

TOWN OF ZEBULON NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TOWN OF ZEBULON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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 24, 2018

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Zebulon, North Carolina for fiscal year ended June 30, 2018. The report includes financial statements 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, 2018, and results of operations for the fiscal year then ended. 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 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 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, 2018 of approximately 5,268, 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 including 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 economic growth and the eastern region of Wake County and the Town is no exception. The Town issued 180 building permits with a total value of approximately \$33.1 million during fiscal year 2018. This is a 73% increase in building permits issued this year, up from 104 permits valued at \$12.5 million issued in fiscal year 2017. This is the fifth consecutive year with over

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

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

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

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

100 permits issued. Those numbers are expected to keep increasing with new residential development planned and approved.

With the value of the growth, the Town of Zebulon tax base for the fiscal year ending June 30, 2018 totaled \$1,063,526,435, an increase of about 14% 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, has been a cause for decrease in business personal property in past years, but this year saw a 32% increase in business personal property. This continues a trend from fiscal year 2017 when a 22% increase in business personal property was a sign of reinvestment in equipment and expansion during good economic times. Real property saw a minimal 1.1% increase in assessed value as new home construction has continued to come online. This number should increase steadily in the coming years with the residential growth underway currently. Development interest, particularly straddling the Beaverdam sewer outfall, is still strong and growth continues to regain momentum.

The Town and region has also continued its recovery from the recession as seen in the growth of sales tax revenue. We have had five years in a row with 4.5%-7.5% annual increases with that projected to continue into fiscal year 2019 as well. Article 39 of the sales tax, the portion returned to the point of sale, has seen increases of 3.8% in each of the past 2 years. This, along with our population growth from the residential development should improve other per capita revenues which decreased 10-15% during the recession. Unemployment in Wake County is at its lowest point in almost 10 years.

MAJOR INITIATIVES

The Town adopted the Zebulon 2030 Strategic Plan. Based upon a year-long effort of citizen surveys, focus groups, public comment and Council's work sessions and annual Retreat, the Plan identified Grow Smart, Vibrant Downtown and Small-Town Life as the focus areas to guide developing policies and budgeting programs and projects.

Grow Smart

The Town uses a five-year Capital Improvement Plan to prioritize and plan needed improvements and investments in the Town. This plan is developed to meet the maintenance cycles of existing Town facilities, property, equipment and infrastructure; and to support or address demands associated with development, most notably, residential growth.

The Board of Commissioners increased the property tax rate \$0.017 per \$100 of assessed value and dedicated that revenue towards the replacement of aging fire apparatus for fiscal year 2018, \$0.067 of this tax rate is dedicated toward funding capital improvements in the area of streets & thoroughfares; greenways, bicycle and pedestrians; fleet; equipment; property management; and information technology. A stormwater fee is dedicated directly toward stormwater capital improvements. Growth in Article 39 sales tax revenue is directed towards community and economic development programs.

Vibrant Downtown

The Town continued its Community and Economic Development Partnership with the Zebulon Chamber of Commerce this year. This formal partnership and the Downtown Overlay District grants are attracting new business, promoting downtown development and renewing retail activity. Funding the Business Retention Program will target businesses with the highest growth potential. Accordingly, growth in sales tax revenue support these and other community and economic development efforts.

Small-Town Life

In addition to continuing and expanding the existing Farm Fresh Market, Zebulon Youth Council and Fire Explorer community engagement programs, the Town created the building blocks of a future Citizen's Academy through the hands-on, multi-age Police Experience. The Town also initiated construction to upgrade the pedestrian gap between downtown and Community Park, and completed design on the greenway connecting Weavers Pond, Taryn Lake and Wakelon Elementary School Park.

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 Fund 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 2018.

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 basic 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 2017. 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 Commissioners of the Town of Zebulon 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, 2018

Town of Zebulon Board of Commissioners



Robert S. Matheny
Mayor



Don Bumgarner
Mayor Pro Tem



R. Dale Beck
Commissioner



Beverly Wall Clark
Commissioner



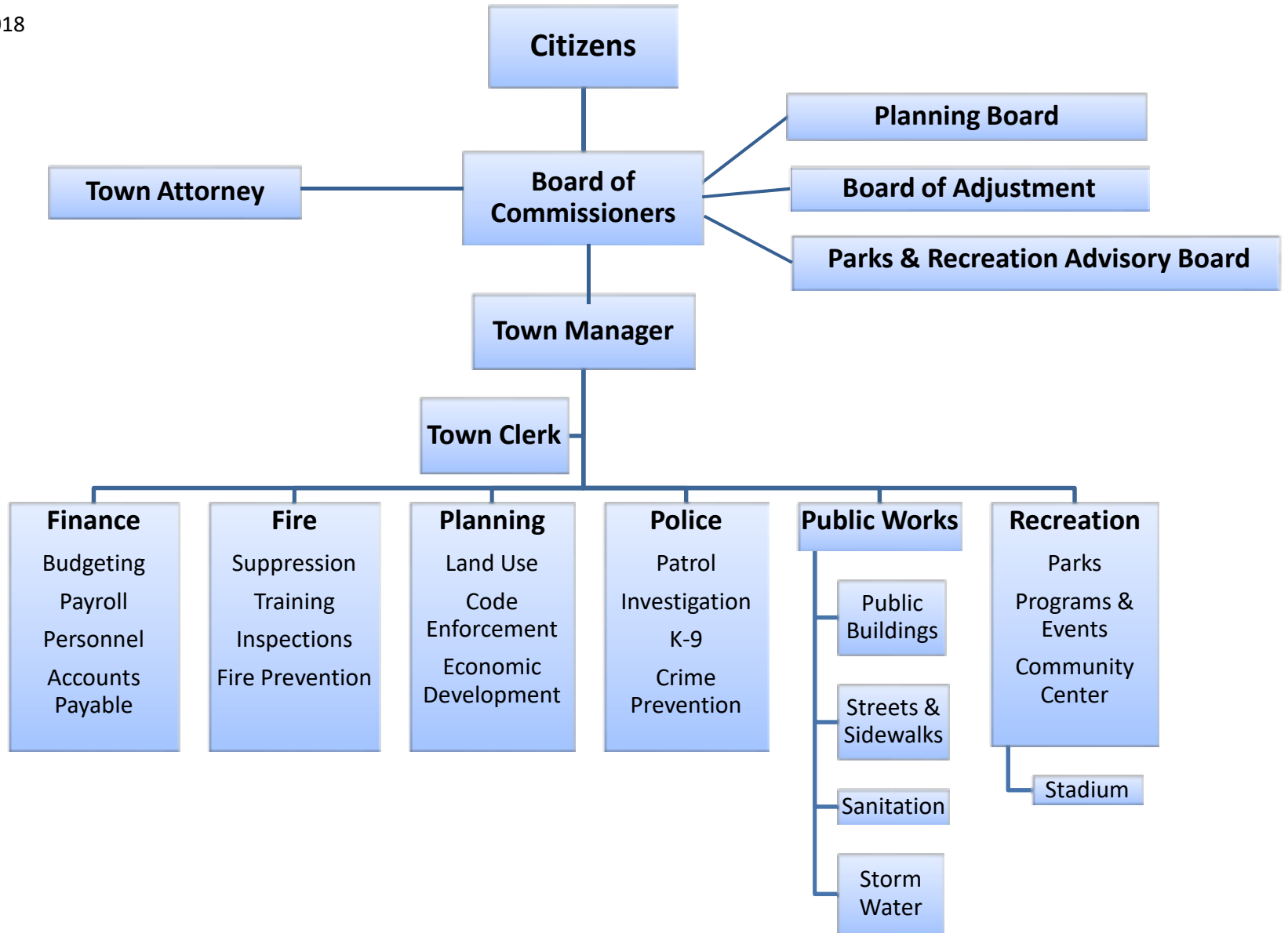
Annie Jean Moore
Commissioner



Curtis Strickland
Commissioner

Town of Zebulon Officials

Joseph M. Moore, II – Town Manager
Robert Fitts – Finance Director
Timothy Hayworth – Police Chief
Mark Hetrick – Planning Director
Gregory Johnson – Parks and Recreation Director
Lisa Markland – Human Resource Director/Town Clerk
Christopher Perry – Fire Chief
Chris Ray – Public Works Director
Eric Vernon (Wyrick, Robbins, Yates & Ponton LLC) – Town Attorney





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, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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

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, 2018, 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, 2018, 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 Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability 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 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 24, 2018 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.

October 24, 2018


JOYCE AND COMPANY, CPA
Cary, North Carolina

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, 2018. 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 \$20,380,027.
- The government's total net position increased by \$2,333,928 (net of prior period adjustment from the implementation of GASB Statement 73) due mainly to developer's contributed capital of \$1.7 million and an increase in personal property valuations by 34% and real property valuations by 17%.
- Zebulon's governmental funds reported ending fund balances of \$9,911,139, an increase of \$748,981 compared to the prior year. This increase is due to increased ad valorem tax revenue from growth and increased unrestricted intergovernmental revenues such as local option sales tax and permitting fees.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,933,550, or 63% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt decreased by \$712,261.
- 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 63 of this report.

Government-Wide Financial Analysis

**Town of Zebulon Net Position
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$ 10,758,494	\$ 9,551,228	\$ 72,965	\$ 123,931	\$ 10,831,459	\$ 9,675,159
Capital assets	19,844,864	18,634,472	-	-	19,844,864	18,634,472
Total assets	<u>30,603,358</u>	<u>28,185,700</u>	<u>72,965</u>	<u>123,931</u>	<u>30,676,323</u>	<u>28,309,631</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>714,797</u>	<u>996,245</u>	<u>-</u>	<u>-</u>	<u>714,797</u>	<u>996,245</u>
LIABILITIES						
Long-term liabilities outstanding	8,691,640	6,677,214	-	-	8,691,640	6,677,214
Other liabilities	1,483,913	987,946	99,132	153,987	1,583,045	1,141,933
Total liabilities	<u>10,175,553</u>	<u>7,665,160</u>	<u>99,132</u>	<u>153,987</u>	<u>10,274,685</u>	<u>7,819,147</u>
DEFERRED INFLOWS OF RESOURCES	<u>736,408</u>	<u>220,273</u>	<u>-</u>	<u>-</u>	<u>736,408</u>	<u>220,273</u>
NET POSITION						
Net Investment in capital assets	16,793,339	14,955,686	-	-	16,793,339	14,955,686
Restricted	1,390,444	1,282,832	-	-	1,390,444	1,282,832
Unrestricted	2,222,411	5,057,994	(26,167)	(30,056)	2,196,244	5,027,938
Total net position	<u>\$ 20,406,194</u>	<u>\$ 21,296,512</u>	<u>\$ (26,167)</u>	<u>\$ (30,056)</u>	<u>\$ 20,380,027</u>	<u>\$ 21,266,456</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 \$20,380,027 as of June 30, 2018. The Town’s net position decreased by

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

\$886,429 for the fiscal year ended June 30, 2018 after a prior period adjustment for the implementation of GASB 75 which decreased net position by \$3,220,357. Approximately 82% 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 \$1,390,444 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,196,244 is unrestricted.

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

- An increase in unrestricted revenues such as property taxes.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 872,864	\$ 731,103	\$ -	\$ -	\$ 872,864	\$ 731,103
Operating grants & contributions	920,532	1,054,039	-	-	920,532	1,054,039
Capital grants & contributions	2,044,350	1,908,788	-	-	2,044,350	1,908,788
General revenues:						
Property taxes	6,301,569	5,479,104	-	-	6,301,569	5,479,104
Other taxes	39,453	39,899	-	-	39,453	39,899
Unrestricted intergovernmental	1,647,639	1,594,566	-	-	1,647,639	1,594,566
Other	301,038	236,953	4,881	7,455	305,919	244,408
Total revenues	<u>12,127,445</u>	<u>11,044,452</u>	<u>4,881</u>	<u>7,455</u>	<u>12,132,326</u>	<u>11,051,907</u>
EXPENSES						
General government	2,320,449	2,182,513	-	-	2,320,449	2,182,513
Public safety	3,731,751	3,339,341	-	-	3,731,751	3,339,341
Streets	941,827	863,966	-	-	941,827	863,966
Sanitation	1,332,511	925,776	-	-	1,332,511	925,776
Storm water	264,964	286,500	-	-	264,964	286,500
Culture and recreation	1,078,303	1,046,872	-	-	1,078,303	1,046,872
Interest on long-term debt	110,389	127,256	992	3,450	111,381	130,706
Total expenses	<u>9,780,194</u>	<u>8,772,224</u>	<u>992</u>	<u>3,450</u>	<u>9,781,186</u>	<u>8,775,674</u>
Change in net position	2,347,251	2,272,228	3,889	4,005	2,351,140	2,276,233
Gain (Loss) on disposal of capital assets	<u>(17,212)</u>	<u>24,174</u>	<u>-</u>	<u>-</u>	<u>(17,212)</u>	<u>24,174</u>
Change in net position	<u>2,330,039</u>	<u>2,296,402</u>	<u>3,889</u>	<u>4,005</u>	<u>2,333,928</u>	<u>2,300,407</u>
Net position July 1 - as originally stated	21,296,512	19,348,519	(30,056)	(34,061)	21,266,456	19,314,458
Adjustment to beginning net position	<u>(3,220,357)</u>	<u>(348,409)</u>	<u>-</u>	<u>-</u>	<u>(3,220,357)</u>	<u>(348,409)</u>
Net position July 1 - as restated	<u>18,076,155</u>	<u>19,000,110</u>	<u>(30,056)</u>	<u>(34,061)</u>	<u>18,046,099</u>	<u>18,966,049</u>
Net position June 30	<u>\$ 20,406,194</u>	<u>\$ 21,296,512</u>	<u>\$ (26,167)</u>	<u>\$ (30,056)</u>	<u>\$ 20,380,027</u>	<u>\$ 21,266,456</u>

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the Town's net position by \$2,330,039. Key elements of this increase are as follows:

- The Town's large business personal property tax base grew 22% this year. Its residential tax base grew slightly as well at .3%. That coupled with the tax increase resulted in a 15% increase in property tax revenues.
- Developer's contributed capital (streets and sidewalks) totaling \$1.7 million.

Business-type Activities. Business-type activities increased the Town of Zebulon's net position by \$3,889. 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 \$5,933,550, while total fund balance reached \$9,378,155. 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 63% of total General Fund expenditures, while total fund balance represents approximately 105% of that same amount.

At June 30, 2018, the governmental funds of the Town of Zebulon reported a fund balance of \$9,911,139, an 8% increase from last year. This increase is the result of a significant favorable variance in revenues and expenditures due to some capital projects not being completed and no use of appropriated fund balance.

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

Ad valorem tax revenues were greater than budgeted because a higher percentage of taxes were collected. Unrestricted intergovernmental revenues overall were less than budgeted due to the fact that utility franchise taxes were 5.0% below budgeted due to increased "cord cutting" among users causing losses in the Telecommunications tax. Overall, utility franchise taxes did increase 5.0% over the prior year. Sales taxes were greater than projected, exceeding budgeted amounts slightly (\$2,200 or 0.2%) and were up 2.6% over the prior year's actuals. Restricted intergovernmental revenues were more than budgeted due to the County fire tax appropriation exceeding budgeted amounts. Permits and fees exceeded budgeted amounts by approximately 206% mainly due to increased building permit activity and development fees received. Investment earnings exceeded budgeted amounts by 625% as interest rates have continued to rise and conservative budgeting was employed last year. Sales and service revenues continue to increase with

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

increased participation in recreation and athletic programs and the increase in garbage revenues from growth. Miscellaneous Revenues exceeded budgeted amounts by 31% mainly due to the sale of surplus property. Expenditures were held below budgeted amounts by a number of factors, including: lower than estimated maintenance and operational costs at several Town facilities, and careful monitoring of the budget by each department. Some capital projects that were budgeted were not completed as of June 30.

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 \$26,167. 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, 2018, totals \$19,844,864 (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 construction and renovation projects.
- Purchase of vehicles and equipment.
- Information technology improvements.

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	
	2018	2017
Land	\$ 4,578,698	\$ 3,706,661
Construction in progress	794,393	565,083
Buildings	8,543,531	8,887,211
Other improvements	1,627,981	1,567,576
Roads and infrastructure	2,560,177	2,252,650
Intangibles	133,390	94,296
Equipment	681,523	544,910
Vehicles and motorized equipment	925,171	1,016,085
Total capital assets	\$ 19,844,864	\$ 18,634,472

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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

Long-term Debt. As of June 30, 2018, the Town of Zebulon had total bonded debt outstanding of \$2,359,550. This outstanding debt is backed by the full faith and credit of the Town. The Town also has installment purchase notes outstanding of \$691,975.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 2,350,000	\$ 2,575,000	\$ -	\$ -	\$ 2,350,000	\$ 2,575,000
Installment purchase notes	691,975	1,093,357	-	85,000	691,975	1,178,357
Premiums	9,550	10,429	-	-	9,550	10,429
Total bonds and notes	<u>\$ 3,051,525</u>	<u>\$ 3,678,786</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 3,051,525</u>	<u>\$ 3,763,786</u>

The Town of Zebulon’s total debt decreased by \$712,261 during the past fiscal year. The Town did not issue any new debt in FY 2018.

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 \$82,030,590.

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 Budget Highlights for the Fiscal Year Ending June 30, 2019

The following key economic indicators were reflected in the Town of Zebulon fiscal year 2019 budget:

- An increase in the property tax base due to increasing property values located within the Town. Real property had growth of approximately 11.4% while personal property had decline of 5.3%. The total assessed value increased approximately 3.2%.
- A projected increase in sales tax and utilities franchise taxes based on economic indicators pointing toward continued modest growth in the economy and retail sales. Sales tax is budgeted for 4.25% growth from last year while utilities franchise tax is projected to increase 1%.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

- A projected increase in zoning fees based on increased building permit activity with several new subdivisions approved and building ongoing.

Governmental Activities. The total General Fund budget is projected to increase 50% for fiscal year 2019, as compared to the actual results of fiscal year 2018. The major components of this increase include a planned group of capital projects including two large stormwater improvement projects, capital equipment purchases including two fire trucks and minor increases to operating expenditures. The Town will issue debt to pay for the fire trucks as well as to fund the majority of the stormwater projects.

The Town raised its tax rate \$0.017 to \$.592 per \$100 of assessed value after an increase last fiscal year. This increase was solely implemented to pay the debt service on the two fire truck purchases mentioned above. The storm water fees remain the same while maintaining storm water management services mandated by the State. Solid waste fees also remained the same as last year.

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, 2018

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,230,172	\$ 101,585	\$ 9,331,757
Restricted cash	696,768	-	696,768
Taxes receivable (net)	128,682	-	128,682
Accounts receivable (net)	8,397	-	8,397
Internal balances	28,620	(28,620)	-
Due from other governments	665,855	-	665,855
Total current assets	<u>10,758,494</u>	<u>72,965</u>	<u>10,831,459</u>
Capital assets:			
Land and other non-depreciable assets	5,373,091	-	5,373,091
Other capital assets, net of depreciation	14,471,773	-	14,471,773
Total capital assets	<u>19,844,864</u>	<u>-</u>	<u>19,844,864</u>
Total assets	<u>30,603,358</u>	<u>72,965</u>	<u>30,676,323</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	668,506	-	668,506
OPEB deferrals	46,291	-	46,291
Total deferred outflows of resources	<u>714,797</u>	<u>-</u>	<u>714,797</u>
LIABILITIES			
Current liabilities:			
Accounts payable	699,636	99,132	798,768
Accrued interest payable	32,265	-	32,265
Due within one year			
Compensated absences	122,992	-	122,992
Bonds and notes payable	629,020	-	629,020
Total current liabilities	<u>1,483,913</u>	<u>99,132</u>	<u>1,583,045</u>
Long-term liabilities:			
Due in more than one year	<u>8,691,640</u>	<u>-</u>	<u>8,691,640</u>
Total liabilities	<u>10,175,553</u>	<u>99,132</u>	<u>10,274,685</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	941	-	941
Recreation fees	8,900	-	8,900
Pension deferrals	262,131	-	262,131
OPEB deferrals	464,436	-	464,436
Total deferred inflows of resources	<u>736,408</u>	<u>-</u>	<u>736,408</u>
NET POSITION			
Net investment in capital assets	16,793,339	-	16,793,339
Restricted for:			
Stabilization by State Statute	693,676	-	693,676
Streets	209,868	-	209,868
Transportation Impact	62,687	-	62,687
Developer Reimbursements	414,901	-	414,901
Law Enforcement	9,312	-	9,312
Unrestricted	2,222,411	(26,167)	2,196,244
Total net position	<u>\$ 20,406,194</u>	<u>\$ (26,167)</u>	<u>\$ 20,380,027</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, 2018

Exhibit 2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 2,320,449	\$ 268,436	\$ 53,515	\$ -	\$ (1,998,498)	\$ -	\$ (1,998,498)
Public safety	3,731,751	1,719	735,657	-	(2,994,375)	-	(2,994,375)
Streets	941,827	-	128,099	1,794,052	980,324	-	980,324
Sanitation	1,332,511	444,605	3,261	-	(884,645)	-	(884,645)
Storm water	264,964	-	-	250,298	(14,666)	-	(14,666)
Cultural and recreation	1,078,303	158,104	-	-	(920,199)	-	(920,199)
Interest on long-term debt	110,389	-	-	-	(110,389)	-	(110,389)
Total governmental activities	<u>9,780,194</u>	<u>872,864</u>	<u>920,532</u>	<u>2,044,350</u>	<u>(5,942,448)</u>	<u>-</u>	<u>(5,942,448)</u>
Business-type activities							
Water and sewer	992	-	-	-	-	(992)	(992)
Total	<u>\$ 9,781,186</u>	<u>\$ 872,864</u>	<u>\$ 920,532</u>	<u>\$ 2,044,350</u>	<u>(5,942,448)</u>	<u>(992)</u>	<u>(5,943,440)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					6,301,569	-	6,301,569
Other taxes and licenses					39,453	-	39,453
Unrestricted intergovernmental					1,647,639	-	1,647,639
Unrestricted investment earnings					108,715	1,907	110,622
Miscellaneous					192,323	2,974	195,297
Loss on disposal of capital assets					(17,212)	-	(17,212)
Total general revenues and special items					<u>8,272,487</u>	<u>4,881</u>	<u>8,277,368</u>
Change in net position					<u>2,330,039</u>	<u>3,889</u>	<u>2,333,928</u>
Net position - beginning of year (as previously stated)					21,296,512	(30,056)	21,266,456
Adjustment to beginning net position					(3,220,357)	-	(3,220,357)
Net position - beginning of year (adjusted)					<u>18,076,155</u>	<u>(30,056)</u>	<u>18,046,099</u>
Net position - end of year					<u>\$ 20,406,194</u>	<u>\$ (26,167)</u>	<u>\$ 20,380,027</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

Exhibit 3
Page 1 of 2

	<u>Major</u>	Total	Total
	General	Nonmajor Governmental Funds	Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,679,313	\$ 550,859	\$ 9,230,172
Restricted cash	696,768	-	696,768
Receivables (net)			
Taxes	128,682	-	128,682
Accounts	8,397	-	8,397
Due from other funds	28,620	-	28,620
Due from other governments	665,855	-	665,855
	<u>\$ 10,207,635</u>	<u>\$ 550,859</u>	<u>\$ 10,758,494</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 681,761	\$ 17,875	\$ 699,636
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	128,682	-	128,682
Recreation	8,900	-	8,900
Sanitation receivables	9,196	-	9,196
Prepaid taxes	941	-	941
	<u>147,719</u>	<u>-</u>	<u>147,719</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	693,676	-	693,676
Streets	209,868	-	209,868
Transportation Impact	62,687	-	62,687
Developer Reimbursements	414,901	-	414,901
Law Enforcement	9,312	-	9,312
Committed			
Capital improvements	39,415	532,984	572,399
Stadium improvements	125,000	-	125,000
Information technology improvements	95,653	-	95,653
Transportation improvements	198,151	-	198,151
Stormwater improvements	27,760	-	27,760
Assigned			
Subsequent year's expenditures	1,568,182	-	1,568,182
Unassigned	5,933,550	-	5,933,550
	<u>9,378,155</u>	<u>532,984</u>	<u>9,911,139</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,207,635</u>	<u>\$ 550,859</u>	<u>\$ 10,758,494</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

Exhibit 3
Page 2 of 2

Fund balances - total governmental funds		\$ 9,911,139
<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	35,031,253	
Less accumulated depreciation	<u>(15,186,389)</u>	19,844,864
<p>Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position</p>		
		259,342
<p>Contributions to the OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position</p>		
		44,552
<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	(3,041,975)	
Compensated absences	(315,107)	
Total OPEB liability	(4,724,377)	
Net pension liability (LGERS)	(845,289)	
Total pension liability (LEO)	<u>(507,354)</u>	(9,434,102)
Premiums on bond issuance		(9,550)
<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		(32,265)
Pension related deferrals		(315,664)
<p>Liabilities for earned revenues considered deferred inflows of resources in fund statements.</p>		
		<u>137,878</u>
Net position of governmental activities		<u>\$ 20,406,194</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, 2018

Exhibit 4
Page 1 of 2

	<u>Major</u>	Total	Total
	General	Nonmajor Governmental Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 6,290,576	\$ -	\$ 6,290,576
Other taxes and licenses	41,244	-	41,244
Unrestricted intergovernmental	1,647,639	-	1,647,639
Restricted intergovernmental	920,532	-	920,532
Permits and fees	506,342	-	506,342
Investment earnings	108,715	-	108,715
Sales and services	670,007	-	670,007
Miscellaneous	246,444	-	246,444
Total revenues	<u>10,431,499</u>	<u>-</u>	<u>10,431,499</u>
EXPENDITURES			
Current			
General government	2,084,313	-	2,084,313
Public safety	3,301,586	-	3,301,586
Streets	810,456	-	810,456
Sanitation	859,104	-	859,104
Storm Water	171,965	-	171,965
Cultural and recreation	770,220	-	770,220
Capital outlay	689,354	249,344	938,698
Debt service			
Installment note principal	626,382	-	626,382
Installment note interest	119,794	-	119,794
Total expenditures	<u>9,433,174</u>	<u>249,344</u>	<u>9,682,518</u>
Excess of revenues over (under) expenditures	998,325	(249,344)	748,981
OTHER FINANCING USES			
Fund transfers	<u>(782,328)</u>	<u>782,328</u>	<u>-</u>
Net change in fund balance	215,997	532,984	748,981
Fund balance - beginning of year	<u>9,162,158</u>	<u>-</u>	<u>9,162,158</u>
Fund balance - end of year	<u>\$ 9,378,155</u>	<u>\$ 532,984</u>	<u>\$ 9,911,139</u>

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2018

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		\$ 748,981
<p>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.</p>		
Expenditures for capital assets	\$ 938,698	
Less current year depreciation	<u>(1,398,432)</u>	(459,734)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.</p>		
		(71,332)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		259,342
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities</p>		
		44,552
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Contributed capital	1,741,458	
Change in unavailable revenue for tax and sanitation revenues	<u>8,608</u>	1,750,066
<p>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.</p>		
<p>Principal payments</p>		
		626,382
<p>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.</p>		
Compensated absences	(48,008)	
Change in accrued interest payable	8,526	
Amortization of premiums on bond issuance	879	
OPEB plan expense	(261,276)	
Pension expense	<u>(268,339)</u>	<u>(568,218)</u>
<p>Total changes in net position of governmental activities</p>		
		<u>\$ 2,330,039</u>

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, 2018

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 5,821,500	\$ 5,890,300	\$ 6,290,576	\$ 400,276
Other taxes and licenses	35,000	35,000	41,244	6,244
Unrestricted intergovernmental	1,675,000	1,675,000	1,647,639	(27,361)
Restricted intergovernmental	937,300	856,000	920,532	64,532
Permits and fees	102,500	244,738	506,342	261,604
Investment earnings	15,000	15,000	108,715	93,715
Sales and services	566,000	614,870	670,007	55,137
Miscellaneous	160,200	188,275	246,444	58,169
Total revenues	<u>9,312,500</u>	<u>9,519,183</u>	<u>10,431,499</u>	<u>912,316</u>
EXPENDITURES				
General government	2,468,500	2,677,535	2,280,357	397,178
Public safety	3,757,425	3,794,775	3,655,371	139,404
Streets	815,900	1,242,372	869,186	373,186
Sanitation	917,450	917,450	859,104	58,346
Stormwater	336,700	336,700	236,359	100,341
Cultural and recreation	819,700	870,070	786,621	83,449
Debt service				
Note principal	626,382	626,382	626,382	-
Note interest	120,118	120,118	119,794	324
Total expenditures	<u>9,862,175</u>	<u>10,585,402</u>	<u>9,433,174</u>	<u>1,152,228</u>
Revenues over (under) expenditures	<u>(549,675)</u>	<u>(1,066,219)</u>	<u>998,325</u>	<u>2,064,544</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	549,675	1,848,547	-	(1,848,547)
Transfers to other funds	-	(782,328)	(782,328)	
Total other financing sources (uses)	<u>549,675</u>	<u>1,066,219</u>	<u>(782,328)</u>	<u>(1,848,547)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>215,997</u>	<u>\$ 215,997</u>
Fund balance - beginning of year			<u>9,162,158</u>	
Fund balance - end of year			<u>\$ 9,378,155</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, 2018

Exhibit 6

ASSETS

Current assets

Cash	\$ 101,585
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LIABILITIES

Current liabilities

Accounts payable and accrued expenses	99,132
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Due to other funds	28,620
--------------------	--------

Total current liabilities	<u>127,752</u>
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NET POSITION

Unrestricted	<u>\$ (26,167)</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, 2018

Exhibit 7

OPERATING REVENUES	
Miscellaneous	\$ 2,974
OPERATING EXPENSES	<u>-</u>
Operating income	<u>2,974</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,907
Interest expense	<u>(992)</u>
Total nonoperating revenues (expenses)	<u>915</u>
Change in net position	3,889
Total net position - beginning	<u>(30,056)</u>
Total net position - ending	<u>\$ (26,167)</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, 2018

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Net cash provided by operating activities	\$ 33,827
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	85,000
Principal paid on debt	(85,000)
Interest paid on debt and equipment contracts	(1,700)
Net cash used by capital and related financing activities	(1,700)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,907
Net increase in cash and cash equivalents	34,034
CASH AND CASH EQUIVALENTS	
Beginning of year	67,551
End of year	\$ 101,585
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,974
Adjustments to reconcile operating income to net cash used by operating activities	
Changes in assets and liabilities	
Increase in accounts payable	30,853
Net cash provided by operating activities	\$ 33,827

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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. 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, 2018

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 nonmajor governmental funds:

North Arendell Avenue Capital Project Fund – This fund is used to account for roadway improvements on North Arendell Avenue.

Greenways Capital Projects Fund – This fund is used to account for the construction of new greenways.

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. Non-exchange 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 non-operating 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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. Non-participating interest earning contracts are accounted for at cost. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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 and developer reimbursements 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, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Town of Zebulon Restricted Cash

Governmental Activities

Streets	\$ 209,868
Transportation Impact	62,687
Developer Reimbursements	414,901
Public Safety	9,312
Total	<u>\$ 696,768</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 are due September 1 (lien date); however, interest and penalties do not accrue until the following January 6th. 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 received prior to June 15, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. 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 two items that meet this criteria, contributions made to the pension plan in the 2018 fiscal year and deferrals related to the Town's Other Postemployment Benefits (OPEB) plan. In addition to liabilities, the statement of financial position will

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 four items that meet the criterion for this category – prepaid taxes, prepaid recreation revenues, pension deferrals and deferrals related to the Town’s OPEB plan.

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.

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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

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- 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

Committed for information technology improvements – portion of fund balance restricted by the governing board for future technology improvements in the Town.

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

Committed for stormwater improvements – portion of fund balance restricted by the governing board for future stormwater 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 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 liability, 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, 2018 the Town's water and sewer fund had a deficit in net position totaling \$26,167. 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.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the Town's deposits had a carrying value of \$1,056,429 and a bank balance of \$1,213,941. 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, 2018, \$250,000 of the bank balance was covered by federal depository insurance and \$963,941 was covered by collateral held under the Pooling Method. At June 30, 2018 the Town's petty cash fund totaled \$500.

2. INVESTMENTS

At June 30, 2018, the Town's investments consisted of the following:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/18</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$5,682,594	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value-Level 1	<u>3,289,002</u>	.09 years	Unrated
Total		<u>\$8,971,596</u>		

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The Town's investment policy limits maturities to a maximum period of three years, with a weighted average maturity of all investments not to exceed 12 months, as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,706,661	\$ 872,037	\$ -	\$ 4,578,698
Construction in progress	565,083	388,205	158,895	794,393
Total capital assets not being depreciated	<u>4,271,744</u>	<u>1,260,242</u>	<u>158,895</u>	<u>5,373,091</u>
Capital assets being depreciated:				
Building	12,808,080	-	-	12,808,080
Other improvements	3,946,304	250,298	-	4,196,602
Roads and infrastructure	5,614,695	739,381	-	6,354,076
Equipment	1,741,271	287,144	8,399	2,020,016
Intangibles	135,491	57,557	-	193,048
Vehicles and motorized equipment	3,998,231	178,857	90,748	4,086,340
Total capital assets being depreciated	<u>28,244,072</u>	<u>1,513,237</u>	<u>99,147</u>	<u>29,658,162</u>
Less accumulated depreciation for:				
Buildings	3,920,869	343,680	-	4,264,549
Other Improvements	2,378,728	189,893	-	2,568,621
Roads and infrastructure	3,362,045	431,854	-	3,793,899
Equipment	1,196,361	150,531	8,399	1,338,493
Intangibles	41,195	18,463	-	59,658
Vehicles and motorized equipment	2,982,146	264,011	84,988	3,161,169
Total accumulated depreciation	<u>13,881,344</u>	<u>1,398,432</u>	<u>93,387</u>	<u>15,186,389</u>
Total capital assets being depreciated, net	14,362,728	114,805	5,760	14,471,773
Capital assets, net	<u>\$ 18,634,472</u>	<u>\$ 1,375,047</u>	<u>\$ 164,655</u>	<u>\$ 19,844,864</u>

Depreciation expense was charged to
Functions/programs as follows:

General government	\$ 221,112
Public safety	238,964
Transportation	451,994
Stormwater	120,335
Environmental protection	85,540
Cultural and recreational	280,487
Total	<u>\$ 1,398,432</u>

TOWN OF ZEBULON, NORTH CAROLINA

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Construction commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street Improvements Project	\$ 23,022	\$ 57,319
Greenways Improvement Project	226,322	3,200

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

TOWN OF ZEBULON, NORTH CAROLINA

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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 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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$259,342 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$845,289 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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

TOWN OF ZEBULON, NORTH CAROLINA

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June 30, 2017, the Town's proportion was 0.055%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$232,574. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,696	\$ 23,927
Changes of assumptions	120,719	-
Net difference between projected and actual earnings on pension plan investments	205,238	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	103,885
Town contributions subsequent to the measurement date	259,342	-
Total	<u>\$ 633,995</u>	<u>\$ 127,812</u>

\$259,342 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (7,103)
2020	216,785
2021	106,935
2022	(69,777)
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

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Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 2,537,577	\$ 845,289	\$ (567,237)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2016 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
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TOWN OF ZEBULON, NORTH CAROLINA

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Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>19</u>
Total	<u>20</u>

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.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB statement 73.

Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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. The Town paid \$2,455 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$507,354. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumption. For the year ended June 30, 2018, the Town recognized pension expense of \$34,241.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 120,471
Changes of assumptions	34,511	13,848
Benefit payments and administrative expenses subsequent to measurement date	-	-
Total	\$ 34,511	\$ 134,319

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 17,072
2020	17,072
2021	17,072
2022	17,072
2023	17,072
Thereafter	14,448

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Town's proportionate share of the total pension liability (asset)	\$ 568,802	\$ 507,354	\$ 452,431

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

Total Pension Liability as of December 31, 2016	\$ 563,707
Changes for the year:	
Service cost at end of year	29,695
Interest	21,618
Difference between expected and actual experience	(140,650)
Changes of assumptions and other inputs	40,292
Benefit payments	(7,308)
Net Changes	<u>(56,353)</u>
Total Pension Liability as of December 31, 2017	<u>\$ 507,354</u>

The plan currently uses mortality tables that vary by age 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 232,574	\$ 34,241	\$ 266,815
Pension Liability	845,289	507,354	1,352,643
Proportionate share of the net pension liability	.05533%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	48,696	-	48,696
Changes of assumptions	120,719	34,511	155,230
Net difference between projected and actual earnings on plan investments	205,238	-	205,238

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Benefit payments and administrative costs paid subsequent to the measurement date	\$ 259,342	\$ -	\$ 259,342
Deferred Inflows of Resources			
Differences between expected and actual experience	23,927	120,471	144,398
Changes of assumptions	-	13,848	13,848
Changes in proportion and differences between contributions and proportionate share of contributions	103,885	-	103,885

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, 2018 were \$78,831, which consisted of \$54,629 from the Town and \$24,202 from law enforcement officers.

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

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

Funding Policy. The Town contributes each month an amount equal to five percent of each employee’s (excluding law enforcement officers) salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Total contributions for the year ended June 30, 2018 were \$160,762, which consisted of \$112,353 from the Town and \$48,409 from employees.

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e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution July 1, 2009, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. *Benefits Provided.* 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.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre July 1, 2005	On or after July 1, 2005
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5-10 years	Full coverage paid for by Town	Not eligible for coverage
10+ years	Full coverage paid for by Town	Full coverage paid for by Town

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	8	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	40	21
Total	48	23

Total OPEB Liability

The Town's total OPEB liability of \$4,724,377 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and

TOWN OF ZEBULON, NORTH CAROLINA

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other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent to 7.75 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Medical and Prescription – 7.5 percent decreasing to 5.0 percent by 2023

The discount rate is based on the yield of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability

Balance at July 1, 2016	<u>\$ 4,925,798</u>
Changes for the year	
Service cost	221,200
Interest	147,526
Differences between expected and actual experience	1,957
Changes in assumptions or other inputs	(522,563)
Benefit payments	(49,541)
Net changes	<u>(201,421)</u>
Balance at June 30, 2017	<u>\$ 4,724,377</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

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	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 5,732,061	\$4,724,377	\$ 3,937,343

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare cost Trend Rate (7.5% decreasing to 5.0%)	1% Increase
Total OPEB Liability	\$ 3,835,196	\$ 4,724,377	\$ 5,892,562

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$310,817. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,739	\$ -
Changes of assumptions	-	464,436
Benefit payments and administrative costs made subsequent to the measurement date	44,552	-
Total	<u>\$ 46,291</u>	<u>\$ 464,436</u>

\$44,552 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2019	(57,909)
2020	(57,909)
2021	(57,909)
2022	(57,909)
2023	(57,909)
Thereafter	(173,152)

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

The Town has several deferred outflows of resources. Deferred outflows of resources at June 30, 2018 are comprised of the following:

	<u>Deferred Outflows</u>	
Contributions to pension plan in current fiscal year	\$	259,342
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		44,552
Differences between expected and actual experience (LGERS)		48,696
Differences between expected and actual experience (OPEB)		1,739
Changes of assumptions (LGERS)		120,719
Changes of assumptions (LEO)		34,511
Net difference between projected and actual (LGERS)		205,238
Total	<u>\$</u>	<u>714,797</u>

TOWN OF ZEBULON, NORTH CAROLINA

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Deferred inflows of resources at June 30, 2018 are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes not yet earned	\$ 941	\$ 941
Recreation revenues not yet earned	8,900	8,900
Taxes receivable	-	118,247
Decal receivable	-	10,435
Sanitation receivables	-	9,196
Changes in assumptions (LEO)	134,319	-
Changes in assumptions (OPEB)	464,436	-
Differences between expected and actual experience (LGRS)	23,927	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGRS)	103,885	-
Total	<u>\$ 736,408</u>	<u>\$ 147,719</u>

3. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town provides workers' compensation insurance with coverage up to statutory limits through a mutual insurance company. In accordance with North Carolina G.S. 159-29, the Town carries bonds in the amount of \$50,000 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 (\$12,023,488), inland marine (\$496,358) 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, JUDGMENTS AND CONTINGENT LIABILITIES

At June 30, 2018, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018 are composed of the following individual issues:

Serviced by the General Fund:

\$4,600,000 public improvement bonds issued April 15, 2008; due in annual installments of \$225,000 plus interest at 3.5% to 4.0% through 2029.	\$2,350,000
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At June 30, 2018, The Town had a legal debt margin of \$82,030,590.

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 225,000	\$ 83,800
2020	225,000	78,925
2021	225,000	71,050
2022	225,000	63,062
2023	225,000	54,963
2024-2028	1,125,000	149,375
2029-2033	100,000	4,000
Total	\$ 2,350,000	\$ 505,175

b. Installment Note Indebtedness

The Town also has installment notes for capital projects, equipment and vehicles. The installment notes payable at June 30, 2018 serviced by the General Fund are composed of the following:

\$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.	\$ 127,500
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TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

\$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.	\$ 115,000
\$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.	230,318
\$259,500 installment obligation to BB&T issued August 10, 2016; secured by equipment, payable in annual installments of \$53,509 with an interest rate of 1.55%, through 2021	155,675
\$252,000 installment note to Regions Bank issued August 20, 2015; secured by vehicles and equipment, payable in annual Installments of \$64,478 with an interest rate of 1.57%, through 2019	63,482
Total	\$ 691,975

The future minimum payments of the installment notes as of June 30, 2018 including interest, are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2019	\$ 403,142	\$ 15,705
2020	97,951	6,264
2021	98,755	4,299
2022	46,064	2,322
2023	46,063	1,161
Total	\$ 691,975	\$ 29,751

c. Changes in Long-Term Debt

	Balance				Balance	Amounts Due Within One Year
	July 1, 2017	Increases	Decreases	July 1, 2018		
Governmental activities:						
General obligation	\$ 2,575,000	\$ -	\$ 225,000	\$ 2,350,000	\$ 225,000	
Bonds						

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Premiums on bond Issuance	\$ 10,429	\$ -	\$ 879	\$ 9,550	\$ 878
Total bonds payable	2,585,429	-	225,879	2,359,550	225,878
Installment notes	1,093,357	-	401,382	691,975	403,142
Compensated absences	267,099	205,395	157,387	315,107	122,992
Total OPEB liability	4,925,798	-	201,421	4,724,377	-
Net Pension obligation (LGERS)	1,189,357	-	344,068	845,289	-
Net pension obligation (LEO)	563,707	91,605	147,958	507,354	-
Governmental activity long-term liabilities	\$ 10,624,747	\$ 297,000	\$ 1,478,095	\$ 9,443,652	\$ 752,012

Business-type activities:					
Installment notes	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ -

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	\$ 9,378,155
Less:	
Stabilization by State Statute	(693,676)
Restricted for streets	(209,868)
Restricted for law enforcement	(9,312)
Restricted for transportation impact	(62,687)
Restricted for developer reimbursements	(414,901)
Committed for stadium improvements	(125,000)
Committed for IT improvements	(95,653)
Committed for capital improvements	(39,415)
Committed for transportation improvements	(198,151)
Committed for stormwater improvements	(27,760)
Appropriated fund balance in 2019 budget	(1,568,182)
Remaining fund balance	\$ 5,933,550

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018 the Town's General Fund has a balance of \$28,620 due from the Water and Sewer Fund to cover outstanding receivables. This amount will be transferred or repaid in future years.

NOTE 7 – ECONOMIC DEPENDENCY

The Town is economically dependent upon one taxpaying entity, which provides 39% 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, 2018 of \$357,360,940, and property taxes assessed totaling \$2,029,398.

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.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$3,220,357.

NOTE 10-SUBSEQUENT EVENTS

Subsequent to June 30, 2018 and prior to the issuance of these financial statements the Town entered into an installment purchase agreements to borrow \$1,100,000 with an interest rate of 3.2% and \$600,000 with an interest rate of 3.175% to purchase vehicles and equipment.

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2018

Exhibit A-1

Total OPEB Liability	2018
Service Cost	\$ 221,200
Interest	147,526
Changes of benefit terms	-
Differences between expected and actual experience	1,957
Changes of assumptions	(522,563)
Benefit payments	(49,541)
Net change in total OPEB liability	(201,421)
Total OPEB liability - beginning	4,925,798
Total OPEB liability - ending	\$ 4,724,377
Covered payroll	3,031,373
Total OPEB liability as a percentage of covered payroll	155.85%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

Note this schedule will show 10 years of information beginning with Fiscal Year 2027 period.

TOWN OF ZEBULON, NORTH CAROLINA

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Zebulon's proportion of the net pension liability (asset) (%)	0.05533%	0.05604%	0.05926%	0.61920%
Zebulon's proportion of the net pension liability (asset) (\$)	\$ 845,289	\$ 1,189,357	\$ 265,955	\$ (365,172)
Zebulon's covered-employee payroll	\$ 3,057,621	\$ 2,911,008	\$ 2,861,740	\$ 2,868,217
Zebulon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.65%	40.86%	9.29%	-12.73%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%

* 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.

Note this schedule will show 10 years of information beginning with Fiscal Year 2024 period

TOWN OF ZEBULON, NORTH CAROLINA

TOWN OF ZEBULON'S CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST FIVE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-3

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 259,342	\$ 230,022	\$ 199,764	\$ 205,656	\$ 203,827
Contributions in relation to the contractually required contributions	<u>259,342</u>	<u>230,022</u>	<u>199,764</u>	<u>205,656</u>	<u>203,827</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Zebulon's covered-employee payroll	\$ 3,339,652	\$ 3,057,621	\$ 2,911,008	\$ 2,861,740	\$ 2,868,217
Contributions as a percentage of covered-employee payroll	7.77%	7.52%	6.86%	7.19%	7.11%

Note this schedule will show 10 years of information beginning with Fiscal Year 2023 period

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 LAW ENFORCEMENT SPECIAL SEPARATION ALLOWANCE
 June 30, 2018

Exhibit A-4

	2018	2017
Beginning balance	\$ 563,707	\$ 539,222
Service cost	29,695	34,167
Interest on the total pension liability	21,618	19,079
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(140,650)	-
Changes of assumptions or other inputs	40,292	(19,196)
Benefit payments	(7,308)	(9,565)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 507,354</u>	<u>\$ 563,707</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Note this schedule will show 10 years of information beginning with Fiscal Year 2026 period.

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2018

Exhibit A-5

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 507,354	\$ 563,707
Covered payroll	996,834	1,046,278
Total pension liability as a percentage of covered payroll	50.90%	53.88%

The Town of Zebulon has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note this schedule will show 10 years of information beginning with Fiscal Year 2026 period.

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, 2018
 With comparative actual amounts for year ended June 30, 2017

Schedule 1
 Page 1 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
REVENUES				
Ad valorem taxes	\$ 5,877,800	\$ 6,281,941	\$ 404,141	\$ 5,462,326
Penalties and interest	12,500	8,635	(3,865)	12,957
Total	<u>5,890,300</u>	<u>6,290,576</u>	<u>400,276</u>	<u>5,475,283</u>
Other taxes and licenses				
Motor vehicle decals	35,000	41,244	6,244	41,084
Total	<u>35,000</u>	<u>41,244</u>	<u>6,244</u>	<u>41,084</u>
Unrestricted intergovernmental				
Local option sales tax	1,026,000	1,028,190	2,190	1,001,689
Franchise tax	600,000	569,948	(30,052)	542,341
Video programming	28,500	28,728	228	29,222
Beer and wine	20,500	20,773	273	21,314
Total	<u>1,675,000</u>	<u>1,647,639</u>	<u>(27,361)</u>	<u>1,594,566</u>
Restricted intergovernmental				
Powell Bill	125,000	128,099	3,099	125,851
Federal grants	-	-	-	34,521
State grants	-	-	-	10,873
County grants	-	-	-	128,000
PEG Supplement	64,000	53,515	(10,485)	55,172
Solid waste disposal tax	3,200	3,261	61	3,147
Wake County Fire District	663,800	735,657	71,857	637,755
Other grants	-	-	-	58,720
Total	<u>856,000</u>	<u>920,532</u>	<u>64,532</u>	<u>1,054,039</u>
Permits and fees				
Zoning permits and fees	85,000	154,617	69,617	80,271
Transportation impact fees	25,000	85,709	60,709	37,729
Developer reimbursements	114,238	217,183	102,945	448,030
Inspection fees	18,500	47,114	28,614	12,029
Officer fees	2,000	1,719	(281)	1,708
Total	<u>244,738</u>	<u>506,342</u>	<u>261,604</u>	<u>579,767</u>
Investment earnings	<u>15,000</u>	<u>108,715</u>	<u>93,715</u>	<u>41,388</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, 2018
 With comparative actual amounts for year ended June 30, 2017

Schedule 1
 Page 2 of 5

	Budget	Actual	Variance Positive Negative	Prior Year
REVENUES (continued)				
Sales and services				
Charges for services	\$ 430,000	\$ 445,198	\$ 15,198	\$ 431,546
Cemetery	-	7,650	7,650	6,774
Rent	58,200	59,055	855	58,399
Recreation	126,670	158,104	31,434	141,895
Total	<u>614,870</u>	<u>670,007</u>	<u>55,137</u>	<u>638,614</u>
Miscellaneous				
ABC revenue	28,500	36,721	8,221	33,341
Stormwater fees	112,000	111,914	(86)	109,312
Surplus property	-	9,090	9,090	53,631
Fines and forfeitures	-	229	229	62
Miscellaneous	47,775	88,490	40,715	52,849
Total	<u>188,275</u>	<u>246,444</u>	<u>58,169</u>	<u>249,195</u>
Total revenues	<u>9,519,183</u>	<u>10,431,499</u>	<u>912,316</u>	<u>9,673,936</u>
EXPENDITURES				
General government				
Governing body				
Personnel costs	72,900	66,136	6,764	64,262
Contract services	255,000	233,520	21,480	246,073
Other operating	156,200	83,154	73,046	135,655
Subtotal	<u>484,100</u>	<u>382,810</u>	<u>101,290</u>	<u>445,990</u>
Finance				
Personnel costs	208,000	204,572	3,428	216,718
Contract services	26,500	16,816	9,684	15,930
Other operating	110,450	86,053	24,397	25,762
Capital outlay	-	-	-	54,906
Subtotal	<u>344,950</u>	<u>307,441</u>	<u>37,509</u>	<u>313,316</u>
Administration				
Personnel costs	247,200	245,257	1,943	250,084
Contract services	80,900	77,940	2,960	44,215
Other operating	188,250	154,553	33,697	70,961
Capital outlay	60,000	30,480	29,520	4,958
Subtotal	<u>576,350</u>	<u>508,230</u>	<u>68,120</u>	<u>370,218</u>
Public buildings				
Personnel costs	154,300	144,584	9,716	148,495
Contract services	70,500	57,044	13,456	59,541
Utilities	108,750	94,638	14,112	89,729
Other operating	249,150	230,013	19,137	189,046
Capital outlay	164,045	140,320	23,725	63,732
Subtotal	<u>746,745</u>	<u>666,599</u>	<u>80,146</u>	<u>550,543</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, 2018
 With comparative actual amounts for year ended June 30, 2017

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	\$ 309,000	\$ 290,801	\$ 18,199	\$ 261,251
Contract services	30,000	30,372	(372)	26,453
Other operating	73,900	68,860	5,040	42,652
Capital outlay	112,490	25,244	87,246	9,545
Subtotal	<u>525,390</u>	<u>415,277</u>	<u>110,113</u>	<u>339,901</u>
Total general government	<u>2,677,535</u>	<u>2,280,357</u>	<u>397,178</u>	<u>2,019,968</u>
Public safety				
Police				
Personnel costs	1,587,850	1,524,444	63,406	1,332,295
Contract services	148,500	142,651	5,849	129,967
Other operating	255,875	227,061	28,814	214,500
Capital outlay	196,200	190,357	5,843	145,083
Subtotal	<u>2,188,425</u>	<u>2,084,513</u>	<u>103,912</u>	<u>1,821,845</u>
Fire				
Personnel costs	1,072,850	1,021,172	51,678	931,195
Contract services	9,000	8,381	619	7,002
Other operating	279,500	377,877	(98,377)	216,013
Capital outlay	245,000	163,428	81,572	62,487
Subtotal	<u>1,606,350</u>	<u>1,570,858</u>	<u>35,492</u>	<u>1,216,697</u>
Total public safety	<u>3,794,775</u>	<u>3,655,371</u>	<u>139,404</u>	<u>3,038,542</u>
Streets				
Non-Powell Bill				
Personnel costs	181,600	176,231	5,369	172,770
Contract services	47,450	24,962	22,488	17,199
Utilities	145,000	136,072	8,928	136,571
Other operating	92,100	374,191	(282,091)	121,420
Capital outlay	553,222	58,730	494,492	363,899
Subtotal	<u>1,019,372</u>	<u>770,186</u>	<u>249,186</u>	<u>811,859</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, 2018
 With comparative actual amounts for year ended June 30, 2017

Schedule 1
 Page 4 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
EXPENDITURES (continued)				
Powell Bill				
Contract services	\$ 27,000	\$ 99,000	\$ (72,000)	\$ -
Capital outlay	196,000	-	196,000	-
Subtotal	<u>223,000</u>	<u>99,000</u>	<u>124,000</u>	<u>-</u>
Total streets	<u>1,242,372</u>	<u>869,186</u>	<u>373,186</u>	<u>811,859</u>
Sanitation				
Personnel costs	358,800	341,925	16,875	324,665
Contract services	429,900	409,209	20,691	402,881
Other operating	128,750	107,970	20,780	117,751
Capital outlay	-	-	-	288,573
Total sanitation	<u>917,450</u>	<u>859,104</u>	<u>58,346</u>	<u>1,133,870</u>
Storm Water				
Personnel costs	122,850	119,104	3,746	113,863
Contract services	11,000	10,737	263	25,097
Other operating	50,850	42,124	8,726	39,818
Capital outlay	152,000	64,394	87,606	32,047
Total Storm Water	<u>336,700</u>	<u>236,359</u>	<u>100,341</u>	<u>210,825</u>
Cultural and recreation				
Recreation				
Personnel costs	466,300	440,689	25,611	425,148
Contract services	51,700	49,727	1,973	48,632
Other operating	237,570	234,135	3,435	208,334
Capital outlay	59,000	16,401	42,599	32,777
Subtotal	<u>814,570</u>	<u>740,952</u>	<u>73,618</u>	<u>714,891</u>
Stadium				
Utilities	44,500	36,817	7,683	44,744
Other operating	11,000	8,852	2,148	7,167
Capital outlay	-	-	-	30,366
Subtotal	<u>55,500</u>	<u>45,669</u>	<u>9,831</u>	<u>82,277</u>
Total cultural and recreation	<u>870,070</u>	<u>786,621</u>	<u>83,449</u>	<u>797,168</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, 2018
 With comparative actual amounts for year ended June 30, 2017

Schedule 1
 Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Prior Year</u>
EXPENDITURES (continued)				
Debt service				
Principal	\$ 626,382	\$ 626,382	\$ -	\$ 628,609
Interest	<u>120,118</u>	<u>119,794</u>	<u>324</u>	<u>133,121</u>
Total debt service	<u>746,500</u>	<u>746,176</u>	<u>324</u>	<u>761,730</u>
Total expenditures	<u>10,585,402</u>	<u>9,433,174</u>	<u>1,152,228</u>	<u>8,773,962</u>
Revenues over (under) expenditures	<u>(1,066,219)</u>	<u>998,325</u>	<u>2,064,544</u>	<u>899,974</u>
OTHER FINANCING SOURCES (USES)				
Installment financing	-	-	-	259,500
Operating transfers out				
N. Arendell Ave. Capital Project	(326,595)	(326,595)	-	-
Greenways Capital Project	(455,733)	(455,733)	-	-
Appropriated fund balance	<u>1,848,547</u>	<u>-</u>	<u>(1,848,547)</u>	<u>-</u>
Total other financing sources	<u>1,066,219</u>	<u>(782,328)</u>	<u>(1,848,547)</u>	<u>259,500</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>215,997</u>	<u>\$ 215,997</u>	<u>1,159,474</u>
Fund balance - beginning of year		<u>9,162,158</u>		<u>8,002,684</u>
Fund balance- end of year		<u>\$ 9,378,155</u>		<u>\$ 9,162,158</u>

GENERAL CAPITAL PROJECT FUNDS

The North Arendell Avenue Capital Project Fund is used to account for financial resources to be used for roadway improvements on North Arendell Avenue.

The Greenways Capital Project Fund is used to account for financial resources to be used for the construction of new greenways.

**TOWN OF ZEBULON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018**

Schedule 2

	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
	N. Arendell Ave. Capital Project	Greenways Capital Project	
ASSETS			
Cash and cash equivalents	\$ 312,248	\$ 238,611	\$ 550,859
Total assets	<u>\$ 312,248</u>	<u>\$ 238,611</u>	<u>\$ 550,859</u>
LIABILITIES			
Accounts payable	\$ 8,675	\$ 9,200	\$ 17,875
Total liabilities	<u>8,675</u>	<u>9,200</u>	<u>17,875</u>
FUND BALANCES			
Committed	303,573	229,411	532,984
Total fund balance	<u>303,573</u>	<u>229,411</u>	<u>532,984</u>
Total liabilities and fund balances	<u>\$ 312,248</u>	<u>\$ 238,611</u>	<u>\$ 550,859</u>

TOWN OF ZEBULON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

Schedule 3

	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
	<u>N. Arendell Ave Capital Project</u>	<u>Greenways Capital Project</u>	
REVENUES	\$ -	\$ -	-
EXPENDITURES			
Capital outlay-improvements	<u>23,022</u>	<u>226,322</u>	<u>249,344</u>
Revenues under expenditures	(23,022)	(226,322)	(249,344)
OTHER FINANCING SOURCES			
Transfers in	<u>326,595</u>	<u>455,733</u>	<u>782,328</u>
Net change in fund balances	303,573	229,411	532,984
FUND BALANCES - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - End of year	<u>\$ 303,573</u>	<u>\$ 229,411</u>	<u>\$ 532,984</u>

**TOWN OF ZEBULON, NORTH CAROLINA
CAPITAL PROJECT FUND
N. ARENDELL AVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2018**

Schedule 4

	Project Author - ization	Actual		
		Prior Year	Current Year	Total to Date
REVENUES				
Grants	\$ 956,000	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay-improvements	1,282,595	-	23,022	23,022
Revenues under expenditures	(326,595)	-	(23,022)	(23,022)
OTHER FINANCING SOURCES				
Transfers in General Fund	326,595	-	326,595	326,595
Net change in fund balance	\$ -	\$ -	\$ 303,573	\$ 303,573

TOWN OF ZEBULON, NORTH CAROLINA
CAPITAL PROJECTS FUND
GREENWAYS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2018

Schedule 5

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Grants	\$ 228,625	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay-improvements	684,358	-	226,322	226,322
Revenues under expenditures	(455,733)	-	(226,322)	(226,322)
OTHER FINANCING SOURCES				
Transfers in General fund	455,733	-	455,733	455,733
Net change in fund balance	\$ -	\$ -	\$ 229,411	\$ 229,411

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, 2018
 With comparative actual amounts for year ended June 30, 2017

Schedule 6

	Budget	Actual	Variance Positive (Negative)	Prior Year
OPERATING REVENUES				
Miscellaneous revenues	\$ -	\$ 2,974	\$ 2,974	\$ 2,651
NON-OPERATING REVENUES				
Debt reimbursements from Raleigh	86,700	86,700	-	154,700
Investment earnings	-	207	207	104
Total non-operating revenues	86,700	86,907	207	154,804
Total revenues	86,700	89,881	3,181	157,455
OPERATING EXPENDITURES				
Debt service				
Principal	85,000	85,000	-	150,000
Interest	1,700	1,700	-	4,700
Total debt service	86,700	86,700	-	154,700
Total operating expenditures	86,700	86,700	-	154,700
Revenues over expenditures	\$ -	3,181	\$ 3,181	2,755
ADJUSTMENTS TO ACCRUAL				
Add (deduct)				
Debt principal		85,000		150,000
Decrease in accrued interest payable		708		1,250
Reimbursement for debt payments from City of Raleigh		(85,000)		(150,000)
Change in net position		\$ 3,889		\$ 4,005

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, 2018

Schedule 7

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 6,308,023	\$ 6,276,143	\$ 31,880
2016-2017	21,259	-	8,282	12,977
2015-2016	9,095	-	3,581	5,514
2014-2015	3,708	-	601	3,107
2013-2014	7,411	-	136	7,275
2012-2013	12,293	-	-	12,293
2011-2012	6,930	-	63	6,867
2010-2011	5,942	-	71	5,871
2009-2010	23,081	-	10	23,071
2008-2009	9,408	-	16	9,392
2007-2008	8,126	-	8,126	-
	<u>\$ 107,253</u>	<u>\$ 6,308,023</u>	<u>\$ 6,297,029</u>	<u>\$ 118,247</u>

Revenue Reconciliation:

Ad valorem taxes - General Fund	\$ 6,290,576
Add (deduct):	
Releases allowed	6,962
Taxes written off	8,126
Penalties and interest	<u>(8,635)</u>
Total collections and credits	<u>\$ 6,297,029</u>

TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2018

Schedule 8

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rates	\$ 1,073,271,826	0.5750	\$ 6,171,313	\$ 5,925,951	\$ 245,362
Penalties	-		53,605	53,605	-
Total	1,073,271,826		6,224,918	5,979,556	245,362
Discoveries:					
Prior year taxes	-		139,141	139,141	-
Abatements	(9,745,391)	0.5750	(56,036)	(56,036)	-
Total property valuation	<u>\$ 1,063,526,435</u>				
Net levy			6,308,023	6,062,661	245,362
Uncollected taxes at June 30, 2018			31,880	29,589	2,291
Current year's taxes collected			\$ 6,276,143	\$ 6,033,072	\$ 243,071
Current levy collection percentage			<u>99.5%</u>	<u>99.5%</u>	<u>99.1%</u>

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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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 12,446,754	\$ 13,606,167	\$ 13,449,478	\$ 13,551,363	\$ 13,072,389	\$ 12,831,363	\$ 12,944,657	\$ 13,392,436	\$ 14,955,686	\$ 16,793,339
Restricted	247,739	159,123	635,366	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444
Unrestricted	6,259,317	6,055,670	5,823,110	4,957,181	5,219,306	5,401,122	4,806,151	4,878,773	5,057,994	2,222,411
Total governmental activities net position	<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>	<u>\$ 19,348,519</u>	<u>\$ 21,296,512</u>	<u>\$ 20,406,194</u>
Business-type activities										
Net investment in capital assets	\$ 1,495,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(45,404)	(37,427)	(59,926)	(56,426)	(42,708)	(39,449)	(36,884)	(34,061)	(30,056)	(26,167)
Total business-type activities net position	<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>	<u>\$ (34,061)</u>	<u>\$ (30,056)</u>	<u>\$ (26,167)</u>
Primary government										
Net investment in capital assets	\$ 13,942,333	\$ 13,606,167	\$ 13,449,478	\$ 13,551,363	\$ 13,072,389	\$ 12,831,363	\$ 12,944,657	\$ 13,392,436	\$ 14,955,686	\$ 16,793,339
Restricted	247,739	159,123	635,366	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444
Unrestricted	6,213,913	6,018,243	5,763,184	4,900,755	5,176,598	5,361,673	4,769,267	4,844,712	5,027,938	2,196,244
Total primary government net position	<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>	<u>\$ 19,314,458</u>	<u>\$ 21,266,456</u>	<u>\$ 20,380,027</u>

Town of Zebulon, North Carolina

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

Table 2
Page 1 of 2

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 1,335,282	\$ 1,630,391	\$ 1,695,678	\$ 1,910,778	\$ 1,632,520	\$ 1,746,647	\$ 1,711,158	\$ 1,767,907	\$ 2,182,513	\$ 2,320,449
Public safety	2,583,566	2,787,740	2,928,037	3,242,348	3,174,675	3,177,517	3,115,698	3,208,337	3,339,341	3,731,751
Streets	759,235	804,201	766,885	1,264,030	798,858	815,731	782,121	816,957	863,966	941,827
Sanitation	717,081	748,643	797,076	837,952	828,740	836,113	826,740	859,777	925,776	1,332,511
Storm water	-	-	101,888	191,214	207,596	210,764	224,215	224,279	286,500	264,964
Cultural and recreational	654,523	843,239	885,495	913,921	880,850	970,340	983,783	1,036,994	1,046,872	1,078,303
Interest on long-term debt	211,803	211,298	194,085	185,118	170,577	166,392	153,411	140,481	127,256	110,389
Total governmental activities expenses	6,261,490	7,025,512	7,369,144	8,545,361	7,693,816	7,923,504	7,797,126	8,054,732	8,772,224	9,780,194
Business-type activities:										
Interest on long-term debt	143,740	124,220	104,644	70,646	29,129	21,797	9,623	6,497	3,450	992
Total primary government expenses	\$ 6,405,230	\$ 7,149,732	\$ 7,473,788	\$ 8,616,007	\$ 7,722,945	\$ 7,945,301	\$ 7,806,749	\$ 8,061,229	\$ 8,775,674	\$ 9,781,186
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 92,517	\$ 87,522	\$ 83,574	\$ 74,313	\$ 114,469	\$ 166,699	\$ 182,735	\$ 189,760	\$ 157,473	\$ 268,436
Public safety	7,151	7,306	6,244	4,194	3,462	2,508	2,418	2,048	1,708	1,719
Streets	-	-	-	-	-	78,420	62,346	-	-	-
Sanitation	301,157	323,524	341,160	367,255	352,503	373,855	394,117	408,743	430,027	444,605
Cultural and recreational	48,211	76,148	85,970	102,045	88,342	110,794	128,618	133,956	141,895	158,104
Operating grants and contributions	698,721	629,278	629,693	793,192	793,825	782,618	831,799	888,155	1,054,039	920,532
Capital grants and contributions	1,563,108	504,339	10,825	914,062	36,503	260,172	773,591	648,574	1,908,788	2,044,350
Total governmental activities program revenues	2,710,865	1,628,117	1,157,466	2,255,061	1,389,104	1,775,066	2,375,624	2,271,236	3,693,930	3,837,746
Business-type activities:										
Capital grants and contributions	1,009,000	-	-	-	-	-	-	-	-	-
Total primary government program revenues	\$ 3,719,865	\$ 1,628,117	\$ 1,157,466	\$ 2,255,061	\$ 1,389,104	\$ 1,775,066	\$ 2,375,624	\$ 2,271,236	\$ 3,693,930	\$ 3,837,746

Town of Zebulon, North Carolina

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

Table 2
Page 2 of 2

Net Revenue (expense)										
Governmental activities	\$ (3,550,625)	\$ (5,397,395)	\$ (6,211,678)	\$ (6,290,300)	\$ (6,304,712)	\$ (6,148,438)	\$ (5,421,502)	\$ (5,783,496)	\$ (5,078,294)	\$ (5,942,448)
Business-type activities	865,260	(124,220)	(104,644)	(70,646)	(29,129)	(21,797)	(9,623)	(6,497)	(3,450)	(992)
Total primary government net revenue (expense)	<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>	<u>\$ (5,789,993)</u>	<u>\$ (5,081,744)</u>	<u>\$ (5,943,440)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	4,643,724	4,254,209	4,173,228	3,926,622	3,969,478	4,099,089	4,119,373	4,529,782	5,479,104	6,301,569
Other taxes and licenses	43,648	45,709	44,111	39,063	36,064	43,164	47,983	37,671	39,899	39,453
Unrestricted intergovernmental revenues	1,909,107	1,778,698	1,822,245	1,665,768	1,645,507	1,458,220	1,477,071	1,567,546	1,594,566	1,647,639
Investment earnings	111,988	42,856	12,114	7,087	7,224	5,809	6,117	19,832	41,388	108,715
Miscellaneous	69,887	97,304	126,917	91,892	191,911	160,374	167,632	199,700	195,565	192,323
Gain (loss) on disposal of capital assets	30,889	45,769	123,057	25,044	33,210	284,424	83,168	7,600	24,174	(17,212)
Total governmental activities	<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>	<u>6,362,131</u>	<u>7,374,696</u>	<u>8,272,487</u>
Business-type activities:										
Investment earnings	\$ 143,688	\$ 123,926	\$ 104,219	\$ 73,738	\$ 42,446	\$ 25,056	\$ 11,047	\$ 7,887	\$ 4,804	\$ 1,907
Miscellaneous	-	8,271	6,546	408	401	-	1,141	1,433	2,651	2,974
Special Item: gain (loss) on transfer of assets to City of Raleigh	330,085	(1,495,579)	(28,620)	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>9,320</u>	<u>7,455</u>	<u>4,881</u>
Total primary government general revenues and other changes in net position	<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>	<u>6,371,451</u>	<u>7,382,151</u>	<u>8,277,368</u>
Change in net position										
Governmental activities	\$ 3,258,618	\$ 867,150	\$ 89,994	\$ (534,824)	\$ (421,318)	\$ (97,358)	\$ 479,842	\$ 578,635	\$ 2,296,402	\$ 2,330,039
Business-type activities	1,339,033	(1,487,602)	(22,499)	3,500	13,718	3,259	2,565	2,823	4,005	3,889
Total primary government change in net position	<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>	<u>\$ 581,458</u>	<u>\$ 2,300,407</u>	<u>\$ 2,333,928</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
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
2016	1,767,907	3,208,337	816,957	859,777	224,279	1,036,994	140,481	6,497	8,061,229
2017	2,182,513	3,339,341	863,966	925,776	286,500	1,046,872	127,256	3,450	8,775,674
2018	2,320,449	3,731,751	941,827	1,332,511	264,964	1,078,303	110,389	992	9,781,186

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
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
2016	1,574,366	3,041,769	597,047	916,164	407,221	777,917	723,873	8,038,357	1,619
2017	2,019,968	3,038,542	811,859	1,133,870	210,825	797,168	761,730	8,773,962	1,701
2018	2,280,357	3,655,371	869,186	859,104	236,359	786,621	746,176	9,433,174	1,791

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	
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
2016	734,507	888,155	648,574	4,567,453	1,567,546	27,719	208,733	8,642,687
2017	731,103	1,054,039	1,908,788	5,519,003	1,594,566	46,192	222,390	11,076,081
2018	872,864	920,532	2,044,350	6,341,022	1,647,639	110,622	178,085	12,115,114

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
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
2016	4,577,412	2,455,701	195,259	19,832	623,262	207,300	8,078,766	1,627
2017	5,516,367	2,648,605	579,767	41,388	638,614	249,195	9,673,936	1,875
2018	6,331,820	2,568,171	506,342	108,715	670,007	246,444	10,431,499	1,980

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>
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
2016	4,538,730	0.5250
2017	5,475,283	0.5750
2018	6,290,576	0.5750

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

Table 8

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,198,197	\$ 786,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,281,374	5,824,878	-	-	-	-	-	-	-	-
Restricted	-	-	635,361	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444
Committed	-	-	150,000	361,800	363,500	265,400	193,400	193,400	232,350	485,979
Assigned	-	-	514,200	668,000	590,070	870,403	339,780	916,050	549,675	1,568,182
Unassigned	-	-	5,723,873	4,680,150	5,149,500	5,456,546	6,158,019	5,815,924	7,097,301	5,933,550
Total General Fund	<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>	<u>8,002,684</u>	<u>9,162,158</u>	<u>9,378,155</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	630,023	-	-	-	30,909	-	-	-	-	532,984
Total all other governmental funds	<u>\$ 630,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,984</u>

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

Town of Zebulon, North Carolina

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

Table 9
Page 1 of 2

	Fiscal Years				
	2009	2010	2011	2012	2013
Revenues:					
Ad valorem taxes	\$ 4,638,563	\$ 4,232,404	\$ 4,179,121	\$ 3,939,522	\$ 3,961,589
Other taxes and licenses	42,336	44,934	43,903	40,040	36,516
Unrestricted intergovernmental	1,909,107	1,778,698	1,822,245	1,665,768	1,645,507
Restricted intergovernmental	1,826,500	746,265	633,400	1,335,338	833,149
Permits and fees	48,719	47,055	38,654	26,627	65,650
Sales and services	425,135	448,373	465,286	519,963	499,695
Investment earnings	111,988	42,856	12,114	7,087	7,224
Miscellaneous	126,517	162,483	275,239	146,912	238,324
Total revenues	<u>9,128,865</u>	<u>7,503,068</u>	<u>7,469,962</u>	<u>7,681,257</u>	<u>7,287,654</u>
Expenditures:					
General government	1,280,987	1,404,090	1,476,530	1,689,801	1,420,572
Public safety	2,383,688	2,485,817	2,604,805	2,906,795	2,844,487
Streets	399,985	404,808	421,031	887,973	409,308
Sanitation	665,235	677,837	728,086	772,653	754,167
Storm water	-	-	46,015	128,188	139,118
Cultural and recreational	508,143	652,222	642,403	655,357	627,298
Capital outlay	5,326,963	1,403,548	479,616	691,103	957,363
Debt service:					
Principal retirement	460,487	694,708	458,160	509,005	507,109
Interest and fees	178,914	214,934	201,626	183,585	172,965
Total expenditures	<u>11,204,402</u>	<u>7,937,964</u>	<u>7,058,272</u>	<u>8,424,460</u>	<u>7,832,387</u>
Excess of revenues over (under) expenditures	<u>(2,075,537)</u>	<u>(434,896)</u>	<u>411,690</u>	<u>(743,203)</u>	<u>(544,733)</u>
Other financing sources (uses):					
Installment note proceeds	1,275,000	325,000	-	297,300	690,000
Transfers in	1,054,371	122,818	-	-	-
Transfers (out)	<u>(1,054,371)</u>	<u>(122,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,275,000</u>	<u>325,000</u>	<u>-</u>	<u>297,300</u>	<u>690,000</u>
Net change in fund balances	<u>\$ (800,537)</u>	<u>\$ (109,896)</u>	<u>\$ 411,690</u>	<u>\$ (445,903)</u>	<u>\$ 145,267</u>
Debt service as a percentage of noncapital expenditures	10.9%	13.9%	10.0%	9.0%	9.9%

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				
	2014	2015	2016	2017	2018
Revenues:					
Ad valorem taxes	\$ 4,114,916	\$ 4,136,640	\$ 4,538,730	\$ 5,475,283	\$ 6,290,576
Other taxes and licenses	45,751	49,673	38,682	41,084	41,244
Unrestricted intergovernmental	1,458,220	1,477,071	1,567,546	1,594,566	1,647,639
Restricted intergovernmental	918,019	1,177,170	888,155	1,054,039	920,532
Permits and fees	184,692	466,550	195,259	579,767	506,342
Sales and services	545,043	582,560	623,262	638,614	670,007
Investment earnings	5,809	6,117	19,832	41,388	108,715
Miscellaneous	453,429	273,324	207,300	249,195	246,444
Total revenues	7,725,879	8,169,105	8,078,766	9,673,936	10,431,499
Expenditures:					
General government	1,522,715	1,497,599	1,533,719	1,886,827	2,084,313
Public safety	2,790,544	2,820,289	2,859,970	2,830,972	3,301,586
Streets	440,077	414,949	419,280	447,960	810,456
Sanitation	756,567	775,532	809,120	845,297	859,104
Storm water	136,939	154,487	150,539	178,778	171,965
Cultural and recreational	688,389	699,274	748,959	734,025	770,220
Capital outlay	674,664	605,237	792,897	1,088,373	938,698
Debt service:					
Principal retirement	587,188	588,564	578,042	628,609	626,382
Interest and fees	169,209	162,612	145,831	133,121	119,794
Total expenditures	7,766,292	7,718,543	8,038,357	8,773,962	9,682,518
Excess of revenues over (under) expenditures	(40,413)	450,562	40,409	899,974	748,981
Other financing sources (uses):					
Installment note proceeds	460,635	-	252,000	259,500	-
Transfers in	30,921	-	-	-	-
Transfers (out)	(30,921)	-	-	-	-
Total other financing sources (uses)	460,635	-	252,000	259,500	-
Net change in fund balances	\$ 420,222	\$ 450,562	\$ 292,409	\$ 1,159,474	\$ 748,981
 Debt service as a percentage of noncapital expenditures	 10.7%	 10.6%	 10.0%	 9.9%	 8.5%

Town of Zebulon, North Carolina

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

Table 10

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Property Tax Rate	Taxable Assessed Ratio of Assessed Value to Estimated Actual Value
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%
2016	531,315,033	317,347,252	11,177,906	859,840,191	0.525	100%
2017	532,715,303	388,154,518	11,809,309	932,679,130	0.575	100%
2018	538,742,081	511,561,940	13,222,414	1,063,526,435	0.575	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, 2016. 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
2009	\$ 0.5100	\$ 0.5343	\$ 1.0443
2010	0.5000	0.5343	1.0343
2011	0.5000	0.5343	1.0343
2012	0.5000	0.5340	1.0340
2013	0.5125	0.5340	1.0465
2014	0.5250	0.5340	1.0590
2015	0.5250	0.5780	1.1030
2016	0.5250	0.6145	1.1395
2017	0.5750	0.6005	1.1755
2018	0.5750	0.6150	1.1900

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, 2016. 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	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline ⁽¹⁾	\$ 357,360,940	1	33.60	\$ 362,825,213	1	44.72
Branch Banking & Trust	133,447,192	2	12.55	1,734,231	45	0.21
Glaxo Inc ⁽¹⁾	57,450,404	3	5.40	51,794,460	2	6.38
US Foods Inc	32,563,107	4	3.06	5,891,188	13	0.73
USF Propco LLC ⁽²⁾	17,754,785	5	1.67	18,705,870	5	2.31
Nomacorrc LLC ⁽³⁾	16,542,213	6	1.56	26,992,096	4	3.33
Walmart	12,493,324	7	1.17	13,303,291	6	1.64
Zeb Land LLC ⁽⁴⁾	12,407,682	8	1.17			0.00
Triangle East Shopping Centre	9,042,876	9	0.85	6,891,375	10	0.85
Corc LLC ⁽²⁾	7,914,544	10	0.74	8,081,650	9	1.00
Tidewater Investors LLC	7,539,827	11	0.71	-		0.00
Duke Energy Progress, Inc. ⁽⁵⁾	7,178,084	12	0.67	6,925,832	11	0.85
Nomaco Zebulon ⁽⁴⁾	6,468,096	13	0.61	9,259,703	4	1.14
LNP Inc.	5,584,269	14	0.53	3,271,282	13	0.40
Legacy Crest LLC	4,904,040	15	0.46	4,457,995	18	0.55
Total	\$ 688,651,383		64.75 %	\$ 520,134,186		64.11 %

Source: Wake County Revenue Department

Note:

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

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

(3) Nomacorrc LLC and Corc LLC 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) Duke Energy Progress, Inc. 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
2009	\$ 4,792,459	\$ 4,727,252	98.64 %	\$ 55,698	\$ 4,782,950	99.80 %
2010	4,249,259	4,169,855	98.13	56,300	4,226,155	99.46
2011	4,166,859	4,111,810	98.68	49,537	4,161,347	99.87
2012	3,918,084	3,874,143	98.88	36,915	3,911,058	99.82
2013	3,962,815	3,910,527	98.68	41,937	3,952,464	99.74
2014	4,085,330	4,053,950	99.23	23,718	4,077,668	99.81
2015	4,117,537	4,102,612	99.64	11,818	4,114,430	99.92
2016	4,527,755	4,512,507	99.66	9,734	4,522,241	99.88
2017	5,471,997	5,450,738	99.61	8,282	5,459,020	99.76
2018	6,308,023	6,276,143	99.49	-	6,276,143	99.49

Source: Wake County Revenue Department

Note: A revaluation of all property is required every eight years by North Carolina General Statute. The last revaluation occurred as of January 1, 2016.

Town of Zebulon, North Carolina

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 14

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Debt as a Percentage of Personal Income	Per Capita
	Installment Purchases	GO Bonds	GO Bonds	Installment Purchases	Revenue Notes			
2009	\$ 1,560,307	⁽¹⁾ \$ 4,375,000	\$ 1,290,000	\$ 160,213	\$ 1,452,136	\$ 8,837,656	4.11%	1,784
2010	1,543,871	⁽²⁾ 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	⁽³⁾ 3,700,000	-	⁽⁴⁾ 919,386	⁽⁴⁾ 580,852	6,395,972	N/A	1,433
2013	1,603,625	⁽⁵⁾ 3,475,000	-	710,000	290,424	6,079,049	N/A	1,343
2014	1,702,072	⁽⁶⁾ 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
2016	1,237,466	⁽⁷⁾ 2,811,307	-	235,000	-	4,283,773	N/A	863
2017	1,093,357	⁽⁸⁾ 2,585,429	-	85,000	-	3,763,786	N/A	730
2018	691,975	2,359,550	-	-	-	3,051,525	N/A	579

Notes:

- (1) During fiscal year 2009, an installment note for \$1,275,000 was issued for the construction and renovation of park facilities.
- (2) During fiscal year 2010, an installment note for \$325,000 was issued for the purchase of vehicles and equipment.
- (3) During fiscal year 2012, an installment note for \$297,300 was issued for the purchase of vehicles and equipment.
- (4) During fiscal year 2012, the GO Bonds for business-type activities were refunded with an installment note in the amount of \$1,040,000.
- (5) During fiscal year 2013, an installment note for \$690,000 was issued for construction, maintenance and repair of buildings and parks.
- (6) During fiscal year 2014, an installment note for \$460,635 was issued for maintenance and repair of town buildings.
- (7) During fiscal year 2016, an installment note for \$252,000 was issued for the purchase of vehicles and equipment.
- (8) During fiscal year 2017, an installment note for \$259,500 was issued for the purchase of vehicles and equipment.

Town of Zebulon, North Carolina

Direct and Overlapping Governmental Activities Debt
June 30, 2018

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	\$ 1,762,270,000 ⁽¹⁾	0.74%	\$ 12,995,638
Town of Zebulon direct debt			<u>3,051,525</u> ⁽³⁾
Total direct and other overlapping debt			<u>\$ 16,047,163</u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,436,833,078, or 81%, 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 64,906,104	\$ 67,090,147	\$ 64,889,456	\$ 62,503,200	\$ 60,714,708	\$ 62,016,570	\$ 62,512,549	\$ 68,787,215	\$ 74,614,330	\$ 85,082,115
Total net debt applicable to limit	6,340,620	5,904,633	5,651,133	5,104,750	5,213,524	5,069,065	4,449,603	4,093,423	3,694,936	3,051,525
Legal debt margin	<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>	<u>\$ 64,693,792</u>	<u>\$ 70,919,394</u>	<u>\$ 82,030,590</u>
Total net debt applicable to the limit as a percentage of debt limit	9.77%	8.80%	8.71%	8.17%	8.59%	8.17%	7.12%	5.95%	4.95%	3.59%

Legal Debt Margin for Fiscal Year 2018

Assessed value	\$ 1,063,526,435
Debt limit (8% of assessed value)	<u>85,082,115</u>
Debt applicable to limit:	
General obligation bonds	2,359,550
Non-bonded debt	691,975
Less: State exclusion for general obligation water bonds	-
Total net debt applicable to limit	<u>3,051,525</u>
Legal debt margin	<u>\$ 82,030,590</u>

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

Town of Zebulon, North Carolina

Pledge-Revenue Coverage
Last Ten Fiscal Years

Table 17

Fiscal Year	Water and Sewer Charges	Other Operating Revenues	Total Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2009	-	-	-	-	-	\$ 150,000	\$ 70,800	-
2010	-	-	-	-	-	150,000	63,450	-
2011	-	-	-	-	-	150,000	56,100	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-

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⁾	Median Income ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2009	4,955	34.1	\$ 47,885	2,044	8.6%
2010	5,444	34.6	34,750	1,561	8.3%
2011	5,545	34.4	45,625	1,589	8.2%
2012	4,464	43.3	50,786	1,647	7.6%
2013	4,526	37.0	52,599	1,684	6.4%
2014	4,544	34.6	50,000	1,642	5.5%
2015	4,610	34.0	51,717	1,562	5.2%
2016	4,964	34.0	52,947	1,590	4.4%
2017	5,159	32.3	54,194	1,642	3.8%
2018	5,268	35.6	50,791	1,698	3.6%

Notes:

(1) Population projections provided by US Census Bureau

The 2018 number represents the State-adjusted population as a result of the 2010 United States Census.

(2) Median age for Wake County according to American Community Survey - Census.gov.

(3) Median household income for Town of Zebulon according to the American Community Survey - Census.gov

(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 Economic Research Division of the Federal Reserve Bank of St. Louis

Town of Zebulon, North Carolina

Principal Employers
June 30, 2018

Table 19

Employer	2018		2009	
	Employees	Rank	Employees	Rank
GlaxoSmithKline	850	1	669	1
US Foodservice	565	2	562	2
Wake County Public School System	221	3	222	4
Nomaco	156	4	166	6
Nomacorc	153	5	210	5
Wal-Mart	135	6	277	3
Advanced Plastiform	122	7		
East Wake Academy	117	8	113	8
Town of Zebulon	66	9	62	9
Devil Dog Manufacturing	58	10	125	7
Total	<u>2,443</u>		<u>2,406</u>	

Town of Zebulon, North Carolina

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

Table 20

Function	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration/Finance	5	5	5	5	5	5	5	5	5	6
Planning	3	3	3	3	3	3	3	3	3	4
Buildings & Grounds	2	2	2	2	2	0	1	1	1	3
Public Safety										
Police	23	23	23	23	23	21	21	21	21	22
Fire	11	11	11	11	14	14	14	14	14	15
Streets	3	3	3	3	3	3	3	3	3	3
Environmental Protection	5	5	5	5	5	5	5	5	5	5
Stormwater	0	0	0	2	2	2	2	2	2	2
Cultural and Recreation	4	5	5	5	5	5	5	5	5	5
Total	56	57	57	59	62	58	59	59	62	66

Note: 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Building permits issued	47	47	44	31	54	107	128	111	104	180
Privilege licenses issued	274	288	302	325	337	471	261	51	30	32
Code violations corrected	183	105	124	149	133	75	50	2	54	41
Public Safety										
Police calls for service	11,581	11,906	12,310	13,707	10,925	8,266	8,684	8,879	8,216	9,579
Physical arrests	953	736	465	313	403	330	336	260	213	192
Traffic violations	268	261	326	347	310	312	369	365	416	500
Warrants served	236	435	179	154	229	96	206	107	59	87
Civil citations	N/A	480	133	18	20	23	21	19	8	31
Child safety seat inspections	35	30	19	55	47	32	57	70	74	60
Emergency responses	1,484	1,490	1,530	1,501	1,471	1,433	1,480	1,588	1,680	1,547
Fires extinguished	45	47	43	50	43	41	67	34	38	36
Property losses due to fire (dollars)	\$300,984	\$457,055	\$277,900	\$305,480	\$352,098	\$465,850	\$ 332,968	\$ 199,050	\$ 388,190	\$ 322,174
Fire code violations corrected	N/A	1,196	644	915	1,268	1,739	985	1,274	1,126	816
Streets										
Miles of road maintained	19.30	19.30	19.07	19.07	19.07	19.07	19.14	19.41	20.29	21.14
Feet of sidewalk maintained	40,707	41,175	42,278	44,132	45,812	47,962	49,378	49,905	52,763	55,318
Storm Water										
Miles of storm drainage pipe maintained	N/A	N/A	9.26	9.60	9.63	9.63	9.65	9.91	10.70	12.80
Miles of ditches maintained	N/A	N/A	2.06	4.12	4.12	4.12	4.12	4.12	4.12	4.12
Environmental Protection										
Yard waste collected (tons)	1,200	1,200	1,807	1,672	1,080	1,720	1,662	1,441	2,140	1,650
White goods collected (pounds)	800	800	500	200	300	400	400	400	1,500	1,900
Number of sanitation customers	1,711	1,721	1,735	1,749	1,777	1,822	1,874	1,969	2,033	2,127
Number of recycling customers	1,613	1,642	1,661	1,675	1,698	1,805	1,874	1,969	2,033	2,086
Garbage collection fee	\$17.00	\$17.00	\$17.00	\$17.76	\$18.75	\$18.75	\$ 18.75	\$ 18.75	\$ 19.25	\$ 19.25

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 2 of 2

Function/Program	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Recreation and Parks										
Summer camp participants	197	255	229	189	250	346	204	234	245	225
Athletic program participants (youth and adult)	676	591	579	669	577	517	509	646	727	744
Recreation program participants (youth and adult)	85	458	1,425	1,111	1,074	1,366	1,550	1,597	1,676	1,776
Senior program participants	N/A	233	433	229	273	363	250	283	291	283
Park and community center facility rentals	46	50	112	146	296	414	684	727	764	795
Special events attendance	2,415	3,266	3,573	2,400	2,700	3,625	3,185	13,364	10,051	13,977

Notes: 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	23	23	23	23	23	21	21	21	21	22
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	8	7	7	7	7	7	7	7
Streets										
Streets (miles)	19.30	19.30	19.07	19.07	19.07	19.07	19.07	19.41	20.29	21.14
Sidewalk (feet)	40,707	41,175	42,278	44,132	45,812	47,962	47,962	49,905	52,763	55,318
Recreation and Parks										
Parks	6	6	6	6	6	6	6	6	6	6
Acreage	64.04	64.04	75.21	75.21	75.21	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	1	1	1	1	1	1	1	1	1

Town of Zebulon, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 23

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾</u>	<u>Per Capita ⁽²⁾</u>
	<u>GO Bonds</u>	<u>GO Bonds</u>			
2009	\$ 4,375,000	\$ 1,290,000	\$ 5,665,000	0.70%	\$ 1,143
2010	4,150,000	1,140,000	5,290,000	0.63%	972
2011	3,925,000	990,000	4,915,000	0.61%	886
2012	3,700,000	-	3,700,000	0.47%	829
2013	3,475,000	-	3,475,000	0.46%	768
2014	3,263,063	-	3,263,063	0.42%	718
2015	3,037,185	-	3,037,185	0.39%	659
2016	2,811,307	-	2,811,307	0.33%	566
2017	2,585,429	-	2,585,429	0.28%	501
2018	2,359,550	-	2,359,550	0.22%	448

Notes: (1) See Table 10 for estimated taxable values of property.
(2) See Table 18 for estimated population data.

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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, 2018, 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 24, 2018.

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.

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*.

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 24, 2018

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

For the year ended June 30, 2018

Schedule 9

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified		
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?	_____ yes	_____ <u>X</u> 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

None.

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 2015 -1

Lack of segregation of duties

Status: Corrected

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

For the Fiscal Year Ended June 30, 2018

Schedule 10

Pass-Through Grantor/ Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
STATE GRANTS:					
<u>N.C. Department of Transportation</u> <i>Powell Bill Fund</i>	N/A	DOT-4	-	\$ 99,000	-

Notes to the Schedule of Expenditures of State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of the Town of Zebulon under the programs of the State of North Carolina for the year ended June 30, 2018. The information in the schedule is presented in accordance with the requirements of the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Zebulon, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Zebulon.

Summary of Significant Accounting Policies

Expenditures in the schedule are reported on the modified accrual basis of accounting. The Town of Zebulon has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.