

TOWN OF ZEBULON NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

TOWN OF ZEBULON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Prepared by the Town of Zebulon Finance Department

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TOWN OF ZEBULON, NORTH CAROLINA

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INTRODUCTORY SECTION



Town of Zebulon

The Town of *Friendly* People

October 21, 2015

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, 2015. 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, 2015, 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, 2015 of approximately 4,610, 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 continuing a period of recovery from the recession and the eastern region of Wake

County and the Town is no exception. The Town continued substantial growth in building permits this year. Permits reached figures that exceeded last year's large increase with the Town issuing 128 building permits with a total value of approximately \$18 million during fiscal year 2015.

With the value of the growth, the Town of Zebulon tax base for the fiscal year ending June 30, 2015 totaled \$781,406,857, an increase of about 1% from the previous year. With the Town's tax base heavily concentrated in commercial and industrial properties, the depreciation on existing property, due to lack of reinvestment in equipment, was partially offset by the increased real property values. Real property saw a 3% increase while business personal property's depreciation yielded a 1% decrease in value. With the overall increase in value, the Board of Commissioners approved holding the property tax rate at \$.525 per \$100 of assessed value for fiscal year 2016.

One of the greater impacts on the Town over the past few years was 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 along with the recession, many of the revenues the Town receives from other government agencies on a per capita basis decreased 10% to 15%. The Town is seeing the recovery of those revenues to near pre-recession levels.

The Town continues to use a six-year Capital Improvement Plan as a guide 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 were delayed to future years when strong residential growth is projected to return.

Zebulon, just like many other communities, continues its recovery from the recession. Development interest is still strong in the area, and growth is continuing to regain momentum. The Town will continue to maintain a cautious approach to budgeting over the next year and beyond.

MAJOR INITIATIVES

The Town took advantage of grant opportunities to complete a project that will serve citizens for years to come. The Town partnered with the North Carolina Department of Transportation to make sidewalk improvements near the Town's Boys & Girls Club.

A Parks and Recreation grant, from the John Rex Endowment, was used to start a Town run Farmer's Market, establish a Youth Council and draft the Zebulon Greenway, Bicycle & Pedestrian Master Plan in fiscal year 2015.

While there has been some real property growth, slower growth of business personal property caused Town leaders to remain cautious in the fiscal year 2016 budget. The budget included no property tax rate increase, remaining at \$.525 per \$100 of assessed value. Capital expenditures, such as fleet maintenance and street maintenance, were reduced. Merit pay available to employees was slightly increased.

The Town's budget for fiscal year 2016 includes several projects and objectives for the coming year. Among them are:

- Continuation of the stormwater management program as required by state and federal mandates, to be funded, in part, through a monthly fee to property owners;
- Street drainage improvements;
- Redesign of Town website;
- Vehicle and large equipment replacement;
- Continuation of the Town's first farmer's market; 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 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. 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 2015.

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 2014. 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,



Joseph M. Moore II
Town Manager



Robert T. Fitts
Finance Director

TOWN OF ZEBULON, NORTH CAROLINA

BOARD OF COMMISSIONERS AND TOWN OFFICIALS

June 30, 2015

Town of Zebulon Board of Commissioners



Robert S. Matheny
Mayor



Don Bumgarner
Mayor Pro Tem



R. Dale Beck
Commissioner



Beverly Wall Clark
Commissioner



Glenn York
Commissioner



Curtis Strickland
Commissioner

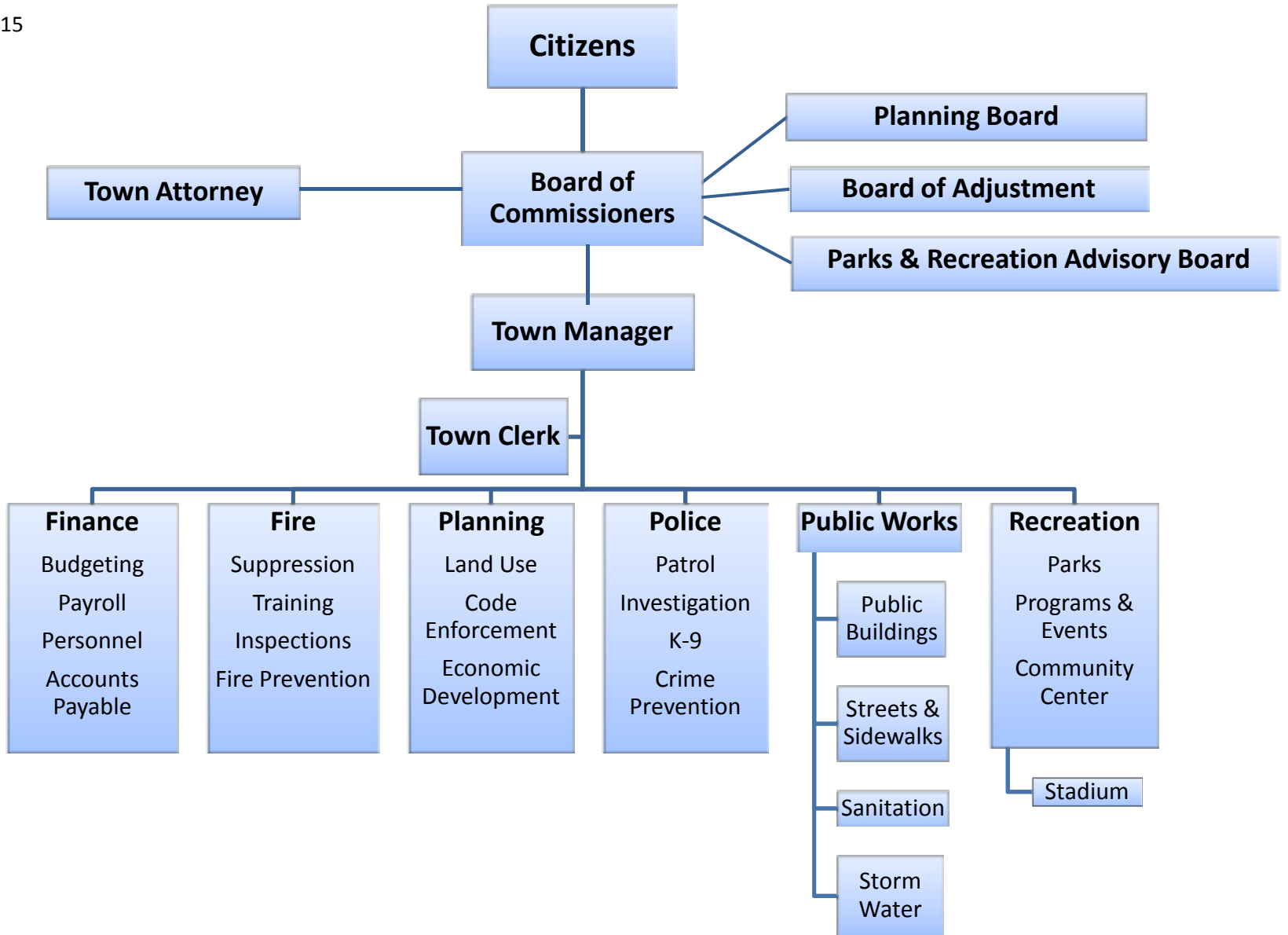
Town of Zebulon Officials

Joseph M. Moore, II – 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
Robert Fitts – Finance Director
Lisa Markland – Town Clerk
Christopher Perry – Fire Chief
Chris Ray – Public Works Director

TOWN OF ZEBULON, NORTH CAROLINA

ORGANIZATION CHART

June 30, 2015





Government Finance Officers Association

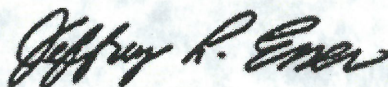
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Zebulon
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014



Executive Director/CEO

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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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Zebulon, North Carolina as of June 30, 2015, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Zebulon, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, Schedule of Expenditures of Federal and State Awards and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, the Schedule of Expenditures of Federal and State Awards and statistical section are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, other schedules and statistical section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of Town of Zebulon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Zebulon's internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

October 21, 2015

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, 2015. 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,733,000.
- The government's total net position decreased by \$127,400 overall mainly due to a prior period adjustment made from the implementation of GASB 68.
- Zebulon's governmental funds reported ending fund balances of \$7,710,275, an increase of \$450,562 compared to the prior year. This increase is due to the sale of a town building, increased permits and fees revenues mainly due to an increase in building permit activity.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,158,019, or 80% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt decreased by \$747,442.
- The Town maintained its bond ratings of AA- by Standard and Poor's Corporation and Aa3 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.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the total assets and total liabilities. Measuring net position 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 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 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 Position 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)

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Position 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 60 of this report.

Government-Wide Financial Analysis

**Town of Zebulon Net Position
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 8,548,592	\$ 7,666,581	\$ 507,786	\$ 1,032,711	\$ 9,056,378	\$ 8,699,292
Capital assets	17,320,350	17,796,498	-	-	17,320,350	17,796,498
Total assets	<u>25,868,942</u>	<u>25,463,079</u>	<u>507,786</u>	<u>1,032,711</u>	<u>26,376,728</u>	<u>26,495,790</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>205,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,656</u>	<u>-</u>
LIABILITIES						
Long-term liabilities outstanding	5,310,733	5,578,965	235,000	389,000	5,545,733	5,967,965
Other liabilities	977,934	982,880	309,670	683,160	1,287,604	1,666,040
Total liabilities	<u>6,288,667</u>	<u>6,561,845</u>	<u>544,670</u>	<u>1,072,160</u>	<u>6,833,337</u>	<u>7,634,005</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,016,047</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>1,016,047</u>	<u>1,385</u>
NET POSITION						
Net Investment in capital assets	12,944,657	12,831,363	-	-	12,944,657	12,831,363
Restricted	1,019,076	667,364	-	-	1,019,076	667,364
Unrestricted	4,806,151	5,401,122	(36,884)	(39,449)	4,769,267	5,361,673
Total net position	<u>\$ 18,769,884</u>	<u>\$ 18,899,849</u>	<u>\$ (36,884)</u>	<u>\$ (39,449)</u>	<u>\$ 18,733,000</u>	<u>\$ 18,860,400</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town of Zebulon exceeded liabilities and deferred inflows of resources by \$18,733,000 as of June 30, 2015. The Town’s net position decreased by

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

\$127,400 for the fiscal year ended June 30, 2015, again, mainly due to the implementation of GASB 68. Approximately 69% of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 position in the amount of \$1,019,076 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,769,267 is unrestricted.

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

- The Town saw an increase in capital and operating grants and contributions.
- An increase in restricted revenues such as transportation impact fees and developer reimbursements.
- A town building was sold this fiscal year for a total of \$98,450.
- A prior period adjustment from the implementation of GASB 68.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 770,234	\$ 732,276	\$ -	\$ -	\$ 770,234	\$ 732,276
Operating grants & contributions	831,799	782,618	-	-	831,799	782,618
Capital grants & contributions	773,591	260,172	-	-	773,591	260,172
General revenues:						
Property taxes	4,119,373	4,099,089	-	-	4,119,373	4,099,089
Other taxes	47,983	43,164	-	-	47,983	43,164
Unrestricted intergovernmental	1,477,071	1,458,220	-	-	1,477,071	1,458,220
Other	173,749	166,183	12,188	25,056	185,937	191,239
Total revenues	<u>8,193,800</u>	<u>7,541,722</u>	<u>12,188</u>	<u>25,056</u>	<u>8,205,988</u>	<u>7,566,778</u>
EXPENSES						
General government	1,711,158	1,746,647	-	-	1,711,158	1,746,647
Public safety	3,115,698	3,177,517	-	-	3,115,698	3,177,517
Streets	782,121	815,731	-	-	782,121	815,731
Sanitation	826,740	836,113	-	-	826,740	836,113
Storm water	224,215	210,764	-	-	224,215	210,764
Culture and recreation	983,783	970,340	-	-	983,783	970,340
Interest on long-term debt	153,411	166,392	9,623	21,797	163,034	188,189
Total expenses	<u>7,797,126</u>	<u>7,923,504</u>	<u>9,623</u>	<u>21,797</u>	<u>7,806,749</u>	<u>7,945,301</u>
Change in net position	396,674	(381,782)	2,565	3,259	399,239	(378,523)
Gain (Loss) on disposal of capital assets	83,168	284,424	-	-	83,168	284,424
Change in net position	<u>479,842</u>	<u>(97,358)</u>	<u>2,565</u>	<u>3,259</u>	<u>482,407</u>	<u>(94,099)</u>
Net position July 1 - as originally stated	18,899,849	18,997,207	(39,449)	(42,708)	18,860,400	18,954,499
Adjustment to beginning net position	(609,807)	42,395	-	-	(609,807)	42,395
Net position July 1 - as restated	<u>18,290,042</u>	<u>19,039,602</u>	<u>(39,449)</u>	<u>(42,708)</u>	<u>18,250,593</u>	<u>18,996,894</u>
Net position June 30	<u>\$ 18,769,884</u>	<u>\$ 18,942,244</u>	<u>\$ (36,884)</u>	<u>\$ (39,449)</u>	<u>\$ 18,733,000</u>	<u>\$ 18,902,795</u>

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the Town's net position by \$479,842. Key elements of this decrease are as follows:

- The Town's large commercial and industrial tax base remains steady, but value on equipment at the large facilities continues to depreciate, the tax increase and a change in vehicle tax collection procedure helped offset that resulting in a 3% increase 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 decreased spending in the areas of general government, transportation, and public safety.
- A prior period adjustment from the implementation of GASB 68.

Business-type Activities. Business-type activities increased the Town of Zebulon's net position by \$2,565. Although the Town merged its sole business activity, a water and sewer fund, with the City of Raleigh in 2006, the Town continues to make debt service payments and be reimbursed by the City of Raleigh. 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 \$6,158,019, while total fund balance reached \$7,710,275. 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. Unassigned fund balance represents 80% of total General Fund expenditures, while total fund balance represents approximately 100% of that same amount.

At June 30, 2015, the governmental funds of the Town of Zebulon reported a fund balance of \$7,710,275, a 6% increase from last year. This increase is the result of a significant favorable variance in revenues and expenditures, no use of appropriated fund balance and the aforementioned sale of a town building.

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 slightly greater than budgeted because a higher percentage of taxes were collected. Restricted intergovernmental revenues were less than budgeted due to the fact that a reimbursement-based, grant-funded project was not completed as planned. Unrestricted intergovernmental revenues were more than budgeted due to the fact that sales tax and utilities franchise taxes were greater than projected. Sales and service revenues continue to increase with increased participation in recreation and athletic programs and the implementation of a stormwater fee to offset the expenditures of this new program. Permits and fees exceeded budgeted amounts by approximately 62% mainly due to increased building

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

permit activity. Miscellaneous Revenues exceeded budgeted amounts by 79% mainly due to the sale of the Town building that was not budgeted for. Expenditures were held below budgeted amounts by a number of factors, including: lower than estimated maintenance and operational costs at several new Town facilities, a delay in the completion of certain capital projects, and careful monitoring of the budget by each department.

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 position of the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of \$36,884. The deficit balance at fiscal year-end is mainly due to debt service amortizations. 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 activities as of June 30, 2015, totals \$17,320,350 (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:

- Investment in Town buildings and facilities through renovation projects.
- Sale of a Town building.

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 and retains no capital assets in the business-type activities.

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

	Governmental Activities	
	2015	2014
Land	\$ 2,494,863	\$ 2,251,898
Construction in progress	183,837	118,849
Buildings	9,426,621	9,996,430
Other improvements	1,249,928	1,339,389
Roads and infrastructure	2,440,120	2,338,678
Intangibles	114,761	24,900
Equipment	635,702	725,018
Vehicles and motorized equipment	774,518	1,001,336
Total capital assets	\$ 17,320,350	\$ 17,796,498

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

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Long-term Debt. As of June 30, 2015, the Town of Zebulon had total bonded debt outstanding of \$3,037,185. This outstanding debt is backed by the full faith and credit of the Town. The Town also has installment purchase notes outstanding of \$1,727,508.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 3,025,000	\$ 3,250,000	\$ -	\$ -	\$ 3,025,000	\$ 3,250,000
Installment purchase notes	1,338,508	1,702,072	389,000	547,000	1,727,508	2,249,072
Premiums	12,185	13,063	-	-	12,185	13,063
Total bonds and notes	\$ 4,375,693	\$ 4,965,135	\$ 389,000	\$ 547,000	\$ 4,764,693	\$ 5,512,135

The Town of Zebulon’s total debt decreased by \$747,442 during the past fiscal year. The Town did not issue any debt this year.

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 Aa3 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 \$58,062,946.

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 2016 budget:

- An increase in the property tax base due to increasing property values located within the Town. Real property had growth of approximately 8.1% while personal property had growth of 5%. The total assessed value increased approximately 6.9%.
- A projected increase in sales tax and utilities franchise taxes based on economic indicators pointing toward continued growth in the economy and retail sales. The increase is more modest than the fiscal year 2015 increase which saw a tremendous growth, especially in electricity sales tax due to a change in distribution method.
- A projected increase in zoning fees based on increased building permit activity and some increases in building permit fees.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. The total General Fund budget is projected to increase 3.5% for fiscal year 2016, as compared to the actual results of fiscal year 2015. The major components of this increase include a planned group of capital projects and equipment purchases and minor increases to operating expenditures.

The Town will hold its tax rate at \$.525 per \$100 of assessed value to ensure that incoming revenues for general services match projected expenditures. The storm water and garbage fees will remain the same while maintaining storm water management services mandated by the State.

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 Bobby Fitts, 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 POSITION

June 30, 2015

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,026,232	\$ 147,399	\$ 7,173,631
Restricted cash	465,669	-	465,669
Taxes receivable (net)	126,803	-	126,803
Accounts receivable (net)	4,601	7	4,608
Internal balances	28,620	(28,620)	-
Note receivable - current portion	-	154,000	154,000
Due from other governments	531,495	-	531,495
Total current assets	<u>8,183,420</u>	<u>272,786</u>	<u>8,456,206</u>
Non-current assets:			
Net pension asset	365,172	-	365,172
Note receivable - noncurrent portion	-	235,000	235,000
Total non-current assets	<u>365,172</u>	<u>235,000</u>	<u>600,172</u>
Capital assets:			
Land and other non-depreciable assets	2,678,700	-	2,678,700
Other capital assets, net of depreciation	14,641,650	-	14,641,650
Total capital assets	<u>17,320,350</u>	<u>-</u>	<u>17,320,350</u>
Total assets	<u>25,868,942</u>	<u>507,786</u>	<u>26,376,728</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	205,656	-	205,656
LIABILITIES			
Current liabilities:			
Accounts payable	295,245	152,429	447,674
Accrued interest payable	50,250	3,241	53,491
Current portion of long-term liabilities	632,439	154,000	786,439
Total current liabilities	<u>977,934</u>	<u>309,670</u>	<u>1,287,604</u>
Long-term liabilities:			
Due in more than one year	5,310,733	235,000	5,545,733
Total liabilities	<u>6,288,667</u>	<u>544,670</u>	<u>6,833,337</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,835	-	4,835
Recreation fees	34,953	-	34,953
Pension deferrals	976,259	-	976,259
Total deferred inflows of resources	<u>1,016,047</u>	<u>-</u>	<u>1,016,047</u>
NET POSITION			
Net investment in capital assets	12,944,657	-	12,944,657
Restricted for:			
Stabilization by State Statute	553,407	-	553,407
Streets	58,640	-	58,640
Transportation impact	110,756	-	110,756
Developer Reimbursements	281,770	-	281,770
Law Enforcement	14,503	-	14,503
Unrestricted	4,806,151	(36,884)	4,769,267
Total net position	<u>\$ 18,769,884</u>	<u>\$ (36,884)</u>	<u>\$ 18,733,000</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, 2015

Exhibit 2

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,711,158	\$ 182,735	\$ 56,887	\$ -	\$ (1,471,536)	\$ -	\$ (1,471,536)
Public safety	3,115,698	2,418	567,672	14,082	(2,531,526)	-	(2,531,526)
Streets	782,121	62,346	124,733	759,509	164,467	-	164,467
Sanitation	826,740	394,117	-	-	(432,623)	-	(432,623)
Storm water	224,215	-	-	-	(224,215)	-	(224,215)
Cultural and recreation	983,783	128,618	82,507	-	(772,658)	-	(772,658)
Interest on long-term debt	153,411	-	-	-	(153,411)	-	(153,411)
Total governmental activities	<u>7,797,126</u>	<u>770,234</u>	<u>831,799</u>	<u>773,591</u>	<u>(5,421,502)</u>	<u>-</u>	<u>(5,421,502)</u>
Business-type activities							
Water and sewer	9,623	-	-	-	-	(9,623)	(9,623)
Total	<u>\$ 7,806,749</u>	<u>\$ 770,234</u>	<u>\$ 831,799</u>	<u>\$ 773,591</u>	<u>(5,421,502)</u>	<u>(9,623)</u>	<u>(5,431,125)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					4,119,373	-	4,119,373
Other taxes and licenses					47,983	-	47,983
Unrestricted intergovernmental					1,477,071	-	1,477,071
Unrestricted investment earnings					6,117	11,047	17,164
Miscellaneous					167,632	1,141	168,773
Gain on disposal of capital assets					83,168	-	83,168
Total general revenues and special items					<u>5,901,344</u>	<u>12,188</u>	<u>5,913,532</u>
Change in net position					<u>479,842</u>	<u>2,565</u>	<u>482,407</u>
Net position - beginning of year - (as previously reported)					18,899,849	(39,449)	18,860,400
Adjustment to beginning net position					(609,807)	-	(609,807)
Net position - beginning of year - (as restated)					<u>18,290,042</u>	<u>(39,449)</u>	<u>18,250,593</u>
Net position - end of year					<u>\$ 18,769,884</u>	<u>\$ (36,884)</u>	<u>\$ 18,733,000</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

Exhibit 3
Page 1 of 2

	<u>Major</u>
	<u>General</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 7,026,232
Restricted cash	465,669
Receivables (net)	
Taxes	126,803
Accounts	4,601
Due from other funds	28,620
Due from other governments	531,495
	<u>531,495</u>
Total assets	<u>\$ 8,183,420</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 295,245
	<u>295,245</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	126,803
Recreation	34,953
Sanitation receivables	11,309
Prepaid taxes	4,835
	<u>4,835</u>
Total deferred inflows of resources	<u>177,900</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	553,407
Streets	58,640
Transportation Impact	110,756
Developer Reimbursements	281,770
Law Enforcement	14,503
Committed	
Capital improvements	38,000
Stadium improvements	155,400
Assigned	
Subsequent year's expenditures	339,780
Unassigned	6,158,019
	<u>6,158,019</u>
Total fund balances	<u>7,710,275</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,183,420</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

Exhibit 3
Page 2 of 2

Fund balances - total governmental funds		\$ 7,710,275
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	29,271,299	
Less accumulated depreciation	<u>(11,950,949)</u>	17,320,350
Net pension asset		365,172
<p>Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position</p>		
		205,656
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Government bonds and notes payable	(4,363,508)	
Compensated absences	(241,518)	
Other postemployment benefits	(1,178,007)	
Net pension obligation	<u>(147,954)</u>	(5,930,987)
Premiums on bond issuance		(12,185)
<p>Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued interest payable		(50,250)
Pension related deferrals		(976,259)
<p>Liabilities for earned revenues considered deferred inflows of resources in fund statements.</p>		
		<u>138,112</u>
Net position of governmental activities		<u><u>\$ 18,769,884</u></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, 2015

Exhibit 4
Page 1 of 2

	<u>Major</u>
	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 4,136,640
Other taxes and licenses	49,673
Unrestricted intergovernmental	1,477,071
Restricted intergovernmental	1,177,170
Permits and fees	466,550
Investment earnings	6,117
Sales and services	582,560
Miscellaneous	273,324
Total revenues	<u>8,169,105</u>
EXPENDITURES	
Current	
General government	1,497,599
Public safety	2,820,289
Streets	414,949
Sanitation	775,532
Storm Water	154,487
Cultural and recreation	699,274
Capital outlay	605,237
Debt service	
Installment note principal	588,564
Installment note interest	162,612
Total expenditures	<u>7,718,543</u>
Net change in fund balance	450,562
Fund balance - beginning of year	<u>7,259,713</u>
Fund balance - end of year	<u><u>\$ 7,710,275</u></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, 2015

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	\$ 450,562
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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	\$ 605,237	
Less current year depreciation	<u>(1,208,205)</u>	(602,968)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	205,656
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Contributed capital	149,344	
Change in unavailable revenue for tax and sanitation revenues	<u>(18,957)</u>	130,387

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	588,564
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Gain on sale of equipment	(22,524)	
Compensated absences	(838)	
Change in accrued interest payable	8,323	
Amortization of premiums on bond issuance	878	
Postemployment benefits	(257,694)	
Pension expense	(1,280)	
Net pension obligation	<u>(19,224)</u>	<u>(292,359)</u>

Total changes in net position of governmental activities	<u>\$ 479,842</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, 2015

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 4,005,000	\$ 4,005,000	\$ 4,136,640	\$ 131,640
Other taxes and licenses	49,500	49,500	49,673	173
Unrestricted intergovernmental	1,258,000	1,258,000	1,477,071	219,071
Restricted intergovernmental	1,211,375	1,358,955	1,177,170	(181,785)
Permits and fees	170,100	288,081	466,550	178,469
Investment earnings	6,000	6,000	6,117	117
Sales and services	505,200	527,750	582,560	54,810
Miscellaneous	138,500	153,010	273,324	120,314
Total revenues	<u>7,343,675</u>	<u>7,646,296</u>	<u>8,169,105</u>	<u>522,809</u>
EXPENDITURES				
General government	1,666,500	1,789,780	1,650,350	139,430
Public safety	2,901,600	2,946,630	2,828,974	117,656
Streets	1,161,078	1,265,289	777,901	487,388
Sanitation	807,550	819,050	775,532	43,518
Stormwater	246,250	246,250	177,397	68,853
Cultural and recreation	679,550	826,660	757,213	69,447
Debt service				
Note principal	588,857	588,857	588,564	293
Note interest	162,693	162,693	162,612	81
Total expenditures	<u>8,214,078</u>	<u>8,645,209</u>	<u>7,718,543</u>	<u>926,666</u>
Revenues over (under) expenditures	(870,403)	(998,913)	450,562	1,449,475
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>870,403</u>	<u>998,913</u>	-	<u>(998,913)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	450,562	<u>\$ 450,562</u>
Fund balance - beginning of year			<u>7,259,713</u>	
Fund balance - end of year			<u>\$ 7,710,275</u>	

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

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

June 30, 2015

Exhibit 6

ASSETS

Current assets

Cash	\$ 147,399
Accounts receivable	7
Note receivable - current portion	154,000
Total current assets	<u>301,406</u>

Non-current assets

Note receivable - noncurrent portion	<u>235,000</u>
--------------------------------------	----------------

Total assets

536,406

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	152,429
Due to other funds	28,620
Accrued interest	3,241
Bonds payable-current	154,000
Total current liabilities	<u>338,290</u>

Noncurrent liabilities

Bonds payable-noncurrent	<u>235,000</u>
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Total liabilities

573,290

NET POSITION

Unrestricted	<u>\$ (36,884)</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2015

Exhibit 7

<hr/>	
OPERATING REVENUES	
Miscellaneous	\$ 1,141
OPERATING EXPENSES	<u>-</u>
Operating income	<u>1,141</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	11,047
Interest expense	<u>(9,623)</u>
Total nonoperating revenues (expenses)	<u>1,424</u>
Change in net position	2,565
Total net position - beginning	<u>(39,449)</u>
Total net position - ending	<u><u>\$ (36,884)</u></u>

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

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

For the year ended June 30, 2015

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Net cash used by operating activities	\$ (367,039)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	158,000
Principal paid on debt	(158,000)
Interest paid on debt and equipment contracts	(10,940)
Net cash used by capital and related financing activities	(10,940)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	11,047
Net increase in cash and cash equivalents	(366,932)
CASH AND CASH EQUIVALENTS	
Beginning of year	514,331
End of year	\$ 147,399
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ 1,141
Adjustments to reconcile operating income to net cash used by operating activities	
Changes in assets and liabilities	
Increase in accounts receivable	(7)
Decrease in accounts payable	(368,173)
Net cash used by operating activities	\$ (367,039)

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 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 position 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

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 pay the remaining debt outstanding that the Town is still liable for, collect remaining water and sewer assessments and to collect availability fees and other fees on behalf of the City of Raleigh.

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 funds 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 judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The Town considers revenues to be available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. Sales taxes are considered a shared revenue for the Town because the tax is levied by Wake County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 is both restricted and unrestricted net position 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.

D. BUDGETARY DATA

The Town's budgets are adopted as required by North Carolina General Statutes. Annual budget ordinances are adopted for the general and proprietary funds. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Interfund transfer of moneys may be made only with specific advanced approval of the Town Board. Interdepartmental transfers between non-capital line items may be made for amounts up to \$5,000 with Board notification at the next regularly scheduled meeting; all other interdepartmental transfers may be made only with specific advanced approval of the Town Board. Supplemental appropriations that amend the total expenditures of any fund require a resolution of the Town Board. The Budget Officer is authorized to reallocate any appropriations within departments. Budgets are reported as originally adopted or as amended by executive action or Board resolution. During the year several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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. The NCCMT Term Portfolio's securities are valued at fair value.

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. Also transportation fees collected are considered restricted. These must be spent on certain improvements within a period of ten years per Town Charter or refunded to the developer.

Town of Zebulon Restricted Cash

Governmental Activities

Streets	\$169,396
Developer Reimbursements	281,770
Public Safety	<u>14,503</u>
Total	<u>\$465,669</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criteria, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial position element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, prepaid recreation revenues and deferrals of pension expense that result from the implementation of GASB State 68.

7. LONG-TERM OBLIGATIONS

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 position. Bond premiums and discounts, are deferred and 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, except for prepaid insurance costs, are expensed in the period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

8. 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.

9. NET POSITION/FUND BALANCES

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents 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 four 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:

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 transportation impact fees-portion of fund balance that is restricted by Town charter to be used on certain improvements within ten years or refunded to developer.

Restricted for developer reimbursements-portion of fund balance that is restricted by revenue source for specific developer reimbursed projects.

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 resolution approved by majority vote by quorum of Town of Zebulon's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

Assigned Fund Balance

This classification includes amounts of fund balance that the Town intends to use for specific purposes. Assignments may be created, amended or eliminated by management under policy adopted by the Board of Commissioners. Amounts are available for appropriation by the governing board.

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. The governing body approves

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

the appropriation; however the budget ordinance authorizes the manager to transfer amounts up to \$5,000 between line items within a department.

Unassigned Fund Balance

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

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-town funds, town 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.

The Town of Zebulon has a fund balance policy that is to maintain an unrestricted fund balance in the General Fund of no less than 50% of the total projected expenditures. Unrestricted fund balance is the total of all committed, assigned and unassigned fund balance. Unrestricted fund balance in excess of 50% is available for general appropriation during the budget year as approved by the Board. At the end of the year, after the annual audit is complete and financial statements have been reported, the Board may, at its discretion, credit any unrestricted fund balance in excess of 75% of the subsequent year's total expenditures, to a capital reserve fund. This designation will be done by formal resolution of the Board. If a catastrophic economic or natural event occurs that requires a 25% or more deviation from the total budgeted revenues or expenditures, the unrestricted fund balance can be reduced by Board action. In such an event, the Board shall develop a recovery plan to rebuild the fund balance within 36 months of the current year fiscal year end.

10. PENSIONS

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Zebulon's employer contributions are recognized when due and the Town of Zebulon has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2015 the Town's water and sewer fund had a deficit in net position totaling \$36,884. This is a result of future amortization of bond premiums. As detailed in Note 8 this fund has only minimal activity other than the payment of remaining outstanding debt and the reimbursement of these payments from the City of Raleigh.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of 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, 2015, the Town's deposits had a carrying value of \$2,197,091 and a bank balance of \$2,260,753. 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, 2015, \$500,000 of the bank balance was covered by federal depository insurance and \$1,760,753 was covered by collateral held under the Pooling Method. At June 30, 2015 the Town's petty cash fund totaled \$500.

2. INVESTMENTS

At June 30, 2015, the Town's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Cash Portfolio	\$3,461,528	N/A	AAAm
NC Capital Management Trust-Term Portfolio	<u>1,980,181</u>		Unrated
Total	<u>\$5,441,709</u>		

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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,251,898	\$ 242,965	\$ -	\$ 2,494,863
Construction in progress	118,849	157,003	92,015	183,837
Total capital assets not being depreciated	<u>2,370,747</u>	<u>399,968</u>	<u>92,015</u>	<u>2,678,700</u>
Capital assets being depreciated:				
Building	12,982,043	-	219,920	12,762,123
Other improvements	3,280,265	44,943	-	3,325,208
Roads and infrastructure	4,617,160	435,478	-	5,052,638
Equipment	1,769,596	50,116	52,377	1,767,335
Intangibles	36,000	93,461	-	129,461
Vehicles and motorized equipment	3,535,145	20,690	-	3,555,835
Total capital assets being depreciated	<u>26,220,209</u>	<u>644,688</u>	<u>272,297</u>	<u>26,592,600</u>
Less accumulated depreciation for:				
Buildings	2,985,613	364,263	14,374	3,335,502
Other Improvements	1,940,876	134,404	-	2,075,280
Roads and infrastructure	2,278,482	334,036	-	2,612,518
Equipment	1,044,578	124,394	37,339	1,131,633
Intangibles	11,100	3,600	-	14,700
Vehicles and motorized equipment	2,533,809	247,508	-	2,781,317
Total accumulated depreciation	<u>10,794,458</u>	<u>1,208,205</u>	<u>51,713</u>	<u>11,950,950</u>
Total capital assets being depreciated, net	<u>15,425,751</u>	<u>(563,517)</u>	<u>220,584</u>	<u>14,641,650</u>
Capital assets, net	<u>\$ 17,796,498</u>	<u>\$ (163,549)</u>	<u>\$ 312,599</u>	<u>\$ 17,320,350</u>

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Depreciation expense was charged to
Functions/programs as follows:

General government	\$	202,650
Public safety		246,190
Transportation		365,051
Stormwater		68,290
Environmental protection		46,977
Cultural and recreational		279,047
Total	\$	<u>1,208,205</u>

B. LIABILITIES

1. PENSION PLAN OBLIGATIONS

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Zebulon is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of North Carolina G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Zebulon employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Zebulon's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Zebulon were \$205,656 for the year ended June 30, 2015.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the Town reported an asset of \$365,172 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At

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NOTES TO FINANCIAL STATEMENTS

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June 30, 2014, the Town's proportion was 0.062%, which was a decrease of 0.005% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,280. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39,902
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	850,110
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	86,247
Town contributions subsequent to the measurement date	205,656	-
Total	<u>\$ 205,656</u>	<u>\$ 976,259</u>

\$205,656 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (244,144)
2017	(244,144)
2018	(244,144)
2019	(243,827)
2020	-
Thereafter	-

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NOTES TO FINANCIAL STATEMENTS

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Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

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	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 1,239,548	\$ (365,171)	\$ 1,716,292

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2014 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>20</u>
Total	<u>22</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB 67 and 68:

- Contributions to the pension plan and earning on those contributions are irrevocable.
- Pension plan assets are dedicated to providing benefits to plan members.
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

Contributions.

The Town is required by Article 12D of 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, 2014 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 4.25 – 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	\$42,323
Interest on net pension obligation	6,437
Adjustment to annual required contribution	(10,875)
Annual pension cost	<u>37,885</u>
Contributions made	<u>18,661</u>
Increase in net pension obligation	19,224
Net pension obligation beginning of year	128,730
Net pension obligation end of year	<u><u>\$147,954</u></u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Three Year Trend Information.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 33,075	67.40%	\$ 107,567
June 30, 2014	34,359	38.41	128,730
June 30, 2015	37,885	49.26	147,954

Funded Status and Funding Progress.

As of December 31, 2014, 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 \$304,857. The covered payroll (annual payroll of active employees covered by the plan) was \$1,008,332, and the ratio of the UAAL to the covered payroll was 30.23 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, 2015 were \$60,589, which consisted of \$48,492 from the Town and \$12,097 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

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contributions for the year ended June 30, 2015 were \$139,630, which consisted of \$93,768 from the Town and \$45,862 from employees.

e. Other Postemployment Benefit (OPEB) – Healthcare Benefits

Plan Description. Under a Town resolution July 1, 2009, the Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees' Retirement System (System) and have met certain service requirements with the Town. Employees who have 20 or more years of continuous creditable service under the Local Government Retirement System and their last 5 years of service with the Town (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, 2014:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	6	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	39	20
Total	<u>45</u>	<u>23</u>

Funding Policy. The Board of Commissioners established the contribution requirements of plan members and this may be amended by the Board. The Town's members pay the following rates for medical coverage for dependents: \$631.12 for child(ren) coverage, \$595.08 for spouse coverage, and \$1,133.78 for family coverage. The Town's members pay the following rates for dental coverage for dependents: \$41.01 for child(ren) coverage, \$33.41 for spouse coverage, and \$79.89 for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.71% of annual covered payroll. For the current year, the Town contributed \$37,782 or 1.05% of annual covered payroll. The Town's contributions totaled \$37,782 in fiscal year 2015. 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.

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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	\$ 258,664
Interest on OPEB obligation	36,812
Adjustment to annual required contribution	-
Annual OPEB cost	<u>295,476</u>
Contributions made	<u>(37,782)</u>
Increase in net OPEB obligation	257,694
Net OPEB obligation beginning of year	<u>920,313</u>
Net OPEB obligation end of year	<u>\$ 1,178,007</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation as of June 30, 2015 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, 2013	\$205,079	15.7%	\$673,887
June 30, 2014	278,085	11.4	920,313
June 30, 2015	295,476	12.8	1,178,007

Funded Status and Funding Progress. As of December 31, 2012, 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 \$2,540,394. The covered payroll (annual payroll of active employees covered by the plan) was \$3,015,782 and the ratio of the UAAL to the covered payroll was 84.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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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, 2012 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 8.5 to 5.0 percent annually. The investment rate included a 3.00% 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, 2012 was 30 years.

f. Other Employment Benefits

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

2. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources at June 30, 2015 are comprised of the following:

General Fund:	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned	\$ -	\$ 4,835
Recreation revenues not yet earned	-	34,953
Taxes receivable	112,381	-
Decal receivable	14,422	-
Sanitation receivables	11,309	-
Total deferred revenues	\$ 138,112	\$ 39,788

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June 30, 2015

Deferred outflows of resources at June 30, 2015 is comprised of contributions to pension plan in current fiscal year totaling \$205,656.

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 each 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 (\$12,568,116), inland marine (\$266,176) auto liability (\$1,000,000), public officials liability (\$3,000,000), law enforcement liability (\$3,000,000) and an umbrella policy (\$3,000,000). 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. 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, 2015, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction of a new town government campus. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Utility Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2015 are composed of the following individual issues:

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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. \$3,025,000

At June 30, 2015, The Town had a legal debt margin of \$58,062,946.

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
2016	225,000	110,425	-	-
2017	225,000	102,550	-	-
2018	225,000	94,675	-	-
2019	225,000	83,800	-	-
2020	225,000	78,925	-	-
2021-2025	1,125,000	274,250	-	-
2026-2030	775,000	68,200	-	-
Total	\$ 3,025,000	\$ 812,825	\$ -	\$ -

b. Installment Note Indebtedness

The Town also has installment notes for capital projects, equipment and vehicles. The installment notes payable at June 30, 2015 are composed of the following:

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$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.	\$ 510,000	\$ -
\$690,000 installment obligation to BB&T issued November 21, 2012; secured by real estate, payable in annual principal installments of \$115,000, plus interest at 1.61%, through 2019.	460,000	-
\$460,635 installment obligation to BB&T issued December 12, 2013; secured by real estate, payable in annual principal installments of \$46,064, plus interest at 2.52%, through 2023.	368,508	-
\$1,040,000 installment note to Carter Bank and Trust 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.	-	389,000
Total	\$ 1,338,508	\$ 389,000

TOWN OF ZEBULON, NORTH CAROLINA

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June 30, 2015

The future minimum payments of the installment notes as of June 30, 2015 including interest, are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 288,564	\$ 35,256	\$ 154,000	\$ 7,780
2017	288,563	27,603	150,000	4,700
2018	288,564	19,950	85,000	1,700
2019	288,563	12,297	-	-
2020	46,064	4,643	-	-
2021-2025	138,190	6,965	-	-
Total	\$ 1,338,508	\$ 106,714	\$ 389,000	\$ 14,180

c. Changes in Long-Term Debt

	Balance July 1, 2014	Increase s	Decreases	Balance July 1, 2015	Amounts Due Within One Year
Governmental activities:					
General obligation Bonds	\$ 3,250,000	\$ -	\$ 225,000	\$ 3,025,000	\$ 225,000
Premiums on bond Issuance	13,063	-	878	12,185	878
Total bonds payable	3,263,063	-	225,878	3,037,185	225,878
Installment notes	1,702,072	-	363,564	1,338,508	288,564
Compensated absences	240,680	170,410	169,572	241,518	117,997
Other post-employment Benefits	920,313	295,476	37,782	1,178,007	-
Net Pension obligation (LGERS)	813,634	-	813,634	-	-
Net pension obligation (LEO)	128,730	37,885	18,661	147,954	-
Governmental activity long-term liabilities	\$ 7,068,492	\$ 503,771	\$ 1,629,091	\$ 5,943,172	\$ 632,439
Business-type activities:					
Installment and revenue notes	\$ 547,000	\$ -	\$ 158,000	\$ 389,000	\$ 154,000

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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NOTES TO FINANCIAL STATEMENTS

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

NOTE 4 – FUND BALANCE

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

Total fund balance-General Fund	\$	7,710,275
Less:		
Stabilization by State Statute		(553,407)
Restricted for streets		(58,640)
Restricted for transportation impact		(110,756)
Restricted for law enforcement		(14,503)
Restricted for developer reimbursements		(281,770)
Committed for stadium improvements		(155,400)
Committed for capital improvements		(38,000)
Appropriated fund balance in 2015 budget		(339,780)
Remaining fund balance	\$	<u>6,158,019</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, 2015 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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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, 2015 of \$250,120,189, and property taxes assessed totaling \$1,313,131.

NOTE 8 – MERGER OF WATER AND SEWER UTILITY SYSTEM WITH THE CITY OF RALEIGH

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

The accompanying statement of net position also shows total notes receivable of \$389,000 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 \$154,000 due within one year and \$235,000 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.

NOTE 9-CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$609,807 and \$-0-, respectively.

NOTE 10-SUBSEQUENT EVENTS

Subsequent to June 30, 2015 and prior to the issuance of these financial statements the Town entered into an installment purchase agreement to borrow \$252,000 with an interest rate of 1.57% to purchase vehicles and equipment.

TOWN OF ZEBULON, NORTH CAROLINA

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

Ten years ended December 31, 2014

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)
12/31/2005	-	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%
12/31/2012	-	260,964	260,964	0%	1,050,801	24.83%
12/31/2013	-	265,484	265,484	0%	974,144	27.25%
12/31/2014	-	304,857	304,857	0%	1,008,332	30.23%

TOWN OF ZEBULON, NORTH CAROLINA

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

Ten years ended June 30, 2015

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2013	34,259	65.07%
2014	37,745	34.96%
2015	42,323	44.09%

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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

Four years ending December 31, 2014

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%
12/31/2012	\$ -	\$ 2,540,394	\$ 2,540,394	0%	\$ 3,015,782	84.2%

Note that fiscal year ending June 30, 2010 was the first year that the Town recognized this liability under GASB 45. Also note that actuarial valuation are being performed every three years with the last actuarial valuation performed for the year ended June 30, 2013.

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

Four years ending June 30, 2015

Exhibit A-4

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	187,966	15.53%
2013	202,328	15.94%
2014	251,130	12.61%
2015	258,664	14.61%

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, 2012
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	8.5 - 5.0%
Post-Medicare trend rate	6.25 - 5.0%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%

TOWN OF ZEBULON, NORTH CAROLINA

TOWN OF ZEBULON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST TWO FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-5

	<u>2015</u>	<u>2014</u>
Zebulon's proportion of the net pension liability (asset) (%)	0.06192%	0.06750%
Zebulon's proportion of the net pension liability (asset) (\$)	\$ (365,172)	\$ 813,634
Zebulon's covered-employee payroll	\$ 2,861,740	\$ 2,868,217
Zebulon's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.76%	28.37%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF ZEBULON, NORTH CAROLINA
TOWN OF ZEBULON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-6

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 205,656	\$ 203,827
Contributions in relation to the contractually required contributions	<u>205,656</u>	<u>203,827</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Zebulon's covered-employee payroll	\$ 2,861,740	\$ 2,868,217
Contributions as a percentage of covered-employee payroll	7.19%	7.11%

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INDIVIDUAL FUND STATEMENTS & SCHEDULES

GENERAL FUND

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

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2015
With comparative actual amounts for year ended June 30, 2014

Schedule 1
Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
REVENUES				
Ad valorem taxes	\$ 3,991,000	\$ 4,126,132	\$ 135,132	\$ 4,095,112
Penalties and interest	14,000	10,508	(3,492)	19,804
Total	<u>4,005,000</u>	<u>4,136,640</u>	<u>131,640</u>	<u>4,114,916</u>
Other taxes and licenses				
Motor vehicle decals	32,000	32,506	506	23,542
Privilege licenses	17,500	17,167	(333)	22,209
Total	<u>49,500</u>	<u>49,673</u>	<u>173</u>	<u>45,751</u>
Unrestricted intergovernmental				
Local option sales tax	840,000	898,220	58,220	804,597
Franchise tax	370,000	527,596	157,596	382,262
Hold harmless funds	-	-	-	222,150
Video programming	29,000	29,583	583	29,413
Beer and wine	19,000	21,672	2,672	19,798
Total	<u>1,258,000</u>	<u>1,477,071</u>	<u>219,071</u>	<u>1,458,220</u>
Restricted intergovernmental				
Powell Bill	124,700	124,733	33	124,477
Federal grants	2,000	2,516	516	-
State grants	218,192	114,082	(104,110)	-
PEG Supplement	64,000	56,887	(7,113)	63,644
Solid waste disposal tax	2,500	2,894	394	2,541
Wake County Fire District	558,320	565,156	6,836	578,521
Other grants	389,243	310,902	(78,341)	148,836
Total	<u>1,358,955</u>	<u>1,177,170</u>	<u>(181,785)</u>	<u>918,019</u>
Permits and fees				
Zoning permits and fees	40,000	115,162	75,162	98,513
Transportation impact fees	76,600	62,346	(14,254)	78,420
Developer reimbursements	164,981	281,770	116,789	-
Inspection fees	4,000	4,854	854	5,251
Officer fees	2,500	2,418	(82)	2,508
Total	<u>288,081</u>	<u>466,550</u>	<u>178,469</u>	<u>184,692</u>
Investment earnings	<u>6,000</u>	<u>6,117</u>	<u>117</u>	<u>5,797</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, 2015
 With comparative actual amounts for year ended June 30, 2014

Schedule 1
 Page 2 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive Negative	<u>Prior Year</u>
REVENUES (continued)				
Sales and services				
Charges for services	\$ 365,000	\$ 391,223	\$ 26,223	\$ 371,314
Cemetery	-	9,176	9,176	12,950
Rent	50,000	53,543	3,543	49,985
Recreation	112,750	128,618	15,868	110,794
Total	<u>527,750</u>	<u>582,560</u>	<u>54,810</u>	<u>545,043</u>
Miscellaneous				
ABC revenue	23,500	27,063	3,563	24,564
Stormwater fees	100,000	106,549	6,549	104,967
Surplus property	-	106,323	106,323	296,981
Fines and forfeitures	-	3,707	3,707	338
Miscellaneous	29,510	29,682	172	26,579
Total	<u>153,010</u>	<u>273,324</u>	<u>120,314</u>	<u>453,429</u>
Total revenues	<u>7,646,296</u>	<u>8,169,105</u>	<u>522,809</u>	<u>7,725,867</u>
EXPENDITURES				
General government				
Governing body				
Personnel costs	61,250	60,817	433	58,866
Contract services	189,150	192,960	(3,810)	121,623
Capital outlay	5,500	5,183	317	-
Other operating	155,500	149,198	6,302	141,224
Subtotal	<u>411,400</u>	<u>408,158</u>	<u>3,242</u>	<u>321,713</u>
Administration				
Personnel costs	406,500	395,619	10,881	422,373
Contract services	38,000	33,325	4,675	33,503
Other operating	29,450	26,403	3,047	29,031
Capital outlay	5,360	-	5,360	5,360
Subtotal	<u>479,310</u>	<u>455,347</u>	<u>23,963</u>	<u>490,267</u>
Public buildings				
Personnel costs	65,750	57,711	8,039	29,958
Contract services	12,000	10,235	1,765	60,948
Utilities	159,450	135,899	23,551	145,826
Other operating	202,441	170,548	31,893	214,497
Capital outlay	129,329	105,303	24,026	341,029
Subtotal	<u>568,970</u>	<u>479,696</u>	<u>89,274</u>	<u>792,258</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, 2015
With comparative actual amounts for year ended June 30, 2014

Schedule 1
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Planning				
Personnel costs	\$ 239,700	\$ 235,433	\$ 4,267	\$ 213,064
Contract services	14,000	10,999	3,001	34,843
Other operating	26,400	18,452	7,948	16,959
Capital outlay	50,000	42,265	7,735	51,196
Subtotal	<u>330,100</u>	<u>307,149</u>	<u>22,951</u>	<u>316,062</u>
Total general government	<u>1,789,780</u>	<u>1,650,350</u>	<u>139,430</u>	<u>1,920,300</u>
Public safety				
Police				
Personnel costs	1,410,500	1,365,397	45,103	1,372,249
Contract services	138,500	131,154	7,346	135,187
Other operating	270,800	245,326	25,474	214,218
Capital outlay	-	-	-	14,938
Subtotal	<u>1,819,800</u>	<u>1,741,877</u>	<u>77,923</u>	<u>1,736,592</u>
Fire				
Personnel costs	921,450	889,665	31,785	872,337
Contract services	6,200	6,101	99	7,269
Other operating	190,480	182,646	7,834	189,284
Capital outlay	8,700	8,685	15	121,122
Subtotal	<u>1,126,830</u>	<u>1,087,097</u>	<u>39,733</u>	<u>1,190,012</u>
Total public safety	<u>2,946,630</u>	<u>2,828,974</u>	<u>117,656</u>	<u>2,926,604</u>
Streets				
Non-Powell Bill				
Personnel costs	94,880	86,383	8,497	96,301
Contract services	12,000	8,446	3,554	8,761
Utilities	156,000	145,262	10,738	141,382
Other operating	85,681	64,788	20,893	43,704
Capital outlay	751,218	335,495	415,723	-
Subtotal	<u>1,099,779</u>	<u>640,374</u>	<u>459,405</u>	<u>290,148</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, 2015
 With comparative actual amounts for year ended June 30, 2014

Schedule 1
 Page 4 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Powell Bill				
Personnel costs	\$ 74,050	\$ 72,996	\$ 1,054	\$ 73,570
Contract services	7,000	1,600	5,400	1,489
Other operating	42,750	35,474	7,276	74,870
Capital outlay	41,710	27,457	14,253	1,200
Subtotal	<u>165,510</u>	<u>137,527</u>	<u>27,983</u>	<u>151,129</u>
Total streets	<u>1,265,289</u>	<u>777,901</u>	<u>487,388</u>	<u>441,277</u>
Sanitation				
Personnel costs	328,700	318,213	10,487	315,073
Contract services	379,000	356,650	22,350	341,840
Other operating	111,350	100,669	10,681	99,654
Total sanitation	<u>819,050</u>	<u>775,532</u>	<u>43,518</u>	<u>756,567</u>
Storm Water				
Personnel costs	110,400	108,262	2,138	103,930
Contract services	11,500	10,278	1,222	3,187
Other operating	41,350	35,947	5,403	29,822
Capital outlay	83,000	22,910	60,090	11,960
Total Storm Water	<u>246,250</u>	<u>177,397</u>	<u>68,853</u>	<u>148,899</u>
Cultural and recreation				
Recreation				
Personnel costs	433,060	410,416	22,644	409,820
Contract services	50,650	50,625	25	61,036
Other operating	206,000	196,385	9,615	165,149
Capital outlay	79,650	57,939	21,711	127,859
Subtotal	<u>769,360</u>	<u>715,365</u>	<u>53,995</u>	<u>763,864</u>
Stadium				
Utilities	47,000	33,995	13,005	42,338
Other operating	10,300	7,853	2,447	10,046
Subtotal	<u>57,300</u>	<u>41,848</u>	<u>15,452</u>	<u>52,384</u>
Total cultural and recreation	<u>826,660</u>	<u>757,213</u>	<u>69,447</u>	<u>816,248</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, 2015
 With comparative actual amounts for year ended June 30, 2014

Schedule 1
 Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Debt service				
Principal	\$ 588,857	\$ 588,564	\$ 293	\$ 587,188
Interest	<u>162,693</u>	<u>162,612</u>	<u>81</u>	<u>169,209</u>
Total debt service	<u>751,550</u>	<u>751,176</u>	<u>374</u>	<u>756,397</u>
Total expenditures	<u>8,645,209</u>	<u>7,718,543</u>	<u>926,666</u>	<u>7,766,292</u>
Revenues over (under) expenditures	<u>(998,913)</u>	<u>450,562</u>	<u>1,449,475</u>	<u>(40,425)</u>
OTHER FINANCING SOURCES				
Installment financing	-	-	-	460,635
Transfer from; 2013 Capital Project Fund	-	-	-	30,921
Appropriated fund balance	<u>998,913</u>	<u>-</u>	<u>(998,913)</u>	<u>-</u>
Total other financing sources	<u>998,913</u>	<u>-</u>	<u>(998,913)</u>	<u>491,556</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>450,562</u>	<u>\$ 450,562</u>	<u>451,131</u>
Fund balance - beginning of year		<u>7,259,713</u>		<u>6,808,582</u>
Fund balance- end of year		<u>\$ 7,710,275</u>		<u>\$ 7,259,713</u>

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, 2015
 With comparative actual amounts for year ended June 30, 2014

Schedule 2

	Budget	Actual	Variance Positive (Negative)	Prior Year
OPERATING REVENUES				
Miscellaneous revenues	\$ -	\$ 1,141	\$ 1,141	\$ -
NON-OPERATING REVENUES				
Debt reimbursements from Raleigh	168,940	168,940	-	478,370
Investment earnings	-	107	107	110
Total non-operating revenues	168,940	169,047	107	478,480
Total revenues	168,940	170,188	1,248	478,480
OPERATING EXPENDITURES				
Debt service				
Principal	158,000	158,000	-	453,424
Interest	10,940	10,940	-	24,946
Total debt service	168,940	168,940	-	478,370
Total operating expenditures	168,940	168,940	-	478,370
Revenues over expenditures	\$ -	1,248	\$ 1,248	110
ADJUSTMENTS TO ACCRUAL				
Add (deduct)				
Debt principal		158,000		453,424
Decrease in accrued interest payable		1,317		3,149
Reimbursement for debt payments from City of Raleigh		(158,000)		(453,424)
Change in net position		\$ 2,565		\$ 3,259

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, 2015

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 4,117,537	\$ 4,102,612	\$ 14,925
2013-2014	31,380	-	18,003	13,377
2012-2013	19,000	-	4,988	14,012
2011-2012	9,981	-	1,593	8,388
2010-2011	7,276	-	948	6,328
2009-2010	24,020	-	636	23,384
2008-2009	10,107	-	340	9,767
2007-2008	9,018	-	401	8,617
2006-2007	6,078	-	183	5,895
2005-2006	7,736	-	48	7,688
2004-2005	5,052	-	5,052	-
	<u>\$ 129,648</u>	<u>\$ 4,117,537</u>	<u>\$ 4,134,804</u>	<u>\$ 112,381</u>

Revenue Reconciliation:

Ad valorem taxes - General Fund	\$ 4,136,640
Add (deduct):	
Releases allowed	3,620
Taxes written off	5,052
Penalties and interest	<u>(10,508)</u>
Total collections and credits	<u>\$ 4,134,804</u>

TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2015

Schedule 4

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rates	\$ 782,894,286	0.5250	\$ 4,110,195	\$ 3,941,623	\$ 168,572
Penalties	-		3,514	3,514	-
Total	782,894,286		4,113,709	3,945,137	168,572
Discoveries:					
Prior year taxes	-		11,637	11,553	84
Abatements	(1,487,429)	0.5250	(7,809)	(7,809)	-
Total property valuation	<u>\$ 781,406,857</u>				
Net levy			4,117,537	3,948,881	168,656
Uncollected taxes at June 30, 2015			14,925	13,796	1,129
Current year's taxes collected			\$ 4,102,612	\$ 3,935,085	\$ 167,527
Current levy collection percentage			<u>99.6%</u>	<u>99.7%</u>	<u>99.3%</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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 7,335,961	\$ 9,498,806	\$ 8,371,669	\$ 12,446,754	\$ 13,606,167	\$ 13,449,478	\$ 13,551,363	\$ 13,072,389	\$ 12,831,363	\$ 12,944,657
Restricted	-	-	185,640	247,739	159,123	635,366	867,586	705,512	667,364	1,019,076
Unrestricted	4,097,336	4,694,031	7,192,556	6,259,317	6,055,670	5,823,110	4,957,181	5,219,306	5,401,122	4,806,151
Total governmental activities net position	<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>	<u>\$ 18,997,207</u>	<u>\$ 18,899,849</u>	<u>\$ 18,769,884</u>
Business-type activities										
Net investment in capital assets	\$ 12,578,683	\$ -	\$ 156,494	\$ 1,495,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,019,658	331,251	(45,352)	(45,404)	(37,427)	(59,926)	(56,426)	(42,708)	(39,449)	(36,884)
Total business-type activities net position	<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>	<u>\$ (42,708)</u>	<u>\$ (39,449)</u>	<u>\$ (36,884)</u>
Primary government										
Net investment in capital assets	\$ 19,914,644	\$ 9,498,806	\$ 8,528,163	\$ 13,942,333	\$ 13,606,167	\$ 13,449,478	\$ 13,551,363	\$ 13,072,389	\$ 12,831,363	\$ 12,944,657
Restricted	-	-	185,640	247,739	159,123	635,366	867,586	705,512	667,364	1,019,076
Unrestricted	5,116,994	5,025,282	7,147,204	6,213,913	6,018,243	5,763,184	4,900,755	5,176,598	5,361,673	4,769,267
Total primary government net position	<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>	<u>\$ 18,954,499</u>	<u>\$ 18,860,400</u>	<u>\$ 18,733,000</u>

Town of Zebulon, North Carolina

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
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	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 1,057,300	\$ 1,066,702	\$ 1,189,509	\$ 1,335,282	\$ 1,630,391	\$ 1,695,678	\$ 1,910,778	\$ 1,632,520	\$ 1,746,647	\$ 1,711,158
Public safety	2,201,314	2,295,867	2,466,260	2,583,566	2,787,740	2,928,037	3,242,348	3,174,675	3,177,517	3,115,698
Streets	553,831	571,469	704,267	759,235	804,201	766,885	1,264,030	798,858	815,731	782,121
Sanitation	515,589	558,012	661,410	717,081	748,643	797,076	837,952	828,740	836,113	826,740
Storm water	-	-	-	-	-	101,888	191,214	207,596	210,764	224,215
Cultural and recreational	568,273	694,708	662,694	654,523	843,239	885,495	913,921	880,850	970,340	983,783
Interest on long-term debt	3,074	6,493	77,303	211,803	211,298	194,085	185,118	170,577	166,392	153,411
Total governmental activities expenses	<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>	<u>7,693,816</u>	<u>7,923,504</u>	<u>7,797,126</u>
Business-type activities:										
Water and sewer	2,190,264	842,548	-	-	-	-	-	-	-	-
Interest on long-term debt	185,632	180,974	162,030	143,740	124,220	104,644	70,646	29,129	21,797	9,623
Total business-type activities	<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>	<u>29,129</u>	<u>21,797</u>	<u>9,623</u>
Total primary government expenses	<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>	<u>\$ 7,722,945</u>	<u>\$ 7,945,301</u>	<u>\$ 7,806,749</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 79,513	\$ 124,391	\$ 121,381	\$ 92,517	\$ 87,522	\$ 83,574	\$ 74,313	\$ 114,469	\$ 166,699	\$ 182,735
Public safety	2,246	3,258	7,455	7,151	7,306	6,244	4,194	3,462	2,508	2,418
Streets	-	-	-	-	-	-	-	-	78,420	62,346
Sanitation	232,931	278,981	297,061	301,157	323,524	341,160	367,255	352,503	373,855	394,117
Cultural and recreational	47,950	47,058	53,905	48,211	76,148	85,970	102,045	88,342	110,794	128,618
Operating grants and contributions	557,412	558,410	584,145	698,721	629,278	629,693	793,192	793,825	782,618	831,799
Capital grants and contributions	1,031,415	1,858,246	641,043	1,563,108	504,339	10,825	914,062	36,503	260,172	773,591
Total governmental activities program revenues	<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>	<u>1,389,104</u>	<u>1,775,066</u>	<u>2,375,624</u>
Business-type activities:										
Charges for services:										
Water and sewer	2,479,762	728,865	-	-	-	-	-	-	-	-
Capital grants and contributions	754,401	-	43,200	1,009,000	-	-	-	-	-	-
Total business-type activities program revenues	<u>3,234,163</u>	<u>728,865</u>	<u>43,200</u>	<u>1,009,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<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>	<u>\$ 1,389,104</u>	<u>\$ 1,775,066</u>	<u>\$ 2,375,624</u>

Town of Zebulon, North Carolina

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
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Net Revenue (expense)										
Governmental activities	\$ (2,947,914)	\$ (2,322,907)	\$ (4,056,453)	\$ (3,550,625)	\$ (5,397,395)	\$ (6,211,678)	\$ (6,290,300)	\$ (6,304,712)	\$ (6,148,438)	\$ (5,421,502)
Business-type activities	858,267	(294,657)	(118,830)	865,260	(124,220)	(104,644)	(70,646)	(29,129)	(21,797)	(9,623)
Total primary government net revenue (expense)	<u>\$ (2,089,647)</u>	<u>\$ (2,617,564)</u>	<u>\$ (4,175,283)</u>	<u>\$ (2,685,365)</u>	<u>\$ (5,521,615)</u>	<u>\$ (6,316,322)</u>	<u>\$ (6,360,946)</u>	<u>\$ (6,333,841)</u>	<u>\$ (6,170,235)</u>	<u>\$ (5,431,125)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	2,404,198	2,730,404	3,497,033	4,643,724	4,254,209	4,173,228	3,926,622	3,969,478	4,099,089	4,119,373
Other taxes and licenses	47,094	51,317	35,345	43,648	45,709	44,111	39,063	36,064	43,164	47,983
Unrestricted intergovernmental revenues	1,657,754	1,713,013	1,763,225	1,909,107	1,778,698	1,822,245	1,665,768	1,645,507	1,458,220	1,477,071
Investment earnings	144,590	203,013	168,594	111,988	42,856	12,114	7,087	7,224	5,809	6,117
Miscellaneous	51,943	92,508	136,555	69,887	97,304	126,917	91,892	191,911	160,374	167,632
Transfers	-	15,338	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	2,315	(29,172)	12,729	30,889	45,769	123,057	25,044	33,210	284,424	83,168
Total governmental activities	<u>4,307,894</u>	<u>4,776,421</u>	<u>5,613,481</u>	<u>6,809,243</u>	<u>6,264,545</u>	<u>6,301,672</u>	<u>5,755,476</u>	<u>5,883,394</u>	<u>6,051,080</u>	<u>5,901,344</u>
Business-type activities:										
Investment earnings	\$ 27,783	\$ 185,579	\$ 67,979	\$ 143,688	\$ 123,926	\$ 104,219	\$ 73,738	\$ 42,446	\$ 25,056	\$ 11,047
Miscellaneous	-	-	-	-	8,271	6,546	408	401	-	1,141
Transfers	-	(15,338)	-	-	-	-	-	-	-	-
Special Item: gain (loss) on transfer of assets to City of Raleigh	-	(13,142,674)	(169,258)	330,085	(1,495,579)	(28,620)	-	-	-	-
Total business-type activities	<u>27,783</u>	<u>(12,972,433)</u>	<u>(101,279)</u>	<u>473,773</u>	<u>(1,363,382)</u>	<u>82,145</u>	<u>74,146</u>	<u>42,847</u>	<u>25,056</u>	<u>12,188</u>
Total primary government general revenues and other changes in net position	<u>4,335,677</u>	<u>(8,196,012)</u>	<u>5,512,202</u>	<u>7,283,016</u>	<u>4,901,163</u>	<u>6,383,817</u>	<u>5,829,622</u>	<u>5,926,241</u>	<u>6,076,136</u>	<u>5,913,532</u>
Change in net position										
Governmental activities	\$ 1,359,980	\$ 2,453,514	\$ 1,557,028	\$ 3,258,618	\$ 867,150	\$ 89,994	\$ (534,824)	\$ (421,318)	\$ (97,358)	\$ 479,842
Business-type activities	886,050	(13,267,090)	(220,109)	1,339,033	(1,487,602)	(22,499)	3,500	13,718	3,259	2,565
Total primary government change in net position	<u>\$ 2,246,030</u>	<u>\$ (10,813,576)</u>	<u>\$ 1,336,919</u>	<u>\$ 4,597,651</u>	<u>\$ (620,452)</u>	<u>\$ 67,495</u>	<u>\$ (531,324)</u>	<u>\$ (407,600)</u>	<u>\$ (94,099)</u>	<u>\$ 482,407</u>

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

Table 3

Fiscal Year	General Government	Public Safety	Streets	Sanitation	Storm Water	Cultural & Recreational	Interest on Long-Term Debt	Water & Sewer	Total
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
2013	1,632,520	3,174,675	798,858	828,740	207,596	880,850	170,577	29,129	7,722,945
2014	1,746,647	3,177,517	815,731	836,113	210,764	970,340	166,392	21,797	7,945,301
2015	1,711,158	3,115,698	782,121	826,740	224,215	983,783	153,411	9,623	7,806,749

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

Table 4

Fiscal Year	General Government	Public Safety	Streets	Sanitation	Storm Water	Cultural & Recreation	Debt Service	Total	Per Capita Expenditures
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
2013	1,426,078	2,908,906	448,928	838,596	223,547	647,018	680,074	7,173,147	1,585
2014	1,920,300	2,926,604	441,277	756,567	148,899	816,248	756,397	7,766,292	1,709
2015	1,650,350	2,828,974	777,901	775,532	177,397	757,213	751,176	7,718,543	1,674
								-	-

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 Ten 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	
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
2013	558,776	793,825	36,503	4,005,542	1,645,507	49,670	225,522	7,315,345
2014	732,276	782,618	260,172	4,142,253	1,458,220	30,865	444,798	7,851,202
2015	770,234	831,799	773,591	4,167,356	1,477,071	17,164	251,941	8,289,156

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
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
2013	3,998,105	2,478,656	65,650	7,075	499,695	238,324	7,287,505	1,610
2014	4,160,667	2,376,239	184,692	5,809	545,043	453,429	7,725,879	1,700
2015	4,186,313	2,654,241	466,550	6,117	582,560	273,324	8,169,105	1,772

Town of Zebulon, North Carolina
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Table 7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Rate</u>
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
2013	3,961,589	0.5125
2014	4,114,916	0.5250
2015	4,136,640	0.5250

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

Table 8

	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 861,586	\$ 751,946	\$ 743,252	\$ 1,198,197	\$ 786,871	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,140,169	3,977,473	4,669,365	5,281,374	5,824,878	-	-	-	-	-
Restricted	-	-	-	-	-	635,361	867,586	705,512	667,364	1,019,076
Committed	-	-	-	-	-	150,000	361,800	363,500	265,400	193,400
Assigned	-	-	-	-	-	514,200	668,000	590,070	870,403	339,780
Unassigned	-	-	-	-	-	5,723,873	4,680,150	5,149,500	5,456,546	6,158,019
Total General Fund	<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>	<u>6,808,582</u>	<u>7,259,713</u>	<u>7,710,275</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	172,386	50,429	2,109,565	630,023	-	-	-	30,909	-	-
Total all other governmental funds	<u>\$ 172,386</u>	<u>\$ 50,429</u>	<u>\$ 2,109,565</u>	<u>\$ 630,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,909</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
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	Fiscal Years				
	2006	2007	2008	2009	2010
Revenues:					
Ad valorem taxes	\$ 2,392,713	\$ 2,731,035	\$ 3,495,858	\$ 4,638,563	\$ 4,232,404
Other taxes and licenses	46,129	47,545	32,900	42,336	44,934
Unrestricted intergovernmental	1,657,823	1,714,457	1,763,225	1,909,107	1,778,698
Restricted intergovernmental	1,067,267	718,020	709,938	1,826,500	746,265
Permits and fees	42,839	91,728	92,915	48,719	47,055
Sales and services	330,021	358,081	378,147	425,135	448,373
Investment earnings	144,590	203,013	186,926	111,988	42,856
Miscellaneous	56,660	137,508	149,284	126,517	162,483
Total revenues	<u>5,738,042</u>	<u>6,001,387</u>	<u>6,809,193</u>	<u>9,128,865</u>	<u>7,503,068</u>
Expenditures:					
General government	890,169	1,026,700	1,159,519	1,280,987	1,404,090
Public safety	2,031,176	2,148,573	2,296,946	2,383,688	2,485,817
Streets	261,237	351,108	373,323	399,985	404,808
Sanitation	476,063	512,103	620,648	665,235	677,837
Storm water	-	-	-	-	-
Cultural and recreational	282,210	487,433	502,384	508,143	652,222
Capital outlay	2,123,973	1,046,435	3,718,508	5,326,963	1,403,548
Debt service:					
Principal retirement	113,113	228,935	619,199	460,487	694,708
Interest and fees	3,074	6,493	23,877	178,914	214,934
Total expenditures	<u>6,181,015</u>	<u>5,807,780</u>	<u>9,314,404</u>	<u>11,204,402</u>	<u>7,937,964</u>
Excess of revenues over (under) expenditures	<u>(442,973)</u>	<u>193,607</u>	<u>(2,505,211)</u>	<u>(2,075,537)</u>	<u>(434,896)</u>
Other financing sources (uses):					
Installment note proceeds	194,000	412,100	740,000	1,275,000	325,000
Bond Proceeds	-	-	4,600,000	-	-
Bond Issuance Costs	-	-	(92,455)	-	-
Transfers in	-	-	701,782	1,054,371	122,818
Transfers (out)	-	-	(701,782)	(1,054,371)	(122,818)
Total other financing sources (uses)	<u>194,000</u>	<u>412,100</u>	<u>5,247,545</u>	<u>1,275,000</u>	<u>325,000</u>
Net change in fund balances	<u>\$ (248,973)</u>	<u>\$ 605,707</u>	<u>\$ 2,742,334</u>	<u>\$ (800,537)</u>	<u>\$ (109,896)</u>
Debt service as a percentage of noncapital expenditures	2.9%	4.9%	11.5%	10.9%	13.9%

Town of Zebulon, North Carolina

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

Table 9
Page 2 of 2

	Fiscal Years				
	2011	2012	2013	2014	2015
Revenues:					
Ad valorem taxes	\$ 4,179,121	\$ 3,939,522	\$ 3,961,589	\$ 4,114,916	\$ 4,136,640
Other taxes and licenses	43,903	40,040	36,516	45,751	49,673
Unrestricted intergovernmental	1,822,245	1,665,768	1,645,507	1,458,220	1,477,071
Restricted intergovernmental	633,400	1,335,338	833,149	918,019	1,177,170
Permits and fees	38,654	26,627	65,650	184,692	466,550
Sales and services	465,286	519,963	499,695	545,043	582,560
Investment earnings	12,114	7,087	7,224	5,809	6,117
Miscellaneous	275,239	146,912	238,324	453,429	273,324
Total revenues	<u>7,469,962</u>	<u>7,681,257</u>	<u>7,287,654</u>	<u>7,725,879</u>	<u>8,169,105</u>
Expenditures:					
General government	1,476,530	1,689,801	1,420,572	1,522,715	1,497,599
Public safety	2,604,805	2,906,795	2,844,487	2,790,544	2,820,289
Streets	421,031	887,973	409,308	440,077	414,949
Sanitation	728,086	772,653	754,167	756,567	775,532
Storm water	46,015	128,188	139,118	136,939	154,487
Cultural and recreational	642,403	655,357	627,298	688,389	699,274
Capital outlay	479,616	691,103	957,363	674,664	605,237
Debt service:					
Principal retirement	458,160	509,005	507,109	587,188	588,564
Interest and fees	201,626	183,585	172,965	169,209	162,612
Total expenditures	<u>7,058,272</u>	<u>8,424,460</u>	<u>7,832,387</u>	<u>7,766,292</u>	<u>7,718,543</u>
Excess of revenues over (under) expenditures	<u>411,690</u>	<u>(743,203)</u>	<u>(544,733)</u>	<u>(40,413)</u>	<u>450,562</u>
Other financing sources (uses):					
Installment note proceeds	-	297,300	690,000	460,635	-
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	-	-	-	30,921	-
Transfers (out)	-	-	-	(30,921)	-
Total other financing sources (uses)	<u>-</u>	<u>297,300</u>	<u>690,000</u>	<u>460,635</u>	<u>-</u>
Net change in fund balances	<u>\$ 411,690</u>	<u>\$ (445,903)</u>	<u>\$ 145,267</u>	<u>\$ 420,222</u>	<u>\$ 450,562</u>
Debt service as a percentage of noncapital expenditures	10.0%	9.0%	9.9%	10.7%	10.6%

Town of Zebulon, North Carolina

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

Table 10

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Property Tax Rate	Taxable Assessed Ratio of Assesed Value to Estimated Actual Value
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%
2013	468,489,868	279,818,912	10,625,073	758,933,853	0.5125	100%
2014	476,674,862	288,222,009	10,310,255	775,207,126	0.525	100%
2015	488,209,958	283,314,324	9,882,575	781,406,857	0.525	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
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
2013	0.5125	0.534	1.047
2014	0.525	0.534	1.059
2015	0.525	0.578	1.103

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	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline ⁽¹⁾	\$ 195,709,491	1	25.05	\$ 127,407,075	1	26.16
Glaxo Inc ⁽¹⁾	54,410,698	2	6.96	84,894,924	2	17.43
USF Propco LLC ⁽³⁾	20,360,967	3	2.61	9,043,253	5	1.86
Nomacorrc LLC ⁽²⁾	17,098,136	4	2.19	13,256,173	3	2.72
Wal-Mart	14,779,421	5	1.89	-		0.00
Zeb Land LLC ⁽⁴⁾	12,457,471	6	1.59	10,766,704	4	2.21
Branch Banking & Trust	9,464,237	7	1.21	-		0.00
Corc LLC ⁽²⁾	8,081,650	8	1.03	3,888,814	11	0.80
Triangle East Shopping Centre	7,531,219	9	0.96	4,456,244	9	0.91
Tidewater Investors LLC	6,193,415	10	0.79	-		0.00
Duke Energy Progress, Inc. (5)	5,736,833	11	0.73	5,546,812	8	1.14
Nomaco Zebulon	5,545,197	12	0.71	-		0.00
LNP Inc.	5,282,774	13	0.68	2,981,608	15	0.61
Mel Zebulon LLC	5,029,286	14	0.64	-		0.00
Eckerd Corporation	4,782,935	15	0.61	1,260,355	35	0.26
Illinois Tool Works Inc	-		-	6,793,943	7	1.39
Omark Properties Inc.	-		-	4,206,119	10	0.86
Total	\$ 372,463,730		47.67 %	\$ 274,502,024		56.36 %

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
2006	2,398,434	2,339,957	97.56	50,765	2,390,722	99.68 %
2007	2,727,709	2,670,120	97.89	51,805	2,721,925	99.79
2008	3,500,815	3,436,107	98.15	56,076	3,492,183	99.75
2009	4,792,459	4,727,252	98.64	55,379	4,782,631	99.79
2010	4,249,259	4,169,855	98.13	55,890	4,225,745	99.45
2011	4,166,859	4,111,810	98.68	48,526	4,160,336	99.84
2012	3,918,084	3,874,143	98.88	35,006	3,909,149	99.77
2013	3,962,815	3,910,527	98.68	37,322	3,947,849	99.62
2014	4,085,330	4,053,950	99.23	17,616	4,071,566	99.66
2015	4,117,537	4,102,612	99.64		4,102,612	99.64

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			Revenue Notes	Total Primary Government	Debt as a Percentage of Personal Income	Per Capita
	Installment Purchases	GO Bonds	GO Bonds	Installment Purchases					
2006	206,886	(1) -	1,740,000	384,542	(2)	2,323,420	4,654,848	2.49%	1,074
2007	399,993	(3) -	1,590,000	327,042		2,032,992	4,350,027	2.25%	944
2008	520,794	(4) 4,600,000	(5) 1,440,000	196,571		1,742,564	8,499,929	4.08%	1,778
2009	1,560,307	(6) 4,375,000	1,290,000	160,213		1,452,136	8,837,656	4.11%	1,784
2010	1,543,871	(7) 4,150,000	1,140,000	122,434		1,161,708	8,118,013	3.19%	1,491
2011	1,182,439	3,925,000	990,000	83,177		871,280	7,051,896	2.75%	1,295
2012	1,195,734	(8) 3,700,000	-	(9) 919,386	(9)	580,852	6,395,972	N/A	1,433
2013	1,603,625	(10) 3,475,000	-	710,000		290,424	6,079,049	N/A	1,343
2014	1,702,072	(11) 3,263,063	-	547,000		-	5,512,135	N/A	1,213
2015	1,338,508	3,037,185	-	389,000		-	4,764,693	N/A	1,034

Notes:

- (1) During fiscal year 2006, an installment note for \$194,000 was issued for the purchase of vehicles and equipment.
- (2) During fiscal year 2006, an installment note for \$374,600 was issued for the construction of sewer lines.
- (3) During fiscal year 2007, an installment note for \$412,100 was issued for the purchase of vehicles and equipment.
- (4) During fiscal year 2008, an installment note for \$361,000 was issued for the purchase of vehicles and equipment.
- (5) 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.
- (6) During fiscal year 2009, an installment note for \$1,275,000 was issued for the construction and renovation of park facilities.
- (7) During fiscal year 2010, an installment note for \$325,000 was issued for the purchase of vehicles and equipment.
- (8) During fiscal year 2012, an installment note for \$297,300 was issued for the purchase of vehicles and equipment.
- (9) During fiscal year 2012, the GO Bonds for business-type activities were refunded with an installment note in the amount of \$1,040,000.
- (10) During fiscal year 2013, an installment note for \$690,000 was issued for construction, maintenance and repair of buildings and parks.
- (11) During fiscal year 2014, an installment note for \$460,635 was issued for maintenance and repair of town buildings.

Town of Zebulon, North Carolina

Direct and Overlapping Governmental Activities Debt
June 30, 2015

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	\$ 1,967,590,000 ⁽¹⁾	0.61%	\$ 12,002,299
Town of Zebulon direct debt			<u>4,375,693</u> ⁽³⁾
Total direct and other overlapping debt			<u><u>\$ 16,377,992</u></u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,625,289,840, or 83%, 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 38,967,163	\$ 42,859,234	\$ 50,540,403	\$ 64,906,104	\$ 67,090,147	\$ 64,889,456	\$ 62,503,200	\$ 60,714,708	\$ 62,016,570	\$ 62,512,549
Total net debt applicable to limit	922,028	1,029,135	5,590,965	6,340,620	5,904,633	5,651,133	5,104,750	5,213,524	5,069,065	4,449,603
Legal debt margin	<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>\$ 59,238,323</u>	<u>\$ 57,398,450</u>	<u>\$ 55,501,184</u>	<u>\$ 56,947,505</u>	<u>\$ 58,062,946</u>
Total net debt applicable to the limit as a percentage of debt limit	2.37%	2.40%	11.06%	9.77%	8.80%	8.71%	8.17%	8.59%	8.17%	7.12%

Legal Debt Margin for Fiscal Year 2015

Assessed value	\$ 781,406,857
Debt limit (8% of assessed value)	<u>62,512,549</u>
Debt applicable to limit:	
General obligation bonds	3,037,185
Non-bonded debt	1,727,508
Less: State exclusion for general obligation water bonds	<u>(315,090)</u>
Total net debt applicable to limit	<u>4,449,603</u>
Legal debt margin	<u>\$ 58,062,946</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

<u>Fiscal Year</u>	<u>Water and Sewer Charges</u>	<u>Other Operating Revenues</u>	<u>Total Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
						<u>Principal</u>	<u>Interest</u>	
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	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-

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⁾
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%
2013	4,526	Not Available	Not Available	1,684	7.4%
2014	4,544	Not Available	Not Available	1,642	6.2%
2015	4,610	Not Available	Not Available	1,562	5.0%

Notes:

(1) Population projections provided by NC Office of State Planning - State Demographer
The 2015 number represents the State-adjusted population as a result of the 2010 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. Data 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, 2014

Table 19

Employer	2015	
	Employees	Rank
GlaxoSmithKline	750	1
US Foodservice	585	2
Wal-Mart	301	3
Wake County Public School System	207	4
Nomacor	172	5
Nomaco	146	6
Advanced Plastiform	129	7
East Wake Academy	112	8
Town of Zebulon	59	9
Devil Dog Manufacturing	55	10
Total	2,516	

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration/Finance	5	5	5	5	5	5	5	5	5	5
Planning	3	3	3	3	3	3	3	3	3	3
Buildings & Grounds	1	1	2	2	2	2	2	2	0	1
Public Safety										
Police	21	22	22	23	23	23	23	23	21	21
Fire	11	11	11	11	11	11	11	14	14	14
Streets	2.5	3	3	3	3	3	3	3	3	3
Environmental Protection	3	5	5	5	5	5	5	5	5	5
Stormwater	0	0	0	0	0	0	2	2	2	2
Cultural and Recreation	4	4	4	4	5	5	5	5	5	5
Water/Sewer Maintenance	6	0	0	0	0	0	0	0	0	0
Water Plant	0.5	0	0	0	0	0	0	0	0	0
Sewer Plant	4	0	0	0	0	0	0	0	0	0
Total	61	54	55	56	57	57	59	62	58	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Building permits issued	135	151	76	47	47	44	31	54	107	128
Privilege licenses issued	469	390	287	274	288	302	325	337	471	261
Code violations corrected	346	401	192	183	105	124	149	133	75	50
Public Safety										
Police calls for service	N/A	N/A	9,994	11,581	11,906	12,310	13,707	10,925	8,266	8,684
Physical arrests	691	747	594	953	736	465	313	403	330	336
Traffic violations	203	196	318	268	261	326	347	310	312	369
Warrants served	N/A	N/A	244	236	435	179	154	229	96	206
Civil citations	N/A	N/A	N/A	N/A	480	133	18	20	23	21
Child safety seat inspections	N/A	54	39	35	30	19	55	47	32	57
Emergency responses	1,216	1,442	1,598	1,484	1,490	1,530	1,501	1,471	1,433	1,480
Fires extinguished	66	37	67	45	47	43	50	43	41	67
Property losses due to fire (dollars)	\$354,562	\$ 44,785	\$ 153,205	\$300,984	\$457,055	\$277,900	\$305,480	\$352,098	\$465,850	\$ 332,968
Fire code violations corrected	N/A	N/A	N/A	N/A	1,196	644	915	1,268	1,739	985
Streets										
Miles of road maintained	16.81	18.74	19.19	19.30	19.30	19.07	19.07	19.07	19.07	19.14
Feet of sidewalk maintained	N/A	36,213	37,289	40,707	41,175	42,278	44,132	45,812	47,962	49,378
Storm Water										
Miles of storm drainage pipe maintained	N/A	N/A	N/A	N/A	N/A	9.26	9.60	9.63	9.63	9.65
Miles of ditches maintained	N/A	N/A	N/A	N/A	N/A	2.06	4.12	4.12	4.12	4.12
Environmental Protection										
Yard waste collected (tons)	N/A	1,200	1,200	1,200	1,200	1,807	1,672	1,080	1,720	1,662
White goods collected (pounds)	N/A	5,100	6,000	800	800	500	200	300	400	400
Number of sanitation customers	1,560	1,584	1,653	1,711	1,721	1,735	1,749	1,777	1,822	1,874
Number of recycling customers	1,454	1,471	1,568	1,613	1,642	1,661	1,675	1,698	1,805	1,874
Garbage collection fee	\$ 12.00	\$15.50	\$15.50	\$17.00	\$17.00	\$17.00	\$17.76	\$18.75	\$18.75	\$ 18.75

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 2 of 2

Function/Program	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Recreation and Parks										
Summer camp participants	260	256	234	197	255	229	189	250	346	204
Athletic program participants (youth and adult)	940	864	726	676	591	579	669	577	517	509
Recreation program participants (youth and adult)	N/A	N/A	71	85	458	1,425	1,111	1,074	1,366	1,550
Senior program participants	N/A	N/A	N/A	N/A	233	433	229	273	363	250
Park and community center facility rentals	N/A	42	30	46	50	112	146	296	414	684
Special events attendance	N/A	3,500	2,375	2,415	3,266	3,573	2,400	2,700	3,625	3,185
Water										
Utility customers	1,920	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Avg daily consumption (thousands of gallons)	604	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 35.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Avg daily sewer treatment (thousands of gallons)	558	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average utility bill	\$ 34.00	N/A	N/A	N/A	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	21	22	22	23	23	23	23	23	21	21
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	8	7	7	7	7
Streets										
Streets (miles)	16.81	18.74	19.19	19.30	19.30	19.07	19.07	19.07	19.07	19.07
Sidewalk (feet)	N/A	36,213	37,289	40,707	41,175	42,278	44,132	45,812	47,962	47,962
Recreation and Parks										
Parks	6	6	6	6	6	6	6	6	6	6
Acreage	64.04	64.04	64.04	64.04	64.04	75.21	75.21	75.21	75.21	75.21
Baseball fields	4	4	4	4	4	4	4	4	4	4
Tennis courts	2	2	2	2	2	2	2	2	2	2
Basketball courts	4	4	4	4	4	4	4	4	4	4
Community centers	0	0	0	0	1	1	1	1	1	1
Water										
Water mains (miles)	35.0	0	0	0	0	0	0	0	0	0
Fire hydrants	359	0	0	0	0	0	0	0	0	0
Storage capacity (million gallons)	2.000	0	0	0	0	0	0	0	0	0
Wastewater										
Sanitary sewers (miles)	36.2	0	0	0	0	0	0	0	0	0
Lift stations	9	0	0	0	0	0	0	0	0	0
Treatment capacity (million gallons)	1.85	0	0	0	0	0	0	0	0	0
Reclaimed Water										
Water mains (miles)	0.5	0	0	0	0	0	0	0	0	0
Storage capacity (million gallons)	0.25	0	0	0	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

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

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

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

We have audited, in accordance with the 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, 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, 2015, and the related notes to the financial statement, which collectively comprises the Town of Zebulon's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Zebulon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (Item 1).

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*.

Town of Zebulon's Response to Findings

The Town of Zebulon's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


JOYCE AND COMPANY, CPA
Cary, North Carolina

October 21, 2015

TOWN OF ZEBULON, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND RESPONSES
 AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2015

Schedule 5

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

The Town of Zebulon has no major federal programs.

State Awards

The Town of Zebulon has no major state programs.

Section II. Financial Statement Findings

Significant Deficiencies

Item 1

Segregation of Duties

<u>Criteria</u>	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, especially during periods when one employee is absent.
<u>Condition</u>	There is a lack of segregation of duties among Town personnel.
<u>Effect</u>	Transactions could be mishandled.
<u>Cause</u>	There are a limited number of personnel for certain functions.
<u>Recommendation</u>	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

Finding 2013 -1

Lack of segregation of duties

Status: The Town strives for as much separation of duties as possible and cost beneficial.

Finding 2013 – 2

Recognition of revenue and accounts receivable

Status: Corrected

Finding 2012 - 1

Lack of segregation of duties

Status: The Town strives for as much separation of duties as possible and cost beneficial.

Finding 2011 – 1

Lack of segregation of duties

Status: The Town strives for as much separation of duties as possible and cost beneficial.

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

For the Fiscal Year Ended June 30, 2015

Schedule 6

Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANT:				
<u>U.S. Department of Justice</u>				
<i>Bulletproof Vest Partnership Program</i>	16.607	2,516	-	-
STATE GRANTS:				
<u>N.C. Department of Transportation</u>				
<i>Powell Bill Fund</i>	N/A	-	124,733	-
<i>State Small Construction</i>	DOT-18	-	100,000	-
<u>N.C. Department of Public Safety</u>				
<i>Governor's Crime Commission</i>	PROJ010515	-	14,082	-
Total assistance - State programs		-	238,815	-
Total assistance		\$ 2,516	\$ 238,815	\$ -

Notes to the Schedule of Expenditures of 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.