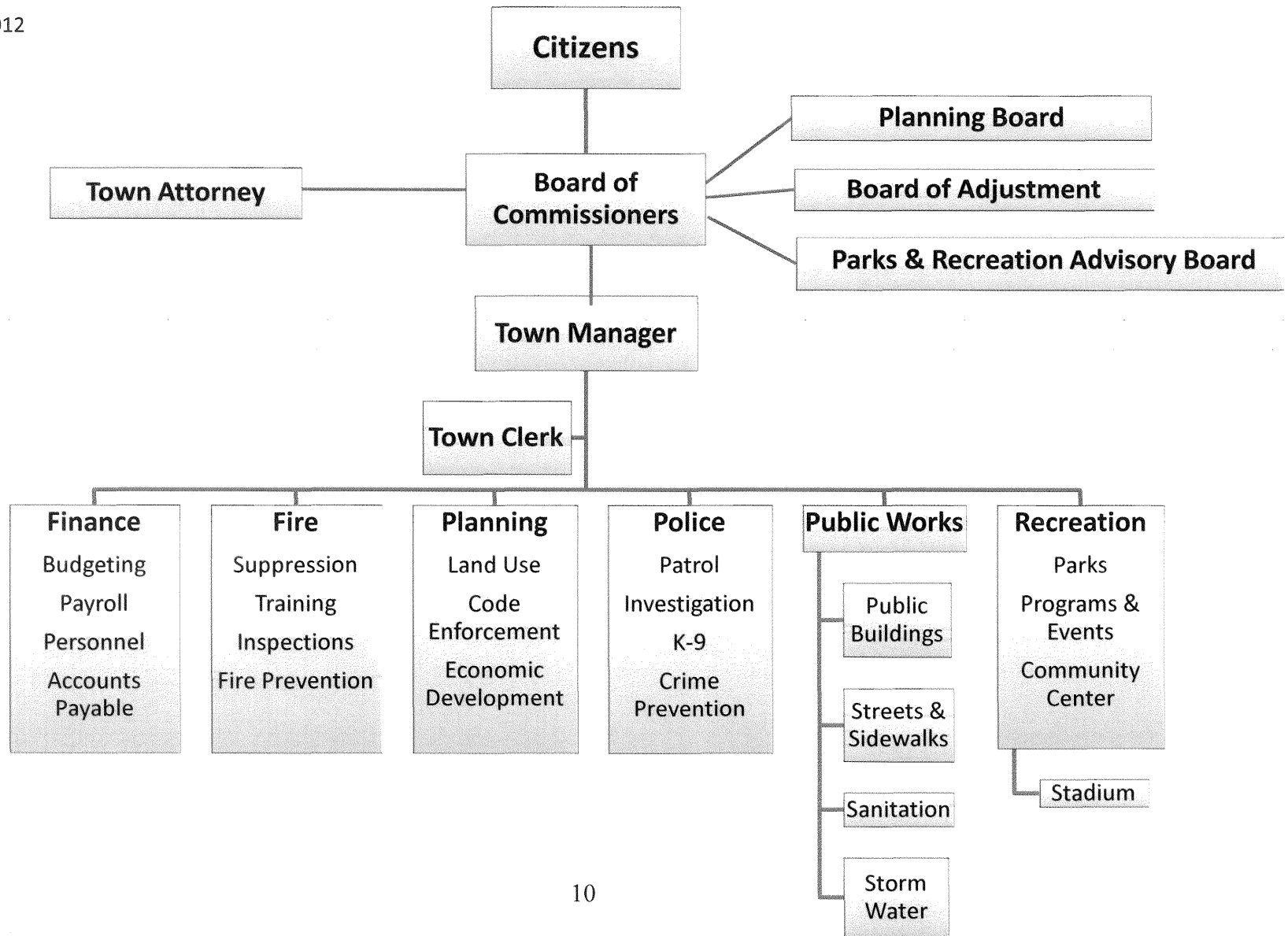
Curtis Strickland
Commissioner

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

ORGANIZATION CHART

June 30, 2012



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, 2011

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.



Linda C. Davidson

President

Jeffrey R. Egan

Executive Director

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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, 2012, 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, 2012, 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 25, 2012 on our consideration of the Town of Zebulon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of 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 on 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Zebulon's basic financial statements. The combining and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


JOYCE AND COMPANY, CPA

September 25, 2012

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, 2012. 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 \$19,319,704.
- The government's total net assets decreased by \$531,321 due to decreases in general, unrestricted revenues distributed on a per capita basis.
- Zebulon's governmental funds reported ending fund balances of \$6,577,536, a decrease of \$445,903 compared to the prior year. This decrease is due a reduction in unrestricted intergovernmental revenues distributed on a per capita basis and an increase in capital expenditures.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$5,709,950, or 69% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt decreased by \$649,559.
- The Town maintained its bond ratings of AA- by Standard and Poor's Corporation and A2 by Moody's Investor Service.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Fund Financial Statements

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

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

Zebulon adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, management, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not Zebulon succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. In Fiscal Year 2012, the Town adopted a capital project fund, but no activity was recorded for the fund during the fiscal year.

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 55 of this report.

Government-Wide Financial Analysis

**Town of Zebulon Net Assets
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 7,194,419	\$ 7,485,523	\$ 1,508,769	\$ 1,994,368	\$ 8,703,188	\$ 9,479,891
Capital assets	18,387,624	18,478,221	-	-	18,387,624	18,478,221
Total assets	<u>25,582,043</u>	<u>25,963,744</u>	<u>1,508,769</u>	<u>1,994,368</u>	<u>27,090,812</u>	<u>27,958,112</u>
LIABILITIES						
Long-term liabilities outstanding	5,076,692	5,191,391	1,000,424	1,463,238	6,077,116	6,654,629
Other liabilities	1,129,221	861,399	564,771	591,056	1,693,992	1,452,455
Total liabilities	<u>6,205,913</u>	<u>6,052,790</u>	<u>1,565,195</u>	<u>2,054,294</u>	<u>7,771,108</u>	<u>8,107,084</u>
NET ASSETS						
Invested in capital assets, net of related debt	13,551,363	13,449,478	-	-	13,551,363	13,449,478
Restricted	867,586	635,366	-	-	867,586	635,366
Unrestricted	4,957,181	5,826,110	(56,426)	(59,926)	4,900,755	5,766,184
Total net assets	<u>\$ 19,376,130</u>	<u>\$ 19,910,954</u>	<u>\$ (56,426)</u>	<u>\$ (59,926)</u>	<u>\$ 19,319,704</u>	<u>\$ 19,851,028</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 \$19,319,704 as of June 30, 2012. The Town’s net assets decreased by \$531,324 for the fiscal year ended June 30, 2012. 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 \$867,586 (4%) represents

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,900,755 is unrestricted.

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

- The Town saw a reduction in general unrestricted revenues distributed on a per capita basis due to an adjustment in the Town's estimated population numbers as a result of the 2010 United States Census count.
- Funds restricted by North Carolina State Statute increased to account for outstanding encumbrances on capital projects.

Town of Zebulon Changes in Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 547,807	\$ 516,948	\$ -	\$ -	\$ 547,807	\$ 516,948
Operating grants & contributions	793,192	629,693	-	-	793,192	629,693
Capital grants & contributions	914,062	10,825	-	-	914,062	10,825
General revenues:						
Property taxes	3,926,622	4,173,228	-	-	3,926,622	4,173,228
Other taxes	39,063	44,111	-	-	39,063	44,111
Unrestricted intergovernmental	1,665,768	1,822,245	-	-	1,665,768	1,822,245
Other	98,979	139,031	74,146	110,765	173,125	249,796
Total revenues	<u>7,985,493</u>	<u>7,336,081</u>	<u>74,146</u>	<u>110,765</u>	<u>8,059,639</u>	<u>7,446,846</u>
EXPENSES						
General government	1,910,778	1,695,678	-	-	1,910,778	1,695,678
Public safety	3,242,348	2,928,037	-	-	3,242,348	2,928,037
Streets	1,264,030	766,885	-	-	1,264,030	766,885
Sanitation	837,952	797,076	-	-	837,952	797,076
Storm water	191,214	101,888	-	-	191,214	101,888
Culture and recreation	913,921	885,495	-	-	913,921	885,495
Interest on long-term debt	185,118	194,085	70,646	104,644	255,764	298,729
Total expenses	<u>8,545,361</u>	<u>7,369,144</u>	<u>70,646</u>	<u>104,644</u>	<u>8,616,007</u>	<u>7,473,788</u>
Increase (decrease) in net assets	(559,868)	(33,063)	3,500	6,121	(556,368)	(26,942)
Gain (Loss) on disposal of capital assets	25,044	123,057	-	-	25,044	123,057
Special item	-	-	-	(28,620)	-	(28,620)
Increase (decrease) in net assets	(534,824)	89,994	3,500	(22,499)	(531,324)	67,495
Net assets July 1	<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>
Net assets June 30	<u>\$ 19,376,130</u>	<u>\$ 19,910,954</u>	<u>\$ (56,426)</u>	<u>\$ (59,926)</u>	<u>\$ 19,319,704</u>	<u>\$ 19,851,028</u>

Governmental Activities. Governmental activities decreased the Town's net assets by \$534,824. Key elements of this decrease are as follows:

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

- The Town's large commercial and industrial tax base remains steady, but value on equipment at the large facilities continues to depreciate, resulting in a 6% decrease in property tax revenues.
- The unrestricted general revenues distributed on a per capita basis due to an adjustment in the Town's estimated population as a result of the United States 2010 census count.
- The Town increased spending in the areas of general government, transportation, and public safety to match grants awarded to the Town for personnel and capital.

Business-type Activities. Business-type activities increased the Town of Zebulon's net assets by \$3,500. 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 increase in business-type activities is mainly the result of adjustments to existing debt service.

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 \$4,680,150, while total fund balance reached \$6,577,536. 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 56% of total General Fund expenditures, while total fund balance represents approximately 78% of that same amount.

During Fiscal Year 2012, the Town adopted a capital project fund for various facility improvements; however, no activity was recorded in the fund during the fiscal year.

At June 30, 2012, the governmental funds of the Town of Zebulon reported a fund balance of \$6,577,536, a 6% decrease from last year. This decrease is the result of additional funds being restricted by outside sources and the use of unassigned fund balance to invest in capital projects.

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

Ad valorem tax revenues were greater than budgeted because a higher percentage of taxes were collected than anticipated by 3%. Restricted intergovernmental revenues were less than budgeted due to the fact that several reimbursement-based, grant-funded projects were incomplete at fiscal year end. Unrestricted intergovernmental revenues were less than budgeted due to the fact that several revenues under this category are distributed on a per capita basis, and the Town's estimated population was adjusted downward as a result of the corrected United States census count. Sales and service revenues continue to increase with increased participating in recreation and athletic programs and the implementation of a stormwater fee to offset the expenditures of this new program. Expenditures were held below budgeted amounts by a number of factors,

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

including: lower than estimated maintenance and operational costs at several new Town facilities, a reduction in legal services used, a delay in the completion of certain capital projects, and careful monitoring of the budget by each department. As a result of the current economic conditions related to both the change in census and an adjustment of property tax values from the Town's largest property holder, Town leaders took a proactive approach and adjusted the budget to offset changes in revenue.

Proprietary Funds. The Town of Zebulon proprietary fund provides the same type of information found in the government-wide statements but in more detail. Total net assets of the Water and Sewer Fund at the end of the fiscal year amounted to a negative \$56,426. 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, 2012, totals \$18,387,624 (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 purchase of several vehicles and large equipment for the functions of public safety, sanitation, transportation, and parks and recreation.
- Investments in streets and sidewalk improvements through grants, Town-invested funds and by developers totaling \$294,431.
- A transfer of lands previously used for water and sewer purposes for park use.

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	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,251,898	\$ 2,246,217	\$ -	\$ -	\$ 2,251,898	\$ 2,246,217
Construction in progress	29,893	78,021	-	-	29,893	78,021
Buildings	9,941,772	10,200,141	-	-	9,941,772	10,200,141
Other improvements	1,184,767	1,160,544	-	-	1,184,767	1,160,544
Roads and infrastructure	2,998,272	3,025,115	-	-	2,998,272	3,025,115
Intangibles	32,100	35,700	-	-	32,100	35,700
Equipment	676,455	408,374	-	-	676,455	408,374
Vehicles and motorized equipment	1,272,467	1,324,109	-	-	1,272,467	1,324,109
Total capital assets	\$ 18,387,624	\$ 18,478,221	\$ -	\$ -	\$ 18,387,624	\$ 18,478,221

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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

Long-term Debt. As of June 30, 2012, the Town of Zebulon had total bonded debt outstanding of \$3,700,000. This outstanding debt is backed by the full faith and credit of the Town. The Town also had outstanding debt in the amount of \$580,852, 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 \$2,115,120.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,700,000	\$ 3,925,000	\$ -	\$ 990,000	\$ 3,700,000	\$ 4,915,000
Revenue notes	-	-	580,852	871,280	580,852	871,280
Installment purchase notes	1,195,734	1,182,439	919,386	83,177	2,115,120	1,265,616
Premiums & issuance costs	(59,473)	(62,998)	-	(2,840)	(59,473)	(65,838)
Total bonds and notes	\$ 4,836,261	\$ 5,044,441	\$ 1,500,238	\$ 1,941,617	\$ 6,336,499	\$ 6,986,058

The Town of Zebulon’s total debt decreased by \$649,559 during the past fiscal year. The Town issued installment debt in the amount of \$297,000 for the purchase of vehicles and equipment. The Town also refunded the general obligations bonds related to business-type activities with installment debt.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town is \$57,398,450. The Town had authorized but unissued bonds at June 30, 2012 totaling \$400,000.

Additional information regarding the Town of Zebulon’s long-term debt can be found in Note 3.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 2013 budget:

- A decrease in the property tax base due to declining values on industrial and commercial personal property located within the Town.
- Continued adjustment of budgets to offset the permanent loss of per capita-based revenue resulting from the Town’s adjusted population figures as a result of the United States census count.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

- A projected increase in parks and recreation revenues based on increased participation in activities that are an alternative to non-public supported higher cost activities for citizens.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. The total General Fund budget is projected to decrease 9% for fiscal year 2013, as compared to the actual results of fiscal year 2012. The major components of this decrease include a scaling back of capital projects as a result of lower projected property tax revenues, a change in employee benefits, and a reduction in buildings and grounds services.

Because of the decrease in property tax values, the Town will increase its tax rate to \$.5125 per \$100 of assessed value to ensure that incoming revenues for general services match projected expenditures. The storm water fee will be increased to provide for additional storm water management services mandated by the State. Various grant and Town funds also have been included in the budget for sidewalk improvements and equipment purchases.

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, 2012

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,151,181	\$ 37,151	\$ 6,188,332
Restricted cash	163,677	-	163,677
Taxes receivable (net)	156,737	-	156,737
Accounts receivable (net)	860	-	860
Internal balances	28,620	(28,620)	-
Note receivable - current portion	-	499,814	499,814
Due from other governments	693,344	-	693,344
Total current assets	<u>7,194,419</u>	<u>508,345</u>	<u>7,702,764</u>
Non-current assets:			
Note receivable - noncurrent portion	<u>-</u>	<u>1,000,424</u>	<u>1,000,424</u>
Capital assets:			
Land and other non-depreciable assets	2,281,791	-	2,281,791
Other capital assets, net of depreciation	<u>16,105,833</u>	<u>-</u>	<u>16,105,833</u>
Total capital assets	<u>18,387,624</u>	<u>-</u>	<u>18,387,624</u>
Total assets	<u>25,582,043</u>	<u>1,508,769</u>	<u>27,090,812</u>
LIABILITIES			
Current liabilities:			
Accounts payable	414,626	44,053	458,679
Unearned revenue	26,605	-	26,605
Accrued interest payable	62,021	20,904	82,925
Due within one year			
Compensated absences	122,385	-	122,385
Bonds and notes payable	<u>503,584</u>	<u>499,814</u>	<u>1,003,398</u>
Total current liabilities	<u>1,129,221</u>	<u>564,771</u>	<u>1,693,992</u>
Long-term liabilities:			
Due in more than one year			
Compensated absences	146,165	-	146,165
Net pension obligation	96,785	-	96,785
Other postemployment benefits	501,065	-	501,065
Bonds and notes payable	<u>4,332,677</u>	<u>1,000,424</u>	<u>5,333,101</u>
Total long-term liabilities	<u>5,076,692</u>	<u>1,000,424</u>	<u>6,077,116</u>
Total liabilities	<u>6,205,913</u>	<u>1,565,195</u>	<u>7,771,108</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,551,363	-	13,551,363
Restricted for:			
Stabilization by State Statute	703,909	-	703,909
Streets	138,704	-	138,704
Law Enforcement	24,973	-	24,973
Unrestricted	<u>4,957,181</u>	<u>(56,426)</u>	<u>4,900,755</u>
Total net assets	<u>\$ 19,376,130</u>	<u>\$ (56,426)</u>	<u>\$ 19,319,704</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, 2012

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	\$ 1,910,778	\$ 74,313	\$ 69,924	\$ -	\$ (1,766,541)	\$ -	\$ (1,766,541)
Public safety	3,242,348	4,194	582,456	-	(2,655,698)	-	(2,655,698)
Streets	1,264,030	-	119,332	639,756	(504,942)	-	(504,942)
Sanitation	837,952	367,255	-	-	(470,697)	-	(470,697)
Storm water	191,214	-	-	-	(191,214)	-	(191,214)
Cultural and recreation	913,921	102,045	21,480	274,306	(516,090)	-	(516,090)
Interest on long-term debt	185,118	-	-	-	(185,118)	-	(185,118)
Total governmental activities	8,545,361	547,807	793,192	914,062	(6,290,300)	-	(6,290,300)
Business-type activities							
Water and sewer	70,646	-	-	-	-	(70,646)	(70,646)
Total	\$ 8,616,007	\$ 547,807	\$ 793,192	\$ 914,062	(6,290,300)	(70,646)	(6,360,946)
General revenues							
Taxes							
Property taxes, levied for general purpose					3,926,622	-	3,926,622
Other taxes and licenses					39,063	-	39,063
Unrestricted intergovernmental					1,665,768	-	1,665,768
Unrestricted investment earnings					7,087	73,738	80,825
Miscellaneous					91,892	408	92,300
Gain on disposal of capital assets					25,044	-	25,044
Total general revenues and special items					5,755,476	74,146	5,829,622
Change in net assets					(534,824)	3,500	(531,324)
Net assets - beginning of year					19,910,954	(59,926)	19,851,028
Net assets - end of year					\$ 19,376,130	\$ (56,426)	\$ 19,319,704

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

Exhibit 3
Page 1 of 2

	<u>Major</u>
	<u>General</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,151,181
Restricted cash	163,677
Receivables (net)	
Taxes	156,737
Accounts	860
Due from other funds	28,620
Due from other governments	<u>693,344</u>
Total assets	<u><u>\$ 7,194,419</u></u>
LIABILITIES AND FUND BALANCES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 414,626
Deferred revenues	175,652
Unearned revenues	<u>26,605</u>
Total liabilities	<u>616,883</u>
Fund balances	
Restricted	
Stabilization by State Statute	703,909
Streets	138,704
Law Enforcement	24,973
Committed	
Capital improvements	210,000
Stadium improvements	151,800
Assigned	
Subsequent year's expenditures	668,000
Unassigned	<u>4,680,150</u>
Total fund balances	<u>6,577,536</u>
Total liabilities and fund balances	<u><u>\$ 7,194,419</u></u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

Exhibit 3
Page 2 of 2

Fund balances - total governmental funds \$ 6,577,536

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	\$ 27,715,548	
Less accumulated depreciation	<u>(9,327,924)</u>	18,387,624

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	(4,821,441)	
Compensated absences	(268,550)	
Other postemployment benefits	(501,065)	
Net pension obligation	<u>(96,785)</u>	(5,687,841)

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

Premiums on bond issuance	(14,820)
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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	(62,021)
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Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenue	<u>175,652</u>
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Net assets of governmental activities	<u><u>\$ 19,376,130</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, 2012

Exhibit 4
Page 1 of 2

	<u>Major</u>
	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 3,939,522
Other taxes and licenses	40,040
Unrestricted intergovernmental	1,665,768
Restricted intergovernmental	1,335,338
Permits and fees	26,627
Investment earnings	7,087
Sales and services	519,963
Miscellaneous	146,912
Total revenues	<u>7,681,257</u>
EXPENDITURES	
Current	
General government	1,689,801
Public safety	2,906,795
Streets	887,973
Sanitation	772,653
Storm Water	128,188
Cultural and recreation	655,357
Capital outlay	691,103
Debt service	
Installment note principal	509,005
Installment note interest	183,585
Total expenditures	<u>8,424,460</u>
Excess of expenditures over revenues	(743,203)
OTHER FINANCING SOURCES	
Installment notes issued	<u>297,300</u>
Net change in fund balance	(445,903)
Fund balance - beginning of year	<u>7,023,439</u>
Fund balance - end of year	<u>\$ 6,577,536</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, 2012

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	\$	(445,903)
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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	\$ 691,103	
Less current year depreciation	<u>(1,126,867)</u>	(435,764)

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

Contributed capital	375,143	
Change in deferred revenues	<u>(15,887)</u>	359,256

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	509,005	
Installment notes issued	<u>(297,300)</u>	211,705

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	(29,976)	
Compensated absences	(12,397)	
Change in accrued interest payable	1,992	
Amortization of bond issuance costs	(4,403)	
Amortization of premiums on bond issuance	878	
Postemployment benefits	(171,138)	
Net pension obligation	<u>(9,074)</u>	<u>(224,118)</u>

Total changes in net assets of governmental activities	\$	<u><u>(534,824)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2012

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 4,020,300	\$ 3,836,100	\$ 3,939,522	\$ 103,422
Other taxes and licenses	34,900	34,900	40,040	5,140
Unrestricted intergovernmental	1,808,900	1,808,900	1,665,768	(143,132)
Restricted intergovernmental	780,900	1,447,554	1,335,338	(112,216)
Permits and fees	40,100	40,100	26,627	(13,473)
Investment earnings	51,500	31,500	7,087	(24,413)
Sales and services	500,200	494,700	519,963	25,263
Miscellaneous	35,700	89,298	146,912	57,614
Total revenues	7,272,500	7,783,052	7,681,257	(101,795)
EXPENDITURES				
General government	1,862,150	2,122,759	1,803,804	318,955
Public safety	3,071,150	3,089,935	3,085,408	4,527
Streets	729,150	1,338,315	1,161,411	176,904
Sanitation	832,050	846,773	848,451	(1,678)
Stormwater	136,300	133,550	128,188	5,362
Cultural and recreation	754,200	723,205	704,608	18,597
Debt service				
Note principal	509,006	509,006	509,005	1
Note interest	189,994	184,794	183,585	1,209
Total expenditures	8,084,000	8,948,337	8,424,460	523,877
Revenues over (under) expenditures	(811,500)	(1,165,285)	(743,203)	422,082
OTHER FINANCING SOURCES				
Installment Loan Proceeds	297,300	297,300	297,300	-
Appropriated fund balance	514,200	867,985	-	(867,985)
Total other financing sources	811,500	1,165,285	297,300	(867,985)
Excess of revenues and other financing sources under expenditures	\$ -	\$ -	\$ (445,903)	\$ (445,903)
Fund balance - beginning of year			7,023,439	
Fund balance - end of year			\$ 6,577,536	

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

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

June 30, 2012

Exhibit 6

ASSETS

Current assets

Cash	\$	37,151
Note receivable - current portion		499,814
Total current assets		536,965

Non-current assets

Note receivable - noncurrent portion		1,000,424
		1,000,424

Total assets		1,537,389
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LIABILITIES

Current liabilities

Accounts payable and accrued expenses		44,053
Due to other funds		28,620
Accrued interest		20,904
Bond payable-current		457,428
Notes payable-current		42,386
Total current liabilities		593,391

Noncurrent liabilities

Bonds payable-noncurrent		1,000,424
		1,000,424

Total liabilities		1,593,815
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NET ASSETS

Unrestricted	\$	(56,426)
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2012

Exhibit 7

OPERATING REVENUES	
Miscellaneous	\$ 408
OPERATING EXPENSES	
	<u>-</u>
Operating income	<u>408</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	73,738
Amortization	(2,840)
Interest expense	<u>(67,806)</u>
Total nonoperating revenues (expenses)	<u>3,092</u>
Change in net assets	3,500
Total net assets - beginning	<u>(59,926)</u>
Total net assets - ending	<u>\$ (56,426)</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, 2012

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Net cash provided by operating activities	\$ 1,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bonds issued	1,040,000
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	489,166
Bond issuance costs	(44,947)
Principal paid on debt	(1,484,219)
Interest paid on debt and equipment contracts	(72,730)
Net cash used by capital and related financing activities	(72,730)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	73,738
Net increase in cash and cash equivalents	2,664
CASH AND CASH EQUIVALENTS	
Beginning of year	34,487
End of year	\$ 37,151
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 408
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Decrease in accounts receivable	44,044
Decrease in accounts payable	(42,796)
Total adjustments	1,248
Net cash provided by operating activities	\$ 1,656

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

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

The government reports the following non-major government funds:

Fiscal Year 2013 Capital Project Fund – The Fiscal Year 2013 Capital Project Fund is being used to account for the completion of various facility capital projects over the next year and had only budgetary activity during the current fiscal year.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wake County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county including the Town of Zebulon. For motor vehicles registered under the staggered system property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 North Carolina 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.

North Carolina 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. RESTRICTED ASSETS

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening the local streets per North Carolina G.S. 136-41.1 through 136-41.4. In addition unexpended proceeds from federal and state forfeitures are classified as restricted cash until they are used for future police purchases.

4. AD VALOREM TAXES RECEIVABLE

In accordance with North Carolina General Statutes 105-347 and 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.

5. 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

6. LONG-TERM DEBT

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

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

7. 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 non-exempt employees to accrue compensatory time for hours worked in excess of a regular work period. 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. 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.

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.

Committed for capital improvements-portion of fund balance restricted by the governing board for future capital improvements in the Town.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

The Town of Zebulon has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city funds. For purposes of fund balance reclassification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2012 the Town's water and sewer fund had a deficit in net assets totaling \$56,426. 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.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

monitor them for compliance. The Town complies with the provisions of North Carolina 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, 2012, the Town's deposits had a carrying value of \$2,464,100 and a bank balance of \$2,395,258. 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, 2012, \$660,542 of the bank balance was covered by federal depository insurance and \$1,734,716 was covered by collateral held under the Pooling Method. At June 30, 2012 the Town's petty cash fund totaled \$500.

2. INVESTMENTS

At June 30, 2012, the Town had \$3,887,409 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, 2012. The Town has no formal policy regarding credit risk.

Interest Rate Risk: The Town's investment policy limits maturities to a maximum period of three years, with a weighted average maturity of all investments not to exceed 12 months, 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, 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,246,217	\$ 11,803	\$ 6,122	\$ 2,251,898
Construction in progress	78,021	27,556	75,684	29,893
	<u>2,324,238</u>	<u>39,359</u>	<u>81,806</u>	<u>2,281,791</u>
Capital assets being depreciated:				
Building	12,680,691	65,265	8,850	12,737,106
Other improvements	2,752,425	143,376	5,039	2,890,762
Roads and infrastructure	4,322,729	294,431	-	4,617,160
Equipment	1,265,317	396,249	126,107	1,535,459
Intangibles	36,000	-	-	36,000
Vehicles and motorized equipment	3,541,670	203,251	127,649	3,617,272
	<u>24,598,832</u>	<u>1,102,572</u>	<u>267,645</u>	<u>25,433,759</u>
Less accumulated depreciation for:				
Buildings	2,480,550	322,749	7,965	2,795,334
Other Improvements	1,591,881	119,153	5,039	1,705,995
Roads and infrastructure	1,297,614	321,274	-	1,618,888
Equipment	856,943	105,199	103,138	859,004
Intangibles	300	3,600	-	3,900
Vehicles and motorized equipment	2,217,561	254,892	127,648	2,344,805
	<u>8,444,849</u>	<u>1,126,867</u>	<u>243,790</u>	<u>9,327,926</u>
Total capital assets being depreciated, net	<u>16,153,983</u>	<u>(24,295)</u>	<u>23,855</u>	<u>16,105,833</u>
Capital assets, net	<u>\$ 18,478,221</u>	<u>\$ 15,064</u>	<u>\$ 105,661</u>	<u>\$ 18,387,624</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 185,188
Public safety	222,635
Transportation	368,054
Stormwater	59,172
Environmental protection	51,864
Cultural and recreational	239,954
Total	<u>\$ 1,126,867</u>

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Reclassifications of the types of assets and related depreciation have been made to the above categories of capital assets at July 1, 2011.

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 North Carolina 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 7.22 percent and 7.33 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, 2012, 2011, and 2010 were \$218,68, \$184,666, and \$135,275 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, 2011 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>22</u>
Total	<u>24</u>

TOWN OF ZEBULON, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 North Carolina 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, 2011 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	\$32,213
Interest on net pension obligation	4,386
Adjustment to annual required contribution	(5,232)
Annual pension cost	<u>31,367</u>
Contributions made	<u>22,293</u>
Increase in net pension obligation	9,074
Net pension obligation beginning of year	<u>87,711</u>
Net pension obligation end of year	<u><u>\$96,785</u></u>

Three Year Trend Information.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 22,099	99.29%	\$ 75,689
June 30, 2011	34,073	64.72	87,711
June 30, 2012	31,367	71.07	96,785

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Funded Status and Funding Progress.

As of December 31, 2011, 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 \$241,290. The covered payroll (annual payroll of active employees covered by the plan) was \$1,028,881, and the ratio of the UAAL to the covered payroll was 23.45 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 North Carolina 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, 2012 were \$63,864, which consisted of \$52,085 from the Town and \$11,779 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, 2012 were \$165,986, which consisted of \$98,187 from the Town and \$67,799 from employees.

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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Article 86 of North Carolina 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 under the limits prescribed by the Consolidated Omnibus Budget Reconciliation Act. 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, 2011:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	5	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	40	22
Total	45	24

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: \$321.54 for child(ren) coverage, \$401.72 for spouse coverage, and \$750.26 for family coverage. The Town’s members pay the following rates for dental coverage for dependents: \$31.92 for child(ren) coverage, \$21.07 for spouse coverage, and \$60.20 for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 5.93% of annual covered payroll. For the current year, the Town contributed \$29,200 or .92% of annual covered payroll. The Town obtains healthcare coverage

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

through private insurers. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .56% and .36% of covered payroll, respectively. There were no contributions made by retirees. 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	12,372
Adjustment to annual required contribution	-
Annual OPEB cost	<u>200,338</u>
Contributions made	<u>(29,200)</u>
Increase in net OPEB obligation	171,138
Net OPEB obligation beginning of year	<u>329,927</u>
Net OPEB obligation end of year	<u>\$ 501,065</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2012 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
June 30, 2012	187,966	15.53	501,065

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

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	\$ -	\$ 3,605
Prepaid rent not yet earned	-	3,000
Other unearned revenue	-	20,000
Taxes receivable (net)	137,586	-
Decal receivable	18,915	-
Sanitation receivables	19,151	-
Total deferred revenues	<u>\$ 175,652</u>	<u>\$ 26,605</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 North Carolina 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 (\$3,000,000), property (\$12,391,094), inland marine (\$452,427) auto liability (\$1,000,000), public officials liability (\$3,000,000), law enforcement liability (\$3,000,000) 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, with the exception of property insurance coverage. Property insurance coverage dropped from \$32,239,806 to \$12,391,094 due to Wake County taking over the property insurance coverage for a jointly-owned minor league baseball stadium. 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, 2012, 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction of a new town government campus. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Utility Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2012 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. \$3,700,000

At June 30, 2012, The Town had a legal debt margin of \$57,398,450. The Town had authorized but unissued bonds outstanding at June 30, 2012 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
2013	\$ 225,000	\$ 134,050	\$ -	\$ -
2014	225,000	126,175	-	-
2015	225,000	118,300	-	-
2016	225,000	110,425	-	-
2017	225,000	102,550	-	-
2018-2022	1,125,000	410,263	-	-
2023-2027	1,125,000	254,625	-	-
2028-2032	325,000	4,000	-	-
Total	<u>\$ 3,700,000</u>	<u>\$ 1,260,388</u>	<u>\$ -</u>	<u>\$ -</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, 2012 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%.	\$ 82,337	\$ -

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

\$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.

\$ 892,500 \$ -

\$297,300 installment obligation to BB&T issued July 19, 2011, secured by vehicles and equipment, payable in annual installments of \$76,403, which includes interest at 1.87%, through 2014.

220,897 -

Serviced by the Water and Sewer Fund:

\$1,040,000 installment note to Carter Bank to refund existing water and sewer bonds, issued September 1, 2011; due in annual installments of \$150,000 to \$167,000 plus interest at 2.00% through 2018.

877,000

-

\$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%.

-

42,386

Total

\$ 1,195,734

\$ 919,386

The future minimum payments of the installment notes as of June 30, 2012 including interest, are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 282,109	\$ 38,915	\$ 209,386	\$ 19,197
2014	201,124	30,625	163,000	14,200
2015	202,501	24,608	158,000	10,940
2016	127,500	18,564	154,000	7,780
2017	127,500	13,923	150,000	4,700
2018-2020	255,000	13,923	85,000	1,700
Total	\$ 1,195,734	\$ 140,558	\$ 919,386	\$ 58,517

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, 2012 totals \$580,852 with interest at 3.7% through May 1, 2014.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The future payments of the revenue note for the years ending June 30, 2012 are as follows:

Year Ending June 30:	Business-Type Activities	
	Principal	Interest
2013	\$ 290,428	\$ 21,491
2014	290,424	10,746
Total	\$ 580,852	\$ 32,237

d. Changes in Long-Term Debt

	Balance July 1, 2011	Increases	Decreases	Balance July 1, 2012	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,925,000	\$ -	\$ 225,000	\$ 3,700,000	\$ 225,000
Premiums on bond issuance	15,698	-	878	14,820	878
Less deferred amounts for bond issuance costs	(78,696)	-	(4,403)	(74,293)	(4,403)
Total bonds payable	3,862,002	-	221,475	3,640,527	221,475
Installment notes	1,182,439	297,300	284,005	1,195,734	282,109
Compensated absences	256,153	174,211	161,814	268,550	122,385
Other post employment benefits	329,927	200,338	29,200	501,065	-
Net pension obligation	87,711	31,367	22,293	96,785	-
Governmental activity long-term liabilities	\$ 5,718,232	\$ 703,216	\$ 718,787	\$ 5,702,661	\$ 625,969
Business-type activities:					
General obligation bonds	\$ 990,000	\$ -	\$ 990,000	\$ -	\$ -
Less deferred amounts for bond issuance costs	(2,840)	-	(2,840)	-	-
	987,160	-	987,160	-	-
Installment and revenue notes	954,457	1,040,000	494,219	1,500,238	499,814
Business-type activity long-term liabilities	\$ 1,941,617	\$ 1,040,000	\$ 1,481,379	\$ 1,500,238	\$ 499,814

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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	\$	6,577,536
Less:		
Stabalization by State Statute		(703,909)
Restricted for streets		(138,704)
Restricted for law enforcement		(24,973)
Committed for stadium improvements		(151,800)
Committed for capital improvements		(210,000)
Appropriated fund balance in 2013 budget		(668,000)
Remaining fund balance	\$	<u>4,680,150</u>

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 following 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, 2012 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 32% 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, 2012 of \$254,378,392, and property taxes assessed totaling \$1,271,892.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 \$1,500,238 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 \$499,814 due within one year and \$1,000,424 due in more than one year. The City of Raleigh will also pay interest on this balance based on the Town of Zebulon's interest rates on the associated long term debt.

TOWN OF ZEBULON, NORTH CAROLINA

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

Ten years ended December 31, 2011

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)
12/31/2002	\$ -	\$ 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%
12/31/2011	-	241,290	241,290	0%	1,028,881	23.45%

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

Ten years ended June 30, 2012

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2012	32,213	69.20%

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, 2011
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

Three years ending December 31, 2011

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

Three years ending June 30, 2012

Exhibit A-4

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 187,966	11.21%
2011	187,966	16.59%
2012	187,966	15.53%

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%

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, 2012
 With comparative actual amounts for year ended June 30, 2011

Schedule 1
 Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Prior Year</u>
REVENUES				
Ad valorem taxes	\$ 3,813,100	\$ 3,925,333	\$ 112,233	\$ 4,162,879
Penalties and interest	23,000	14,189	(8,811)	16,242
Total	<u>3,836,100</u>	<u>3,939,522</u>	<u>103,422</u>	<u>4,179,121</u>
Other taxes and licenses				
Motor vehicle decals	15,400	16,469	1,069	16,934
Privilege licenses	16,000	20,285	4,285	19,778
Local housing in lieu of tax	3,500	3,286	(214)	7,191
Total	<u>34,900</u>	<u>40,040</u>	<u>5,140</u>	<u>43,903</u>
Unrestricted intergovernmental				
Local option sales tax	882,500	780,129	(102,371)	871,993
Franchise tax	441,000	407,405	(33,595)	435,486
Hold harmless funds	428,400	428,481	81	450,786
Video programming	37,000	30,412	(6,588)	39,532
Beer and wine	20,000	19,341	(659)	24,448
Total	<u>1,808,900</u>	<u>1,665,768</u>	<u>(143,132)</u>	<u>1,822,245</u>
Restricted intergovernmental				
Powell Bill	116,800	119,332	2,532	138,298
Federal grants	367,239	331,472	(35,767)	2,352
State grants	166,185	150,000	(16,185)	5,799
PEG Supplement	60,600	69,524	8,924	17,280
Solid waste disposal tax	3,300	3,227	(73)	3,707
Wake County Fire District	451,950	446,687	(5,263)	444,610
Wake County Stadium	-	-	-	17,078
Other grants	281,480	215,096	(66,384)	4,276
Total	<u>1,447,554</u>	<u>1,335,338</u>	<u>(112,216)</u>	<u>633,400</u>
Permits and fees				
Zoning permits and fees	29,500	16,258	(13,242)	26,147
Inspection fees	4,000	6,175	2,175	6,263
Officer fees	6,600	4,194	(2,406)	6,244
Total	<u>40,100</u>	<u>26,627</u>	<u>(13,473)</u>	<u>38,654</u>
Investment earnings	31,500	7,087	(24,413)	12,114

(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, 2012
 With comparative actual amounts for year ended June 30, 2011

Schedule 1
 Page 2 of 5

	Budget	Actual	Variance Positive Negative	Prior Year
REVENUES (continued)				
Sales and services				
Charges for services	\$ 370,800	\$ 366,038	\$ (4,762)	\$ 328,152
Rent	50,500	51,880	1,380	51,164
Recreation	73,400	102,045	28,645	85,970
Total	<u>494,700</u>	<u>519,963</u>	<u>25,263</u>	<u>465,286</u>
Miscellaneous				
ABC revenue	19,300	21,561	2,261	20,847
Surplus property	-	59,716	59,716	122,623
Fines and forfeitures	15,700	17,202	1,502	21,403
Miscellaneous	54,298	48,433	(5,865)	110,366
Total	<u>89,298</u>	<u>146,912</u>	<u>57,614</u>	<u>275,239</u>
Total revenues	<u>7,783,052</u>	<u>7,681,257</u>	<u>(101,795)</u>	<u>7,469,962</u>
EXPENDITURES				
General government				
Governing body				
Personnel costs	62,700	59,572	3,128	58,141
Contract services	134,400	113,548	20,852	118,302
Other operating	391,300	162,200	229,100	97,293
Subtotal	<u>588,400</u>	<u>335,320</u>	<u>253,080</u>	<u>273,736</u>
Administration				
Personnel costs	454,050	461,932	(7,882)	435,823
Contract services	13,400	11,357	2,043	33,254
Other operating	50,150	47,093	3,057	32,884
Capital outlay	11,400	11,179	221	-
Subtotal	<u>529,000</u>	<u>531,561</u>	<u>(2,561)</u>	<u>501,961</u>
Public buildings				
Personnel costs	98,150	95,595	2,555	89,850
Contract services	66,500	64,507	1,993	49,054
Utilities	168,200	130,688	37,512	146,471
Other operating	219,650	196,299	23,351	185,587
Capital outlay	90,380	94,824	(4,444)	38,207
Subtotal	<u>642,880</u>	<u>581,913</u>	<u>60,967</u>	<u>509,169</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, 2012
With comparative actual amounts for year ended June 30, 2011

Schedule 1
Page 3 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
EXPENDITURES (continued)				
Planning				
Personnel costs	\$ 214,800	\$ 218,723	\$ (3,923)	\$ 202,974
Contract services	114,329	107,498	6,831	3,185
Other operating	25,350	20,789	4,561	23,712
Capital outlay	8,000	8,000	-	-
Subtotal	<u>362,479</u>	<u>355,010</u>	<u>7,469</u>	<u>229,871</u>
Total general government	<u>2,122,759</u>	<u>1,803,804</u>	<u>318,955</u>	<u>1,514,737</u>
Public safety				
Police				
Personnel costs	1,468,250	1,499,642	(31,392)	1,404,518
Contract services	148,300	146,093	2,207	129,977
Other operating	223,810	202,953	20,857	207,836
Capital outlay	175,700	160,862	14,838	71,581
Subtotal	<u>2,016,060</u>	<u>2,009,550</u>	<u>6,510</u>	<u>1,813,912</u>
Fire				
Personnel costs	888,700	907,108	(18,408)	716,999
Contract services	5,400	4,962	438	4,070
Other operating	162,750	146,037	16,713	141,405
Capital outlay	17,025	17,751	(726)	15,660
Subtotal	<u>1,073,875</u>	<u>1,075,858</u>	<u>(1,983)</u>	<u>878,134</u>
Total public safety	<u>3,089,935</u>	<u>3,085,408</u>	<u>4,527</u>	<u>2,692,046</u>
Streets				
Non-Powell Bill				
Personnel costs	114,050	115,407	(1,357)	118,370
Contract services	10,600	8,378	2,222	10,758
Utilities	154,350	138,639	15,711	138,165
Other operating	533,091	531,359	1,732	49,848
Capital outlay	374,424	227,268	147,156	223,002
Subtotal	<u>1,186,515</u>	<u>1,021,051</u>	<u>165,464</u>	<u>540,143</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, 2012
 With comparative actual amounts for year ended June 30, 2011

Schedule 1
 Page 4 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
EXPENDITURES (continued)				
Powell Bill				
Personnel costs	\$ 69,350	\$ 69,836	\$ (486)	\$ 64,088
Contract services	8,000	4,446	3,554	4,864
Other operating	28,150	19,908	8,242	34,938
Capital outlay	46,300	46,170	130	17,746
Subtotal	<u>151,800</u>	<u>140,360</u>	<u>11,440</u>	<u>121,636</u>
Total streets	<u>1,338,315</u>	<u>1,161,411</u>	<u>176,904</u>	<u>661,779</u>
Sanitation				
Personnel costs	310,900	311,104	(204)	308,035
Contract services	350,800	349,698	1,102	332,648
Other operating	109,073	111,851	(2,778)	87,403
Capital outlay	76,000	75,798	202	8,984
Total sanitation	<u>846,773</u>	<u>848,451</u>	<u>(1,678)</u>	<u>737,070</u>
Storm Water				
Personnel costs	90,450	90,243	207	-
Contract services	5,000	4,612	388	40,200
Other operating	38,100	33,333	4,767	5,815
Capital outlay	-	-	-	36,000
Total Storm Water	<u>133,550</u>	<u>128,188</u>	<u>5,362</u>	<u>82,015</u>
Cultural and recreation				
Recreation				
Personnel costs	411,750	414,955	(3,205)	393,329
Contract services	45,800	42,360	3,440	42,089
Other operating	158,910	149,783	9,127	146,694
Capital outlay	50,445	49,251	1,194	68,436
Subtotal	<u>666,905</u>	<u>656,349</u>	<u>10,556</u>	<u>650,548</u>
Stadium				
Utilities	46,300	41,177	5,123	33,129
Other operating	10,000	7,082	2,918	27,162
Subtotal	<u>56,300</u>	<u>48,259</u>	<u>8,041</u>	<u>60,291</u>
Total cultural and recreation	<u>723,205</u>	<u>704,608</u>	<u>18,597</u>	<u>710,839</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, 2012
 With comparative actual amounts for year ended June 30, 2011

Schedule 1
 Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Prior Year</u>
EXPENDITURES (continued)				
Debt service				
Principal	\$ 509,006	\$ 509,005	\$ 1	\$ 458,160
Interest	<u>184,794</u>	<u>183,585</u>	<u>1,209</u>	<u>201,626</u>
Total debt service	<u>693,800</u>	<u>692,590</u>	<u>1,210</u>	<u>659,786</u>
Total expenditures	<u>8,948,337</u>	<u>8,424,460</u>	<u>523,877</u>	<u>7,058,272</u>
Revenues over (under) expenditures	<u>(1,165,285)</u>	<u>(743,203)</u>	<u>422,082</u>	<u>411,690</u>
OTHER FINANCING SOURCES				
Lease Purchase Proceeds	297,300	297,300	-	-
Appropriated fund balance	<u>867,985</u>	<u>-</u>	<u>(867,985)</u>	<u>-</u>
Total other financing sources	<u>1,165,285</u>	<u>297,300</u>	<u>(867,985)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(445,903)</u>	<u>\$ (445,903)</u>	<u>411,690</u>
Fund balance - beginning of year		<u>7,023,439</u>		<u>6,611,749</u>
Fund balance- end of year		<u>\$ 6,577,536</u>		<u>\$ 7,023,439</u>

FISCAL YEAR 2013 CAPITAL PROJECT FUND

The Fiscal Year 2013 Capital Project Fund is used to account for financial resources to be used for renovations to existing public works and parks and recreation facilities.

TOWN OF ZEBULON, NORTH CAROLINA
 FISCAL YEAR 2013 CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

From inception to June 30, 2012

Schedule 2

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Community Center roof and wall	318,600	-	-	-
Public Works Fuel System	33,200	-	-	-
Community Center ballfield lighting	308,600	-	-	-
Legal Services	12,600	-	-	-
Contingency	77,000	-	-	-
Total expenditures	750,000	-	-	-
Revenues under expenditures	(750,000)	-	-	-
OTHER FINANCING SOURCES				
Transfers in				
General Fund	60,000	-	-	-
Issuance of debt	690,000	-	-	-
Total other financing sources	750,000	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -

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, 2012
 With comparative actual amounts for year ended June 30, 2011

Schedule 3

	Budget	Actual	Variance Positive (Negative)	Prior Year
OPERATING REVENUES				
Miscellaneous revenues	\$ -	\$ 408	\$ 408	\$ 6,546
NON-OPERATING REVENUES				
Debt reimbursements from Raleigh	565,605	562,750	(2,855)	583,555
Investment earnings	-	154	154	348
Total non-operating revenues	565,605	562,904	(2,701)	583,903
Total revenues	565,605	563,312	(2,293)	590,449
OPERATING EXPENDITURES				
Capital	-	-	-	28,620
Debt service				
Principal	1,488,611	1,484,219	4,392	479,684
Interest	72,047	72,729	(682)	103,870
Total debt service	1,560,658	1,556,948	3,710	612,174
Total operating expenditures	1,560,658	1,556,948	3,710	612,174
Revenues over (under) expenditures	(995,053)	(993,636)	1,417	(21,725)
OTHER FINANCING SOURCES (USES)				
Bonds issued	1,040,000	1,040,000	-	-
Bond issuance costs	(44,947)	(44,947)	-	-
Other financing sources (uses)	995,053	995,053	-	-
Revenues and other financing sources over (under) expenditures	\$ -	1,417	\$ 1,417	(21,725)
ADJUSTMENTS TO ACCRUAL				
Add (deduct)				
Debt principal		1,484,219		479,684
Bonds issued		(1,040,000)		-
Bond issuance costs reimbursed by City of Raleigh		44,947		-
Decrease in accrued interest payable		4,923		4,921
Capital outlay		-		28,620
Amortization		(2,840)		(5,695)
Loss on transfer of capital assets to Raleigh		-		(28,620)
Reimbursement for debt payments from City of Raleigh		(489,166)		(479,684)
Net income (loss)		\$ 3,500		\$ (22,499)

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, 2012

Schedule 4

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 3,918,084	\$ 3,874,143	\$ 43,941
2010-2011	55,049	-	40,523	14,526
2009-2010	31,934	-	4,414	27,520
2008-2009	14,301	-	2,771	11,530
2007-2008	12,309	-	1,943	10,366
2006-2007	8,238	-	1,259	6,979
2005-2006	8,911	-	708	8,203
2004-2005	6,171	-	794	5,377
2003-2004	4,981	-	292	4,689
2002-2003	5,006	-	550	4,456
2001-2002	3,586	-	3,586	-
	<u>\$ 150,486</u>	<u>\$ 3,918,084</u>	<u>\$ 3,930,983</u>	<u>\$ 137,587</u>

Revenue Reconciliation:

Ad valorem taxes - General Fund	\$ 3,939,522
Add (deduct):	
Releases allowed	2,064
Taxes written off	3,586
Penalties and interest	<u>(14,189)</u>
Total collections and credits	<u>\$ 3,930,983</u>

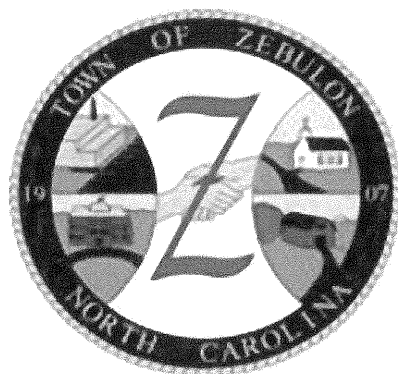
TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2012

Schedule 5

	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	\$ 819,771,400	0.50	\$ 4,098,857	\$ 3,966,104	\$ 132,753
Penalties	-		4,679	4,679	-
Total	819,771,400		4,103,536	3,970,783	132,753
Discoveries:					
Prior year taxes	-		6,955	4,949	2,006
Abatements	(38,481,400)	0.50	(192,407)	(190,069)	(2,338)
Total property valuation	<u>\$ 781,290,000</u>				
Net levy			3,918,084	3,785,663	132,421
Uncollected taxes at June 30, 2012			43,941	16,755	27,186
Current year's taxes collected			<u>\$ 3,874,143</u>	<u>\$ 3,768,908</u>	<u>\$ 105,235</u>
Current levy collection percentage			<u>98.9%</u>	<u>99.6%</u>	<u>79.5%</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 Nine Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Years								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 13,551,363
Restricted	-	241,582	-	-	185,640	247,739	159,123	635,366	867,586
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	4,957,181
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>	<u>\$ 19,376,130</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)	(56,426)
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>	<u>\$ (56,426)</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	\$ 13,551,363
Restricted	-	241,582	-	-	185,640	247,739	159,123	635,366	867,586
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	4,900,755
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>	<u>\$ 19,319,704</u>

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

Town of Zebulon, North Carolina

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

Table 2
Page 1 of 2

	Fiscal Years								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
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	\$ 1,910,778
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	3,242,348
Streets	369,450	420,061	553,831	571,469	704,267	759,235	804,201	766,885	1,264,030
Sanitation	489,937	524,590	515,589	558,012	661,410	717,081	748,643	797,076	837,952
Storm water	-	-	-	-	-	-	-	101,888	191,214
Cultural and recreational	959,149	543,220	568,273	694,708	662,694	654,523	843,239	885,495	913,921
Interest on long-term debt	313,734	333	3,074	6,493	77,303	211,803	211,298	194,085	185,118
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>	<u>8,545,361</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	70,646
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>	<u>70,646</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>	<u>\$ 8,616,007</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 69,953	\$ 71,899	\$ 79,513	\$ 124,391	\$ 121,381	\$ 92,517	\$ 87,522	\$ 83,574	\$ 74,313
Public safety	2,430	2,680	2,246	3,258	7,455	7,151	7,306	6,244	4,194
Sanitation	133,009	231,309	232,931	278,981	297,061	301,157	323,524	341,160	367,255
Cultural and recreational	42,428	48,996	47,950	47,058	53,905	48,211	76,148	85,970	102,045
Operating grants and contributions	644,152	521,722	557,412	558,410	584,145	698,721	629,278	629,693	793,192
Capital grants and contributions	1,019,197	588,267	1,031,415	1,858,246	641,043	1,563,108	504,339	10,825	914,062
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>	<u>2,255,061</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>	<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>	<u>\$ 2,255,061</u>

Town of Zebulon, North Carolina

Changes in Net Assets
Last Nine 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)	\$ (6,290,300)
Business-type activities	954,517	503,565	858,267	(294,657)	(118,830)	865,260	(124,220)	(104,644)	(70,646)
Total primary government net revenue (expense)	\$ (2,301,503)	\$ (2,438,326)	\$ (2,089,647)	\$ (2,617,564)	\$ (4,175,283)	\$ (2,685,365)	\$ (5,521,615)	\$ (6,316,322)	\$ (6,360,946)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes	1,994,285	2,285,910	2,404,198	2,730,404	3,497,033	4,643,724	4,254,209	4,173,228	3,926,622
Other taxes and licenses	40,601	45,492	47,094	51,317	35,345	43,648	45,709	44,111	39,063
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	1,665,768
Investment earnings	28,328	78,355	144,590	203,013	168,594	111,988	42,856	12,114	7,087
Miscellaneous	61,864	149,841	51,943	92,508	136,555	69,887	97,304	126,917	91,892
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	25,044
Special item: gain (loss) on transfer of assets to Wake County	(4,483,927)	-	-	-	-	-	-	-	-
Total governmental activities	(856,606)	3,959,848	4,307,894	4,776,421	5,613,481	6,809,243	6,264,545	6,301,672	5,755,476
Business-type activities:									
Investment earnings	\$ 8,238	\$ 12,837	\$ 27,783	\$ 185,579	\$ 67,979	\$ 143,688	\$ 123,926	\$ 104,219	\$ 73,738
Miscellaneous	-	-	-	-	-	-	8,271	6,546	408
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	8,238	142,837	27,783	(12,972,433)	(101,279)	473,773	(1,363,382)	82,145	74,146
Total primary government general revenues and other changes in net assets	(848,368)	4,102,685	4,335,677	(8,196,012)	5,512,202	7,283,016	4,901,163	6,383,817	5,829,622
Change in net assets									
Governmental activities	\$ (4,112,626)	\$ 1,017,957	\$ 1,359,980	\$ 2,453,514	\$ 1,557,028	\$ 3,258,618	\$ 867,150	\$ 89,994	\$ (534,824)
Business-type activities	962,755	646,402	886,050	(13,267,090)	(220,109)	1,339,033	(1,487,602)	(22,499)	3,500
Total primary government change in net assets	\$ (3,149,871)	\$ 1,664,359	\$ 2,246,030	\$ (10,813,576)	\$ 1,336,919	\$ 4,597,651	\$ (620,452)	\$ 67,495	\$ (531,324)

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

Town of Zebulon, North Carolina
 Government-Wide Expenses by Function
 Last Nine 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 & Recreational</u>	<u>Interest on Long-Term Debt</u>	<u>Water & Sewer</u>	<u>Total</u>
2004	\$ 776,091	\$ 2,258,828	\$ 369,450	\$ 489,937	\$ -	\$ 959,149	\$ 313,734	\$ 2,479,334	\$ 7,646,523
2005	841,564	2,076,999	420,061	524,590	-	543,220	333	2,488,918	6,895,685
2006	1,057,300	2,201,314	553,831	515,589	-	568,273	3,074	2,375,896	7,275,277
2007	1,066,702	2,295,867	571,469	558,012	-	694,708	6,493	842,548	6,035,799
2008	1,189,509	2,466,230	704,267	661,410	-	662,694	77,303	162,030	5,923,443
2009	1,335,282	2,583,566	759,235	717,081	-	654,523	211,803	143,740	6,405,230
2010	1,630,391	2,787,740	804,201	748,643	-	843,239	211,298	124,220	7,149,732
2011	1,695,678	2,928,037	766,885	797,076	101,888	885,495	194,085	104,644	7,473,788
2012	1,910,778	3,242,348	1,264,030	837,952	191,214	913,921	185,118	70,646	8,616,007

Note: Only nine 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 & Recreation</u>	<u>Debt Service</u>	<u>Total</u>	<u>Per Capita Expenditures</u>
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
2012	1,803,804	3,085,408	1,161,411	848,451	128,188	704,608	692,590	8,424,460	1,887

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

Town of Zebulon, North Carolina
 Government-Wide Revenues by Source
 Last Nine 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
2012	547,807	793,192	914,062	3,965,685	1,665,768	80,825	117,344	8,084,683

Note: Only nine 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
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
2012	3,979,562	3,001,106	26,627	7,087	519,963	146,912	7,681,257	1,721

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 Nine 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
2012	3,939,522	0.50

Note: Only nine 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 641,016	\$ 817,470	\$ 965,461	\$ 861,586	\$ 751,946	\$ 743,252	\$ 1,198,197	\$ 786,871	\$ -	\$ -
Unreserved	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	867,586
Committed	-	-	-	-	-	-	-	-	150,000	361,800
Assigned	-	-	-	-	-	-	-	-	514,200	668,000
Unassigned	-	-	-	-	-	-	-	-	5,723,873	4,680,150
Total General Fund	<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>	<u>6,577,536</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	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>\$ 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>	<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				
	2003	2004	2005	2006	2007
Revenues:					
Ad valorem taxes	\$ 1,958,879	\$ 2,007,393	\$ 2,284,512	\$ 2,392,713	\$ 2,731,035
Other taxes and licenses	635,300	40,601	44,472	46,129	47,545
Unrestricted intergovernmental	310,117	1,502,243	1,535,747	1,657,823	1,714,457
Restricted intergovernmental	1,707,812	1,651,069	695,769	1,067,267	718,020
Permits and fees	20,542	35,813	34,277	42,839	91,728
Sales and services	419,509	208,952	304,247	330,021	358,081
Investment earnings	39,961	28,328	78,355	144,590	203,013
Miscellaneous	41,009	63,112	148,101	56,660	137,508
Total revenues	<u>5,133,129</u>	<u>5,537,511</u>	<u>5,125,480</u>	<u>5,738,042</u>	<u>6,001,387</u>
Expenditures:					
General government	821,826	774,695	810,224	890,169	1,026,700
Public safety	1,673,789	2,226,478	1,913,600	2,031,176	2,148,573
Streets	313,766	417,450	326,231	261,237	351,108
Sanitation	606,760	455,574	435,834	476,063	512,103
Storm water	-	-	-	-	-
Cultural and recreational	953,264	429,949	426,575	282,210	487,433
Capital outlay	401,251	29,749	363,328	2,123,973	1,046,435
Debt service:					
Principal retirement	561,161	542,150	47,552	113,113	228,935
Interest and fees	562,640	535,493	333	3,074	6,493
Total expenditures	<u>5,894,457</u>	<u>5,411,538</u>	<u>4,323,677</u>	<u>6,181,015</u>	<u>5,807,780</u>
Excess of revenues over (under) expenditures	<u>(761,328)</u>	<u>125,973</u>	<u>801,803</u>	<u>(442,973)</u>	<u>193,607</u>
Other financing sources (uses):					
Installment note proceeds	-	254,603	-	194,000	412,100
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	-	78,965	-	-	-
Transfers (out)	-	(78,965)	(130,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>254,603</u>	<u>(130,000)</u>	<u>194,000</u>	<u>412,100</u>
Net change in fund balances	<u>\$ (761,328)</u>	<u>\$ 380,576</u>	<u>\$ 671,803</u>	<u>\$ (248,973)</u>	<u>\$ 605,707</u>
Debt service as a percentage of noncapital expenditures	20.5%	20.0%	1.2%	2.9%	4.9%

Town of Zebulon, North Carolina

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

Table 9
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	Fiscal Years				
	2008	2009	2010	2011	2012
Revenues:					
Ad valorem taxes	\$ 3,495,858	\$ 4,638,563	\$ 4,232,404	\$ 4,179,121	\$ 3,939,522
Other taxes and licenses	32,900	42,336	44,934	43,903	40,040
Unrestricted intergovernmental	1,763,225	1,909,107	1,778,698	1,822,245	1,665,768
Restricted intergovernmental	709,938	1,826,500	746,265	633,400	1,335,338
Permits and fees	92,915	48,719	47,055	38,654	26,627
Sales and services	378,147	425,135	448,373	465,286	519,963
Investment earnings	186,926	111,988	42,856	12,114	7,087
Miscellaneous	149,284	126,517	162,483	275,239	146,912
Total revenues	6,809,193	9,128,865	7,503,068	7,469,962	7,681,257
Expenditures:					
General government	1,159,519	1,280,987	1,404,090	1,476,530	1,689,801
Public safety	2,296,946	2,383,688	2,485,817	2,604,805	2,906,795
Streets	373,323	399,985	404,808	421,031	887,973
Sanitation	620,648	665,235	677,837	728,086	772,653
Storm water	-	-	-	46,015	128,188
Cultural and recreational	502,384	508,143	652,222	642,403	655,357
Capital outlay	3,718,508	5,326,963	1,403,548	479,616	691,103
Debt service:					
Principal retirement	619,199	460,487	694,708	458,160	509,005
Interest and fees	23,877	178,914	214,934	201,626	183,585
Total expenditures	9,314,404	11,204,402	7,937,964	7,058,272	8,424,460
Excess of revenues over (under) expenditures	(2,505,211)	(2,075,537)	(434,896)	411,690	(743,203)
Other financing sources (uses):					
Installment note proceeds	740,000	1,275,000	325,000	-	297,300
Bond Proceeds	4,600,000	-	-	-	-
Bond Issuance Costs	(92,455)	-	-	-	-
Transfers in	701,782	1,054,371	122,818	-	-
Transfers (out)	(701,782)	(1,054,371)	(122,818)	-	-
Total other financing sources (uses)	5,247,545	1,275,000	325,000	-	297,300
Net change in fund balances	\$ 2,742,334	\$ (800,537)	\$ (109,896)	\$ 411,690	\$ (445,903)
Debt service as a percentage of noncapital expenditures	11.5%	10.9%	13.9%	10.0%	9.0%

Town of Zebulon, North Carolina

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

Table 10

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Property Tax Rate	Taxable Assessed Ratio of Assessed Value to Estimated Actual Value
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%
2012	451,273,104	319,781,997	10,234,899	781,290,000	0.500	100%

Source: Wake County Revenue Department

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

Town of Zebulon, North Carolina

Direct and Overlapping Government Property Tax Rates
Last Ten Fiscal Years

Table 11

Fiscal Year	Town of Zebulon	Wake County	Total Direct Rate
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
2012	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	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline ⁽¹⁾	\$ 199,966,903	1	24.39	\$ 80,241,539	1	18.76
Glaxo Inc ⁽¹⁾	54,411,489	2	6.64	38,224,460	2	8.94
Nomacorrc LLC ⁽²⁾	21,722,451	3	2.65	6,023,577	7	1.41
USF Propco LLC ⁽³⁾	18,705,870	4	2.28	9,043,253	3	2.11
Wal-Mart	16,286,047	5	1.99	-	-	-
Zeb Land LLC ⁽⁴⁾	10,662,144	6	1.30	6,884,436	6	-
Corc LLC ⁽²⁾	8,081,650	7	0.99	-	-	-
Triangle East Shopping Centre	7,531,219	8	0.92	4,426,257	11	1.61
Illinois Tool Works Inc	6,897,815	9	0.84	4,642,247	10	1.09
Nomaco Zebulon ⁽⁴⁾	6,690,739	10	0.82	-	-	-
Progress Energy Carolinas ⁽⁵⁾	6,513,109	11	0.79	5,471,957	8	1.28
Atlas NC 1 SPE LLC	6,170,000	12	0.75	-	-	-
LNP Inc	5,282,826	13	0.64	-	-	-
US Foodservice Inc ⁽³⁾	5,272,381	14	0.64	-	-	-
NMC of North America Inc ⁽⁴⁾	-	-	-	7,554,077	4	1.77
Blount Inc	-	-	-	7,236,070	5	1.69
Flextronics Enclosures Inc	-	-	-	5,007,391	9	1.17
Total	\$ 374,194,643		45.65 %	\$ 174,755,264		39.83 %

Source: Wake County Revenue Department

Note:

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

(2) Nomacorrc 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) Zeb Land LLC formerly Nomaco Inc. Zeb Land LLC and Nomaco Zebulon 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
2003	\$ 1,956,014	\$ 1,901,311	97.20 %	\$ 50,247	\$ 1,951,558	99.77 %
2004	1,989,063	1,946,098	97.84	38,276	1,984,374	99.76
2005	2,278,441	2,231,834	97.95	41,233	2,273,067	99.76
2006	2,398,434	2,339,957	97.56	50,274	2,390,231	99.66
2007	2,727,709	2,670,120	97.89	50,790	2,720,910	99.75
2008	3,500,815	3,436,107	98.15	54,342	3,490,449	99.70
2009	4,792,459	4,727,252	98.64	53,677	4,780,929	99.76
2010	4,249,259	4,169,855	98.13	51,884	4,221,739	99.35
2011	4,166,859	4,111,810	98.68	40,523	4,152,333	99.65
2012	3,918,084	3,874,143	98.88	-	3,874,143	98.88

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			
2003	\$ 9,220,916	\$ -	\$ 2,190,000	\$ -	\$ 3,194,704	\$ 14,605,620	3.60%	\$ 3,578
2004	173,551 ⁽¹⁾	-	2,040,000	27,063 ⁽¹⁾	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 ⁽²⁾	-	1,740,000	384,542 ⁽³⁾	2,323,420	4,654,848	0.96%	1,074
2007	399,993 ⁽⁴⁾	-	1,590,000	327,042	2,032,992	4,350,027	0.81%	944
2008	520,794 ⁽⁵⁾	4,600,000 ⁽⁶⁾	1,440,000	196,571	1,742,564	8,499,929	1.35%	1,778
2009	1,560,307 ⁽⁷⁾	4,375,000	1,290,000	160,213	1,452,136	8,837,656	1.09%	1,784
2010	1,543,871 ⁽⁸⁾	4,150,000	1,140,000	122,434	1,161,708	8,118,013	0.97%	1,491
2011	1,182,439	3,925,000	990,000	83,177	871,280	7,051,896	0.87%	1,295
2012	1,195,734 ⁽⁹⁾	3,700,000	- ⁽¹⁰⁾	919,386 ⁽¹⁰⁾	580,852	6,395,972	0.82%	1,433

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.
- (9) During fiscal year 2012, an installment note for \$297,300 was issued for the purchase of vehicles and equipment.
- (10) During fiscal year 2012, the GO Bonds for business-type activities were refunded with an installment note in the amount of \$1,040,000.

Town of Zebulon, North Carolina

Direct and Overlapping Governmental Activities Debt
June 30, 2012

Table 15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> ⁽²⁾	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes-Wake County	\$ 1,754,870,000 ⁽¹⁾	0.68%	\$ 11,933,116
Town of Zebulon direct debt			<u>4,895,734</u> ⁽³⁾
Total direct and other overlapping debt			<u>\$ 16,828,850</u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,543,606,542, 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 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	\$ 62,503,200
Total net debt applicable to limit	9,615,116	580,214	504,747	922,028	1,029,135	5,590,965	6,340,620	5,904,633	5,904,633	5,104,750
Legal debt margin	<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>	<u>\$ 57,398,450</u>
Total net debt applicable to the limit as a percentage of debt limit	29.64%	1.77%	1.33%	2.37%	2.40%	11.06%	9.77%	8.80%	9.10%	8.17%

Legal Debt Margin for Fiscal Year 2012

Assessed value	\$ 781,290,000
Debt limit (8% of assessed value)	<u>62,503,200</u>
Debt applicable to limit:	
General obligation bonds	3,700,000
Non-bonded debt	2,115,120
Less: State exclusion for general obligation water bonds	<u>(710,370)</u>
Total net debt applicable to limit	<u>5,104,750</u>
Legal debt margin	<u>\$ 57,398,450</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	
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	-
2012	-	-	-	-	-	-	-	-

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. In Fiscal Year 2012, the Town refunded the bonds to installment notes. The City of Raleigh provides funds to cover debt service payments as they come due.

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

Table 18

Fiscal Year	Population ⁽¹⁾	Median Age ⁽²⁾	Per Capita Income ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
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	34.4	46,228	1,589	8.3%
2012	4,464	Not Available	Not Available	1,647	7.8%

Notes:

(1) Population projections provided by NC Office of State Planning - State Demographer
The 2012 number represents the State-adjusted population as a result of the 2012 United States Census.

(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, 2012

Table 19

Employer	2012	
	Employees	Rank
GlaxoSmithKline	625	1
US Foodservice	635	2
Wal-Mart	260	3
Wake County Public School System	219	4
Nomacorrc	203	5
East Wake Academy	110	6
Advanced Plastiform	85	7
Nomaco	81	8
Devil Dog Manufacturing	75	9
Town of Zebulon	59	10
Total	<u>2,352</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration/Finance	5	5	5	5	5	5	5	5	5	5
Planning	3	2	2	3	3	3	3	3	3	3
Buildings & Grounds	1	1	1	1	1	2	2	2	2	2
Public Safety										
Police	21	21	21	21	22	22	23	23	23	23
Fire	6	8	8	11	11	11	11	11	11	11
Streets	3.5	3.5	3.5	2.5	3	3	3	3	3	3
Environmental Protection	4	4	4	3	5	5	5	5	5	5
Stormwater	0	0	0	0	0	0	0	0	0	2
Cultural and Recreation	4	4	4	4	4	4	4	5	5	5
Water/Sewer Maintenance	6	6	6	6	0	0	0	0	0	0
Water Plant	1.5	1.5	1.5	0.5	0	0	0	0	0	0
Sewer Plant	4	4	4	4	0	0	0	0	0	0
Total	59	60	60	61	54	55	56	57	57	59

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. In FY 2011, the Town added the function of Stormwater operations, and included the addition of two positions for this function in FY 2012.

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 1 of 2

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	76	123	183	135	151	76	47	47	44	31
Privilege licenses issued	277	257	290	469	390	287	274	288	302	325
Code violations corrected	165	220	260	346	401	192	183	105	124	149
Public Safety										
Police calls for service	N/A	N/A	N/A	N/A	N/A	9,994	11,581	11,906	12,310	13,707
Physical arrests	606	617	652	691	747	594	953	736	465	313
Traffic violations	274	271	268	203	196	318	268	261	326	347
Warrants served	N/A	N/A	N/A	N/A	N/A	244	236	435	179	154
Civil citations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	480	133	18
Child safety seat inspections	N/A	N/A	N/A	N/A	54	39	35	30	19	55
Emergency responses	657	929	1,352	1,216	1,442	1,598	1,484	1,490	1,530	1,501
Fires extinguished	56	63	72	66	37	67	45	47	43	50
Property losses due to fire (dollars)	\$ 35,650	\$ 281,900	\$ 543,860	\$ 354,562	\$ 44,785	\$ 153,205	\$300,984	\$457,055	\$277,900	\$305,480
Fire code violations corrected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,196	644	915
Streets										
Miles of road maintained	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30	19.30	19.30
Feet of sidewalk maintained	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175	42,278	44,132
Storm Water										
Miles of storm drainage pipe maintained	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.26	9.60
Miles of ditches maintained	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.06	4.12
Environmental Protection										
Yard waste collected (tons)	N/A	N/A	N/A	N/A	1,200	1,200	1,200	1,200	1,807	1,672
White goods collected (pounds)	N/A	N/A	N/A	N/A	5,100	6,000	800	800	500	200
Number of sanitation customers	1,535	1,541	1,556	1,560	1,584	1,653	1,711	1,721	1,735	1,749
Number of recycling customers	1,441	1,447	1,454	1,454	1,471	1,568	1,613	1,642	1,661	1,675
Garbage collection fee	\$ 6.00	\$ 6.00	\$ 12.00	\$ 12.00	\$15.50	\$15.50	\$17.00	\$17.00	\$17.00	\$17.76

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 2 of 2

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Recreation and Parks										
Summer camp participants	300	315	287	260	256	234	197	255	229	189
Athletic program participants (youth and adult)	942	950	947	940	864	726	676	591	579	669
Recreation program participants (youth and adult)	N/A	N/A	N/A	N/A	N/A	71	85	458	1,425	1,111
Senior program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	233	433	229
Park and community center facility rentals	N/A	N/A	N/A	N/A	42	30	46	50	112	146
Special events attendance	N/A	N/A	N/A	N/A	3,500	2,375	2,415	3,266	3,573	2,400
Water										
Utility customers	1,839	1,844	1,849	1,920	N/A	N/A	N/A	N/A	N/A	N/A
Avg daily consumption (thousands of gallons)	498	543	605	604	N/A	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 24.25	\$ 28.25	\$ 35.75	\$ 35.75	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Avg daily sewer treatment (thousands of gallons)	960	730	711	558	N/A	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 27.42	\$ 29.42	\$ 34.00	\$ 34.00	N/A	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. The Town began operation of stormwater maintenance in FY 2011.

N/A=Data Not Available or Applicable

Town of Zebulon, North Carolina

Capital Assets by Function
Last Ten Fiscal Years

Table 22

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	19	20	20	21	22	22	23	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	8	7
Streets										
Streets (miles)	15.53	15.53	16.02	16.81	18.74	19.19	19.30	19.30	19.30	19.30
Sidewalk (feet)	N/A	N/A	N/A	N/A	36,213	37,289	40,707	41,175	42,278	44,132
Recreation and Parks										
Parks	4	4	6	6	6	6	6	6	6	6
Acreage	54.79	54.79	64.04	64.04	64.04	64.04	64.04	64.04	75.21	75.21
Baseball fields	2	2	4	4	4	4	4	4	4	4
Tennis courts	2	2	2	2	2	2	2	2	2	2
Basketball courts	3	3	4	4	4	4	4	4	4	4
Community centers	0	0	0	0	0	0	0	1	1	1
Water										
Water mains (miles)	33.3	34.0	34.1	35.0	0	0	0	0	0	0
Fire hydrants	312	325	339	359	0	0	0	0	0	0
Storage capacity (million gallons)	2.075	2.075	2.000	2.000	0	0	0	0	0	0
Wastewater										
Sanitary sewers (miles)	34.2	34.3	34.8	36.2	0	0	0	0	0	0
Lift stations	9	9	10	9	0	0	0	0	0	0
Treatment capacity (million gallons)	1.85	1.85	1.85	1.85	0	0	0	0	0	0
Reclaimed Water										
Water mains (miles)	0	0.5	0.5	0.5	0	0	0	0	0	0
Storage capacity (million gallons)	0	0.25	0.25	0.25	0	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

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, 2012, which collectively comprises the Town of Zebulon's basic financial statements, and have issued our report thereon dated September 25, 2012. 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

Management of the Town of Zebulon is responsible for establishing and maintaining effective 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. However, we did not identify any deficiencies in internal control over financial reporting that we consider 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*.

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, CPA
JOYCE AND COMPANY, CPA

September 25, 2012

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF FINDINGS & RESPONSES

For the year ended June 30, 2012

Schedule 6

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? yes none reported

Noncompliance material to financial statement noted yes 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, 2012

Schedule 7

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANT:					
<u>U. S. Department of Transportation</u>					
Pass through N.C. Department of Transportation					
Highway Planning and Construction	20.205-1	STPDA-0532(5)	\$ 119,040	\$ -	\$ -
Highway Planning and Construction	20.205-1	STPDA-0532(4)	76,663	-	66,552
Total Highway Planning and Construction Cluster			195,703	-	66,552
<u>U. S. Department of Homeland Security</u>					
Direct					
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2010-FH-00032	134,395	-	-
<u>U. S. Department of Justice</u>					
Direct					
Bulletproof Vest Partnership Program	16.607	N/A	1,375	-	-
Total federal award expenditures			331,473	-	66,552
STATE GRANT:					
<u>N.C. Department of Transportation</u>					
Powell Bill Fund					
		N/A	-	152,121	-
<u>N.C. Department of Transportation</u>					
Locally Administered Project - State Contingency Agreement					
		WBS42993	-	150,000	-
Total state award expenditures			-	302,121	-
Total expenditure of federal and state awards			\$ 331,473	\$ 302,121	\$ 66,552

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.