

TOWN OF ZEBULON NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019

TOWN OF ZEBULON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

Prepared by the Town of Zebulon Finance Department

TOWN OF ZEBULON, NORTH CAROLINA

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INTRODUCTORY SECTION



Town of Zebulon

The Town of Friendly People

November 19, 2019

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, 2019. 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, 2019, 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, 2019 of approximately 5,646, 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

Property and Building Value

Wake County continues to grow and the Town is no exception. The Town issued 196 building permits with a total value of approximately \$29.9 million during fiscal year 2019. This is an 8.9% increase in building permits issued this year, up from 180 permits valued at \$33.1 million issued in fiscal year 2018.

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

This is the sixth consecutive year with over 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, 2019 totaled \$1,106,088,176, an increase of about 4% 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. This year saw a slight 2.2% decrease in business personal property. This breaks a previous trend that saw large increases in business personal property. This could be a sign of the economy slowing just slightly. Real property saw a 10% 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.

Business Activity

The Town and region has also seen continued growth of sales tax revenue. We have had six years in a row with 4.5%-7.5% annual increases with that projected to continue into fiscal year 2020 as well. Article 39 of the sales tax, the portion returned to the point of sale, has seen increases of approximately 4% in each of the past 3 years. This, along with our population growth from the residential development should improve other per capita intergovernmental revenues such as utilities sales tax. Unemployment in Wake County remains low. Sales and service revenues have increased over recent years (10% this past year) as the new residents have moved into town.

MAJOR INITIATIVES

The Town adopted the Zebulon 2030 Strategic Plan last fiscal year. 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

Traditionally, the overall health of cities is historically influenced by the broad criteria of place, commerce, and safety. Planning for the growth of a community influences these criteria in differing ways. Place, or commitment to place, is fueled by a feeling that citizens have a stake in meeting a community's needs. The Parks and Recreation Master Plan is a means to understand and address Zebulon's recreation and cultural resource needs through transparency, outreach, and engagement of our citizens. An active commerce sector is maintained by engaging and nurturing the business community. The Business Retention and Expansion program offers the structure to maintain and grow the business community. Transportation not only provides the backbone to a prosperous economy, but it also influences the safety and health of the community. Improving area intersections will address issues related to the commerce and safety of the community. Major initiatives include: Unified Development Ordinance, Land Use Plan update, Multimodal Transportation Plan update and creating a Parks & Recreation Master Plan.

Vibrant Downtown

Downtowns benefit their community economically, socially, and culturally. Economically, downtowns combine multiple uses on smaller lots within existing municipal service areas, thereby generating more tax revenue per square foot without requiring the expansion of municipal services. Socially, downtowns provide a variety of public spaces open to, and claimed by, the greater community. Culturally, downtowns reflect the community's unique history and identity through architecture and layout.

Investment and care of a downtown communicates the larger community's commitment to vibrancy, growth, heritage, and small-town charm. Major initiatives include: Town Commons, Unified Development Ordinance and NC Main Street Program's Downtown Associate Program.

Small-Town Life

Wake County is growing by 62 people per day and 64% of this growth comes from those who relocate from outside the County. While Zebulon will only experience a proportional share of this population growth, it will experience an equal share of the population diversification. Zebulon's ability to preserve and share its unique small-town feel as "The Town of Friendly People" while mixing different perspectives and cultures, will rest largely on its ability to: connect citizens to each other, deliver helpful and meaningful services, and educate and engage citizens in civic responsibilities and local governance. Major initiatives include: Community connecting sidewalks, community events, Town Commons and Parks & Recreation Master Plan.

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 the cost of a control should not exceed the benefits likely to be derived, and 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 2019.

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 2018. 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, 2019

Town of Zebulon Board of Commissioners



Robert S. Matheny
Mayor



Beverly Wall Clark
Mayor Pro Tem



R. Dale Beck
Commissioner



Don Bumgarner
Commissioner



Annie Jean Moore
Commissioner



Curtis Strickland
Commissioner

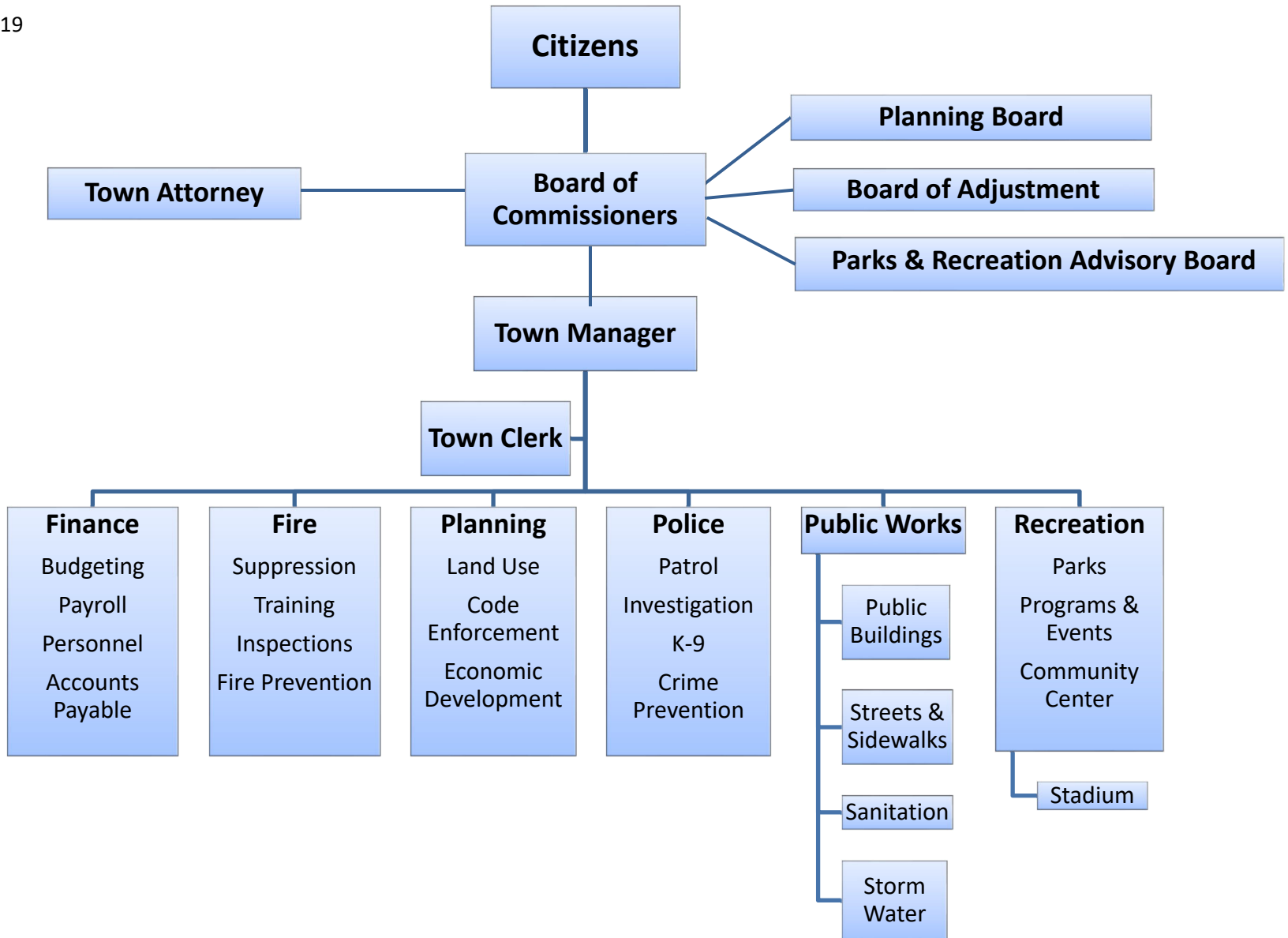
Town of Zebulon Officials

Joseph M. Moore, II – Town Manager
Michael Clark – Planning Director
Robert Fitts – Finance Director
Timothy Hayworth – Police Chief
Sheila Long – 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

TOWN OF ZEBULON, NORTH CAROLINA

ORGANIZATION CHART

June 30, 2019





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, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Zebulon, North Carolina, as of and for the year ended June 30, 2019, 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, 2019, 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, 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, the combining and individual fund statements, budgetary schedules, 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 November 19, 2019 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.

November 19, 2019


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, 2019. 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 \$31,210,233.
- The government's total net position increased by \$10,830,206 overall due mainly to developer's contributed capital of \$10 million and an increase in real property valuations by 10%.
- Zebulon's governmental funds reported ending fund balances of \$11,312,161, an increase of \$1,401,022 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 investment earnings which were up 102%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,790,049, or 64% of total general fund expenditures for the fiscal year.
- The Town's total outstanding debt increased by \$896,941.
- 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 7) 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 33 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 62 of this report.

Government-Wide Financial Analysis

**Town of Zebulon Net Position
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 12,667,405	\$ 10,758,494	\$ -	\$ 72,965	\$ 12,667,405	\$ 10,831,459
Capital assets	30,409,207	19,844,864	-	-	30,409,207	19,844,864
Total assets	<u>43,076,612</u>	<u>30,603,358</u>	<u>-</u>	<u>72,965</u>	<u>43,076,612</u>	<u>30,676,323</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,109,281</u>	<u>714,797</u>	<u>-</u>	<u>-</u>	<u>1,109,281</u>	<u>714,797</u>
LIABILITIES						
Long-term liabilities outstanding	10,224,909	8,691,640	-	-	10,224,909	8,691,640
Other liabilities	1,717,564	1,483,913	-	99,132	1,717,564	1,583,045
Total liabilities	<u>11,942,473</u>	<u>10,175,553</u>	<u>-</u>	<u>99,132</u>	<u>11,942,473</u>	<u>10,274,685</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,033,187</u>	<u>736,408</u>	<u>-</u>	<u>-</u>	<u>1,033,187</u>	<u>736,408</u>
NET POSITION						
Net Investment in capital assets	26,460,741	16,793,339	-	-	26,460,741	16,793,339
Restricted	1,512,756	1,390,444	-	-	1,512,756	1,390,444
Unrestricted	3,236,736	2,222,411	-	(26,167)	3,236,736	2,196,244
Total net position	<u>\$ 31,210,233</u>	<u>\$ 20,406,194</u>	<u>\$ -</u>	<u>\$ (26,167)</u>	<u>\$ 31,210,233</u>	<u>\$ 20,380,027</u>

TOWN OF ZEBULON, NORTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

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 \$31,210,233 as of June 30, 2019. The Town’s net position increased by \$10,830,206 for the fiscal year ended June 30, 2019. Approximately 85% 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 \$1,512,756 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,236,736 is unrestricted.

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

- The Town saw a large increase in capital assets such as contributed land and other capital assets.
- An increase in unrestricted revenues such as property taxes.

Town of Zebulon Changes in Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	\$ 988,756	\$ 872,864	\$ -	\$ -	\$ 988,756	\$ 872,864
Operating grants & contributions	879,578	920,532	-	-	879,578	920,532
Capital grants & contributions	9,994,933	2,044,350	-	-	9,994,933	2,044,350
General revenues:						
Property taxes	6,559,888	6,301,569	-	-	6,559,888	6,301,569
Other taxes	42,813	39,453	-	-	42,813	39,453
Unrestricted intergovernmental	1,803,030	1,647,639	-	-	1,803,030	1,647,639
Other	473,385	301,038	4,705	4,881	478,090	305,919
Total revenues	<u>20,742,383</u>	<u>12,127,445</u>	<u>4,705</u>	<u>4,881</u>	<u>20,747,088</u>	<u>12,132,326</u>
EXPENSES						
General government	2,468,204	2,320,449	-	-	2,468,204	2,320,449
Public safety	3,879,905	3,731,751	-	-	3,879,905	3,731,751
Streets	664,098	941,827	-	-	664,098	941,827
Sanitation	1,455,403	1,332,511	-	-	1,455,403	1,332,511
Storm water	278,182	264,964	-	-	278,182	264,964
Culture and recreation	1,146,509	1,078,303	-	-	1,146,509	1,078,303
Interest on long-term debt	134,184	110,389	-	992	134,184	111,381
Total expenses	<u>10,026,485</u>	<u>9,780,194</u>	<u>-</u>	<u>992</u>	<u>10,026,485</u>	<u>9,781,186</u>
Transfers	(21,462)	-	21,462	-	-	-
Change in net position	10,715,898	2,347,251	4,705	3,889	10,720,603	2,351,140
Gain (Loss) on disposal of capital assets	<u>109,603</u>	<u>(17,212)</u>	<u>-</u>	<u>-</u>	<u>109,603</u>	<u>(17,212)</u>
Change in net position	<u>10,804,039</u>	<u>2,330,039</u>	<u>26,167</u>	<u>3,889</u>	<u>10,830,206</u>	<u>2,333,928</u>
Net position July 1 - as originally stated	20,406,194	21,296,512	(26,167)	(30,056)	20,380,027	21,266,456
Adjustment to beginning net position	-	(3,220,357)	-	-	-	(3,220,357)
Net position July 1 - as restated	<u>20,406,194</u>	<u>18,076,155</u>	<u>(26,167)</u>	<u>(30,056)</u>	<u>20,380,027</u>	<u>18,046,099</u>
Net position June 30	<u>\$ 31,210,233</u>	<u>\$ 20,406,194</u>	<u>\$ -</u>	<u>\$ (26,167)</u>	<u>\$ 31,210,233</u>	<u>\$ 20,380,027</u>

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the Town's net position by \$10,804,039. Key elements of this increase are as follows:

- The Town's residential tax base grew 10% this year. That coupled with the tax increase resulted in a 4.1% increase in property tax revenues.
- The unrestricted general revenues distributed on a per capita basis increased 9.4%.

Business-type Activities. Business-type activities increased the Town of Zebulon's net position by \$26,167. 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 the result of closing out the fund with a transfer from the general fund.

Financial Analysis of Town of Zebulon Funds

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

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

The General Fund is the chief operating fund of the Town of Zebulon. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,790,049, while total fund balance reached \$10,175,256. 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 60% of total General Fund expenditures, while total fund balance represents approximately 89% of that same amount.

At June 30, 2019, the governmental funds of the Town of Zebulon reported a fund balance of \$11,312,161, a 14% 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 more than budgeted due to the fact that utility franchise taxes were 15.2% above budgeted due to increased higher electricity sales tax collections. Sales taxes were greater than projected, exceeding budgeted amounts by approximately \$33,500 (3.1%) and were up 9% 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 314% mainly due to increased building permit activity and development fees received. Investment earnings exceeded budgeted amounts by 366% as interest rates were up from the prior year and conservative budgeting was employed. Sales and service revenues continue to increase with increased participation in recreation and athletic programs and the increase in garbage revenues from growth. Miscellaneous Revenues exceeded budgeted amounts by 195% mainly due to the sale of surplus property.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

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 was \$0. The fund was closed out this year with the repayment of an inter-fund loan.

Capital Asset and Debt Administration

Capital Assets. The Town of Zebulon’s investment in capital assets for its governmental activities as of June 30, 2019, totals \$30,409,207 (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:

- Contributed capital by developers.
- Purchase of vehicles and equipment.

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	
	2019	2018
Land	\$ 10,434,092	\$ 4,578,698
Construction in progress	834,353	794,393
Buildings	8,208,493	8,543,531
Other improvements	2,693,821	1,627,981
Roads and infrastructure	4,911,407	2,560,177
Intangibles	184,404	133,390
Equipment	737,005	681,523
Vehicles and motorized equipment	2,405,632	925,171
Total capital assets	\$ 30,409,207	\$ 19,844,864

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

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Long-term Debt. As of June 30, 2019, the Town of Zebulon had total bonded debt outstanding of \$2,133,672. This outstanding debt is backed by the full faith and credit of the Town. The Town also has installment purchase notes outstanding of \$1,814,794.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 2,125,000	\$ 2,350,000	\$ -	\$ -	\$ 2,125,000	\$ 2,350,000
Installment purchase notes	1,814,794	691,975	-	-	1,814,794	691,975
Premiums	8,672	9,550	-	-	8,672	9,550
Total bonds and notes	\$ 3,948,466	\$ 3,051,525	\$ -	\$ -	\$ 3,948,466	\$ 3,051,525

The Town of Zebulon’s total debt increased by \$896,941 during the past fiscal year. The Town issued \$1,700,000 in debt in FY 2019 for the purchase of two new fire trucks.

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 \$84,538,588.

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, 2020

The following key economic indicators were reflected in the Town of Zebulon fiscal year 2020 budget:

- An increase in the property tax base due to increasing property values located within the Town. Real property had growth of approximately 5.6% while personal property had growth of 5.0%. The total assessed value increased approximately 5.3%.
- A projected modest increase in sales tax and utilities franchise taxes based on economic indicators pointing toward flatter 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%.
- A projected increase in zoning fees based on continuing increased building permit activity with several new subdivisions approved and building ongoing.

TOWN OF ZEBULON, NORTH CAROLINA
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities. The total General Fund budget is projected to increase 10% for fiscal year 2020, as compared to the actual results of fiscal year 2019. The major components of this increase include a planned group of capital projects including the land purchase for a new fire station, transportation improvement projects, capital equipment purchases and updates to the Town's Comprehensive Plan. There were also some minor increases made to operating expenditures.

The Town held its tax rate at \$.592 per \$100 of assessed value after an increase last fiscal year. The storm water fees remain the same while maintaining storm water management services mandated by the State. Solid waste fees were increased 6.5% with the extension of the contract with the solid waste contractor.

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.

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, 2019

Exhibit 1

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,020,206
Restricted cash	774,670
Taxes receivable (net)	124,814
Accounts receivable (net)	8,797
Due from other governments	738,918
Total current assets	<u>12,667,405</u>
Capital assets:	
Land and other non-depreciable assets	11,268,445
Other capital assets, net of depreciation	19,140,762
Total capital assets	<u>30,409,207</u>
Total assets	<u>43,076,612</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	1,054,303
OPEB deferrals	54,978
Total deferred outflows of resources	<u>1,109,281</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,063,242
Accrued interest payable	64,322
Due within one year	
Compensated absences	140,833
Bonds and notes payable	449,167
Total current liabilities	<u>1,717,564</u>
Long-term liabilities:	
Due in more than one year	10,224,909
Total liabilities	<u>11,942,473</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	360
Recreation fees	10,350
Grants	50,000
Rents	96,850
Pension deferrals	208,577
OPEB deferrals	667,050
Total deferred inflows of resources	<u>1,033,187</u>
NET POSITION	
Net investment in capital assets	26,460,741
Restricted for:	
Stabilization by State Statute	738,086
Streets	104,146
Transportation Impact	244,560
Developer Reimbursements	414,901
Law Enforcement	11,063
Unrestricted	3,236,736
Total net position	<u>\$ 31,210,233</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, 2019

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	\$ 2,468,204	\$ 329,780	\$ 54,054	\$ -	\$ (2,084,370)	\$ -	\$ (2,084,370)
Public safety	3,879,905	1,838	684,954	-	(3,193,113)	-	(3,193,113)
Streets	664,098	-	129,680	8,686,166	8,151,748	-	8,151,748
Sanitation	1,455,403	470,546	3,416	-	(981,441)	-	(981,441)
Storm water	278,182	-	-	1,308,767	1,030,585	-	1,030,585
Cultural and recreation	1,146,509	186,592	7,474	-	(952,443)	-	(952,443)
Interest on long-term debt	134,184	-	-	-	(134,184)	-	(134,184)
Total governmental activities	<u>10,026,485</u>	<u>988,756</u>	<u>879,578</u>	<u>9,994,933</u>	<u>1,836,782</u>	<u>-</u>	<u>1,836,782</u>
Business-type activities							
Water and sewer	-	-	-	-	-	-	-
Total	<u>\$ 10,026,485</u>	<u>\$ 988,756</u>	<u>\$ 879,578</u>	<u>\$ 9,994,933</u>	<u>1,836,782</u>	<u>-</u>	<u>1,836,782</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					6,559,888	-	6,559,888
Other taxes and licenses					42,813	-	42,813
Unrestricted intergovernmental					1,803,030	-	1,803,030
Unrestricted investment earnings					219,633	150	219,783
Miscellaneous					253,752	4,555	258,307
Special item - gain on disposal of capital assets					109,603	-	109,603
Total general revenues not including transfers					<u>8,988,719</u>	<u>4,705</u>	<u>8,993,424</u>
Transfers					(21,462)	21,462	-
Total general revenues and transfers					<u>8,967,257</u>	<u>26,167</u>	<u>8,993,424</u>
Change in net position					10,804,039	26,167	10,830,206
Net position - beginning of year					20,406,194	(26,167)	20,380,027
Net position - end of year					<u>\$ 31,210,233</u>	<u>\$ -</u>	<u>\$ 31,210,233</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

Exhibit 3
Page 1 of 2

	<u>Major</u>	Total	Total
	General	Nonmajor Governmental Funds	Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,879,434	\$ 1,140,772	\$ 11,020,206
Restricted cash	774,670	-	774,670
Receivables (net)			
Taxes	124,814	-	124,814
Accounts	8,797	-	8,797
Due from other governments	738,918	-	738,918
Total assets	<u>\$ 11,526,633</u>	<u>\$ 1,140,772</u>	<u>\$ 12,667,405</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	<u>\$ 1,059,375</u>	<u>\$ 3,867</u>	<u>\$ 1,063,242</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	124,814	-	124,814
Sanitation receivables	9,628	-	9,628
Prepaid taxes	360	-	360
Recreation	10,350	-	10,350
Grants	50,000	-	50,000
Rents	96,850	-	96,850
Total deferred inflows of resources	<u>292,002</u>	<u>-</u>	<u>292,002</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	738,086	-	738,086
Streets	104,146	-	104,146
Transportation Impact	244,560	-	244,560
Developer Reimbursements	414,901	-	414,901
Law Enforcement	11,063	-	11,063
Committed			
Capital improvements	39,415	1,136,905	1,176,320
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
Fleet improvements-regular	3,082	-	3,082
Fleet improvements-fire	47,059	-	47,059
Assigned			
Subsequent year's expenditures	1,336,331	-	1,336,331
Unassigned	6,790,049	-	6,790,049
Total fund balances	<u>10,175,256</u>	<u>1,136,905</u>	<u>11,312,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,526,633</u>	<u>\$ 1,140,772</u>	<u>\$ 12,667,405</u>

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

TOWN OF ZEBULON, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

Exhibit 3
Page 2 of 2

Fund balances - total governmental funds	\$ 11,312,161
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Governmental capital assets	46,211,706	
Less accumulated depreciation	<u>(15,802,499)</u>	30,409,207

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	279,894
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Contributions to the OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	51,702
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Government bonds and notes payable	(3,939,794)	
Compensated absences	(265,949)	
Total OPEB liability	(4,744,383)	
Net pension liability (LGERS)	(1,301,941)	
Total pension liability (LEO)	<u>(554,170)</u>	(10,806,237)

Premiums on bond issuance	(8,672)
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest payable	(64,322)
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Pension related deferrals	(97,942)
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Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>134,442</u>
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Net position of governmental activities	<u><u>\$ 31,210,233</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2019

Exhibit 4
Page 1 of 2

	<u>Major</u>	Total	Total
	General	Nonmajor Governmental Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 6,562,236	\$ -	\$ 6,562,236
Other taxes and licenses	44,333	-	44,333
Unrestricted intergovernmental	1,803,030	-	1,803,030
Restricted intergovernmental	879,578	-	879,578
Permits and fees	507,191	-	507,191
Investment earnings	219,633	-	219,633
Sales and services	738,716	-	738,716
Miscellaneous	397,935	-	397,935
Total revenues	<u>11,152,652</u>	<u>-</u>	<u>11,152,652</u>
EXPENDITURES			
Current			
General government	2,237,588	-	2,237,588
Public safety	3,446,275	-	3,446,275
Streets	481,133	-	481,133
Sanitation	869,524	-	869,524
Storm Water	175,444	-	175,444
Cultural and recreation	844,557	-	844,557
Capital outlay	2,420,280	50,181	2,470,461
Debt service			
Installment note principal	802,181	-	802,181
Installment note interest	103,005	-	103,005
Total expenditures	<u>11,379,987</u>	<u>50,181</u>	<u>11,430,168</u>
Excess of revenues under expenditures	<u>(227,335)</u>	<u>(50,181)</u>	<u>(277,516)</u>
OTHER FINANCING SOURCES (USES)			
Installment financing	1,700,000	-	1,700,000
Fund transfers	(675,564)	654,102	(21,462)
Total other financing sources	<u>1,024,436</u>	<u>654,102</u>	<u>1,678,538</u>
Net change in fund balance	797,101	603,921	1,401,022
Fund balance - beginning of year	<u>9,378,155</u>	<u>532,984</u>	<u>9,911,139</u>
Fund balance - end of year	<u>\$ 10,175,256</u>	<u>\$ 1,136,905</u>	<u>\$ 11,312,161</u>

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2019

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 \$ 1,401,022

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 2,470,461	
Less current year depreciation	<u>(1,608,888)</u>	861,573

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position. (34,580)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 279,894

OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities 51,702

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

Contributed capital	9,737,350	
Change in unavailable revenue for tax and sanitation revenues	<u>(3,436)</u>	9,733,914

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.

New long-term debt issued		(1,700,000)
Principal payments		802,181

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.

Compensated absences	49,158	
Change in accrued interest payable	(32,057)	
Amortization of premiums on bond issuance	878	
OPEB plan expense	(265,635)	
Pension expense	<u>(344,011)</u>	<u>(591,667)</u>

Total changes in net position of governmental activities		<u>\$ 10,804,039</u>
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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, 2019

Exhibit 5

	Budget		Actual Amount (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 6,430,971	\$ 6,430,971	\$ 6,562,236	\$ 131,265
Other taxes and licenses	39,000	39,000	44,333	5,333
Unrestricted intergovernmental	1,685,500	1,685,500	1,803,030	117,530
Restricted intergovernmental	789,170	915,555	879,578	(35,977)
Permits and fees	161,500	161,500	507,191	345,691
Investment earnings	60,000	60,000	219,633	159,633
Sales and services	591,300	645,380	738,716	93,336
Miscellaneous	170,000	203,720	397,935	194,215
Total revenues	<u>9,927,441</u>	<u>10,141,626</u>	<u>11,152,652</u>	<u>1,011,026</u>
EXPENDITURES				
General government	3,095,950	3,335,881	2,335,416	1,000,465
Public safety	5,349,850	5,471,431	5,218,293	253,138
Streets	968,900	987,195	859,426	127,769
Sanitation	1,096,350	1,191,201	1,009,380	181,821
Stormwater	1,151,100	1,178,137	207,729	970,408
Cultural and recreation	819,100	887,065	844,557	42,508
Debt service				
Note principal	802,181	802,181	802,181	-
Note interest	222,840	220,909	103,005	117,904
Total expenditures	<u>13,506,271</u>	<u>14,074,000</u>	<u>11,379,987</u>	<u>2,694,013</u>
Revenues over (under) expenditures	<u>(3,578,830)</u>	<u>(3,932,374)</u>	<u>(227,335)</u>	<u>3,705,039</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	1,568,182	1,983,494	-	(1,983,494)
Installment financing	2,629,000	2,629,000	1,700,000	(929,000)
Transfers to other funds	(618,352)	(680,120)	(675,564)	4,556
Total other financing sources (uses)	<u>3,578,830</u>	<u>3,932,374</u>	<u>1,024,436</u>	<u>(2,907,938)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	797,101	<u>\$ 797,101</u>
Fund balance - beginning of year			<u>9,378,155</u>	
Fund balance - end of year			<u>\$ 10,175,256</u>	

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

TOWN OF ZEBULON, NORTH CAROLINA

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

For the year ended June 30, 2019

Exhibit 6

OPERATING REVENUES	
Miscellaneous	\$ 4,555
OPERATING EXPENSES	<u>-</u>
Operating income	4,555
NONOPERATING REVENUES	
Investment earnings	<u>150</u>
Income before transfers	4,705
Transfer from General Fund	<u>21,462</u>
Change in net position	26,167
Total net position - beginning	<u>(26,167)</u>
Total net position - ending	<u><u>\$ -</u></u>

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

TOWN OF ZEBULON, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2019

Exhibit 7

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Net cash used by operating activities	\$ (94,577)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	21,462
Decrease in due to other funds	(28,620)
Total cash flows from noncapital financing activities	(7,158)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	150
Net decrease in cash and cash equivalents	(101,585)
CASH AND CASH EQUIVALENTS	
Beginning of year	101,585
End of year	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 4,555
Adjustments to reconcile operating income to net cash used by operating activities	
Changes in assets and liabilities	
Decrease in accounts payable	(99,132)
Net cash used by operating activities	\$ (94,577)

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019

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 Project Fund – This fund is used to account for the construction of new greenways.

Stormwater Capital Project Fund – This fund is used to account for stormwater easement acquisition.

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 has remained 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. All debt payments have been satisfied and a transfer was made from the General Fund to close this fund as of June 30, 2019.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

the existing water and sewer system to the City of Raleigh effective October 1, 2006. Therefore there are no operating revenues or expenses for the Town.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Supplemental appropriations that amend the total expenditures of any fund require a resolution of the Town Board. The Budget Officer is authorized to reallocate any appropriations within departments. Budgets are reported as originally adopted or as amended by executive action or Board resolution. During the year several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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.

State law [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 reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2019

Town of Zebulon Restricted Cash

Governmental Activities

Streets	\$ 104,146
Transportation Impact	244,560
Developer Reimbursements	414,901
Public Safety	11,063
Total	<u>\$ 774,670</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:

<u>Item</u>	<u>Life</u>
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,

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

contributions made to the pension plan in the 2019 fiscal year and deferrals related to the Town's Other Postemployment Benefits (OPEB) plan. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial position element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category – prepaid taxes, deferred grant revenues, 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, 2019

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

Committed Fund Balance

This classification includes amounts of fund balance that can only be used for specific purposes imposed by resolution approved by majority vote by quorum of Town of Zebulon's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. *Committed for stadium improvements* – portion of fund balance restricted by the governing board for future improvements to baseball stadium.

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

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.

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

Committed for fleet improvements-fire – portion of fund balance restricted by the governing board for future fire fleet 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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Unassigned Fund Balance

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

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

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

10. PENSIONS

For purposes of measuring the net pension 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- 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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of North Carolina G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying value of \$394,695 and a bank balance of \$544,038. 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, 2019, \$386,897 of the bank balance was covered by federal depository insurance and \$157,141 was covered by collateral held under the Pooling Method. At June 30, 2019 the Town's petty cash fund totaled \$500.

2. INVESTMENTS

At June 30, 2019, the Town's investments consisted of the following:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/19</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Fair Value-Level 1	\$7,533,016	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value-Level 1	<u>3,866,665</u>	.11 years	Unrated
Total		<u>\$11,399,681</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.

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,578,698	\$ 5,855,394	\$ -	\$ 10,434,092
Construction in progress	794,393	111,530	71,570	834,353
Total capital assets not being depreciated	<u>5,373,091</u>	<u>5,966,924</u>	<u>71,570</u>	<u>11,268,445</u>
Capital assets being depreciated:				
Building	12,808,080	6,161	-	12,814,241
Other improvements	4,196,602	1,308,767	-	5,505,369
Roads and infrastructure	6,354,076	2,905,346	-	9,259,422
Equipment	2,020,016	232,108	8,860	2,243,264
Intangibles	193,048	72,649	-	265,697
Vehicles and motorized equipment	4,086,340	1,787,427	1,018,499	4,855,268
Total capital assets being depreciated	<u>29,658,162</u>	<u>6,312,458</u>	<u>1,027,359</u>	<u>34,943,261</u>
Less accumulated depreciation for:				
Buildings	4,264,549	341,199	-	4,605,748
Other Improvements	2,568,621	242,927	-	2,811,548
Roads and infrastructure	3,793,899	554,116	-	4,348,015
Equipment	1,338,493	176,626	8,860	1,506,259
Intangibles	59,658	21,635	-	81,293
Vehicles and motorized equipment	3,161,169	272,385	983,918	2,449,636
Total accumulated depreciation	<u>15,186,389</u>	<u>1,608,888</u>	<u>992,778</u>	<u>15,802,499</u>
Total capital assets being depreciated, net	14,471,773	4,703,570	34,581	19,140,762
Capital assets, net	<u>\$ 19,844,864</u>	<u>\$ 10,670,494</u>	<u>\$ 106,151</u>	<u>\$ 30,409,207</u>

TOWN OF ZEBULON, NORTH CAROLINA

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Depreciation expense was charged to
Functions/programs as follows:

General government	\$	228,698
Public safety		262,653
Transportation		173,660
Stormwater		569,355
Environmental protection		96,233
Cultural and recreational		278,289
Total	\$	<u>1,608,888</u>

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
N. Arendell Ave. Capital Project	\$ 62,886	\$ 18,956

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

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years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a 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, 2019, was 8.50% of compensation for law enforcement officers and 7.79% 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 \$279,894 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$1,301,941 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2018. The total pension

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liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 June 30, 2018, the Town's proportion was 0.05488%, which was a decrease of 0.00012% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$308,865. At June 30, 2019, 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	\$ 200,859	\$ 6,740
Changes of assumptions	345,485	-
Net difference between projected and actual earnings on pension plan investments	178,718	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	64,351
Town contributions subsequent to the measurement date	279,894	-
Total	<u>\$ 1,004,956</u>	<u>\$ 71,091</u>

\$279,894 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 315,417
2021	206,559
2022	31,365
2023	100,629
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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, 2018 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>	

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The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 3,127,376	\$ 1,301,941	\$ (223,420)

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.

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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, 2017 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>20</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, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 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

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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 did not pay any benefits for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$554,170. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumption. For the year ended June 30, 2019, the Town recognized pension expense of \$35,147.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,617	\$ 100,292
Changes of assumptions	28,730	37,194
Benefit payments and administrative expenses subsequent to measurement date	-	-
Total	<u>\$ 49,347</u>	<u>\$ 137,486</u>

\$-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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (17,936)
2021	(17,936)
2022	(17,936)
2023	(17,936)
2024	(15,312)
Thereafter	(1,083)

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

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	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the total pension liability (asset)	\$ 618,897	\$ 554,170	\$ 496,278

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

Total Pension Liability as of December 31, 2017	\$ 507,354
Changes for the year:	
Service cost at end of year	37,051
Interest	16,032
Difference between expected and actual experience	23,916
Changes of assumptions and other inputs	(30,183)
Benefit payments	-
Net Changes	<u>46,816</u>
Total Pension Liability as of December 31, 2018	<u>\$ 554,170</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 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	\$ 308,865	\$ 35,147	\$ 344,012
Pension Liability	1,301,941	554,170	1,856,111
Proportionate share of the net pension liability	.05488%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	200,859	20,617	221,476
Changes of assumptions	345,485	28,730	374,215
Net difference between projected and actual earnings on plan investments	178,718	-	178,718

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Benefit payments and administrative costs paid subsequent to the measurement date	279,894	-	279,894
Deferred Inflows of Resources			
Differences between expected and actual experience	6,740	100,292	107,032
Changes of assumptions	-	37,194	37,194
Changes in proportion and differences between contributions and proportionate share of contributions	64,351	-	64,351

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, 2019 were \$80,131, which consisted of \$57,544 from the Town and \$22,587 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, 2019 were \$161,660, which consisted of \$116,861 from the Town and \$44,799 from employees.

e. Other Postemployment Benefits

Healthcare Benefits

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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 \$4,744,383 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,

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2017 actuarial valuation was determined using the following actuarial assumptions and 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	3.89 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, 2017	<u>\$ 4,724,377</u>
Changes for the year	
Service cost	196,696
Interest	167,261
Differences between expected and actual experience	1,975
Changes in assumptions or other inputs	(293,374)
Benefit payments	<u>(52,552)</u>
Net changes	<u>20,006</u>
Balance at June 30, 2018	<u><u>\$ 4,744,383</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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 (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 5,711,501	\$4,744,383	\$ 3,983,409

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	\$ 3,851,961	\$ 4,744,383	\$ 5,912,770

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$273,635. At June 30, 2019, 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	\$ 3,276	\$ -
Changes of assumptions	-	667,050
Benefit payments and administrative costs made subsequent to the measurement date	51,702	-
Total	<u>\$ 54,978</u>	<u>\$ 667,050</u>

\$51,702 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, 2020. 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:

2020	(90,322)
2021	(90,322)
2022	(90,322)
2023	(90,322)
2024	(90,322)
Thereafter	(212,164)

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, 2019 are comprised of the following:

	<u>Deferred Outflows</u>	
Contributions to pension plan in current fiscal year (LGERS)	\$	279,894
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		51,702
Differences between expected and actual experience (LGERS)		200,859
Differences between expected and actual experience (LEO)		20,617
Differences between expected and actual experience (OPEB)		3,276
Changes of assumptions (LGERS)		345,485
Changes of assumptions (LEO)		28,730
Net difference between projected and actual (LGERS)		178,718
Total	<u>\$</u>	<u>1,109,281</u>

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Deferred inflows of resources at June 30, 2019 are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes not yet earned	\$ 360	\$ 360
Recreation revenues not yet earned	10,350	10,350
Grant revenue not yet earned	50,000	50,000
Rent revenue not yet earned	96,850	96,850
Taxes receivable	-	115,899
Decal receivable	-	8,915
Sanitation receivables	-	9,628
Changes in assumptions (LEO)	37,194	-
Changes in assumptions (OPEB)	667,050	-
Differences between expected and actual experience (LGERS)	6,740	-
Differences between expected and actual experience (LEO)	100,292	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	64,351	-
Total	<u>\$ 1,033,187</u>	<u>\$ 292,002</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 (\$5,000,000), property (\$15,384,643), inland marine (\$493,500) auto liability (\$5,000,000), public officials liability (\$5,000,000), law enforcement liability (\$5,000,000), employee benefits liability (\$5,000,000) and employment practices liability (\$5,000,000). The coverage has deductibles up to \$10,000. 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.

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4. CLAIMS, JUDGMENTS AND CONTINGENT LIABILITIES

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction of a new town government campus. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Utility Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2019 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. \$2,125,000

At June 30, 2019, The Town had a legal debt margin of \$84,538,588.

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 225,000	\$ 78,925
2021	225,000	71,050
2022	225,000	63,062
2023	225,000	54,963
2024	225,000	46,750
2025-2029	1,000,000	106,625

b. Installment Note Indebtedness

The Town also has installment notes for capital projects, equipment and vehicles. The installment notes payable at June 30, 2019 serviced by the General Fund are composed of the following:

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

\$600,000 installment obligation to Suntrust Equipment Finance & Leasing Corporation issued August 29, 2018, secured by a fire truck, payable in annual installments of \$83,456 with an interest rate of 3.17%, through 2026.	\$ 516,544
\$1,100,000 installment obligation to Regions Equipment Finance Corporation issued August 29, 2018, secured by a ladder truck, payable in annual installments of \$90,583 with an interest rate of 3.2%, through 2032.	1,009,417
\$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.	184,254
\$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	104,579
Total	\$ 1,814,794

The future minimum payments of the installment notes as of June 30, 2019 including interest are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2020	\$ 223,289	\$ 54,966
2021	228,087	49,007
2022	179,516	42,908
2023	183,769	37,494
2024	142,093	31,946
2025-2029	522,941	96,885
2030-2034	335,099	27,230
Total	\$ 1,814,794	\$ 340,436

c. Changes in Long-Term Debt

	Balance	Increases	Decreases	Balance	Amounts Due Within One Year
	July 1, 2018			July 1, 2019	
Governmental activities:					
General obligation Bonds	\$ 2,350,000	\$ -	\$ 225,000	\$ 2,125,000	\$ 225,000
Premiums on bond Issuance	9,550	-	878	8,672	878
Total bonds payable	2,359,550	-	225,878	2,133,672	225,878
Installment notes	691,975	1,700,000	577,181	1,814,794	223,289

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Compensated absences	315,107	175,710	224,868	265,949	140,833
Total OPEB liability	4,724,377	20,006	-	4,744,383	-
Net pension liability (LGERS)	845,289	736,546	279,894	1,301,941	-
Net pension liability (LEO)	507,354	46,816	-	554,170	-
Governmental activity long-term liabilities	\$ 9,443,652	\$ 2,679,078	\$ 1,307,821	\$ 10,814,909	\$ 590,000

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

NOTE 3 – 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	\$ 10,175,256
Less:	
Stabilization by State Statute	(718,735)
Restricted for streets	(104,146)
Restricted for law enforcement	(11,063)
Restricted for transportation impact	(244,560)
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)
Committed for fleet improvements-regular	(3,082)
Committed for fleet improvements-fire	(47,059)
Appropriated fund balance in 2020 budget	(1,336,331)
Remaining fund balance	\$ 6,809,400

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

TOWN OF ZEBULON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 – 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 5 – INTERFUND BALANCES AND ACTIVITY

A summary of interfund transfers follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund Utility Fund		\$ 21,462	Close fund
General Fund Greenways Capital Project Fund		618,352	Fund improvements
General Fund Stormwater Capital Project Fund		35,750	Fund improvements

NOTE 6 – ECONOMIC DEPENDENCY

The Town is economically dependent upon one taxpaying entity, which provides 34% of the Town's property tax revenues. This taxpayer, Glaxo Smith Kline, a pharmaceutical manufacturer, had a total assessed property tax value for the year ended June 30, 2019 of \$348,459,492, and property taxes assessed totaling \$2,062,880.

NOTE 7 – MERGER OF WATER AND SEWER UTILITY SYSTEM WITH THE CITY OF RALEIGH

The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective October 1, 2006. Under the terms of the agreement, Raleigh assumed full responsibility for the provision of water and sewer services in Zebulon, including responsibility for Zebulon's water and sewer utility systems and related equipment and property rights. Upon the transfer, Raleigh assumed immediate and sole duty and responsibility for financing, operating, maintaining, improving and expanding the water and sewer systems serving Zebulon's existing and future corporate limits and Urban Services Area. The Town transferred ownership of all facilities, property, land, equipment, financial assets, information and data subject to the agreement with Raleigh. Pursuant to the agreement, the Town has transferred all Utility Capital Projects upon completion. The Town remained liable for the outstanding debt at the time of the merger. As of June 30, 2019, there is no outstanding debt and a transfer has been made from the General Fund to close this fund.

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2019

Exhibit A-1

Total OPEB Liability	2019	2018
Service Cost	\$ 196,696	\$ 221,200
Interest	167,261	147,526
Changes of benefit terms	-	-
Differences between expected and actual experience	1,975	1,957
Changes of assumptions	(293,374)	(522,563)
Benefit payments	(52,552)	(49,541)
Net change in total OPEB liability	20,006	(201,421)
Total OPEB liability - beginning	4,724,377	4,925,798
Total OPEB liability - ending	\$ 4,744,383	\$ 4,724,377
 Covered payroll	 3,031,373	 3,031,373
Total OPEB liability as a percentage of covered payroll	156.51%	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>
2019	3.89%
2018	3.56%

TOWN OF ZEBULON, NORTH CAROLINA

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Zebulon's proportion of the net pension liability (asset) (%)	0.05488%	0.05533%	0.05604%	0.05926%	0.61920%
Zebulon's proportion of the net pension liability (asset) (\$)	\$ 1,301,941	\$ 845,289	\$ 1,189,357	\$ 265,955	\$ (365,172)
Zebulon's covered payroll	\$ 3,339,652	\$ 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 payroll	38.98%	27.65%	40.86%	9.29%	-12.73%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 ten years of information beginning with fiscal year 2024.

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 279,894	\$ 259,342	\$ 230,022	\$ 199,764	\$ 205,656	\$ 203,827
Contributions in relation to the contractually required contributions	<u>279,894</u>	<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>	<u>\$ -</u>
Town of Zebulon's covered payroll	\$ 3,488,101	\$ 3,339,652	\$ 3,057,621	\$ 2,911,008	\$ 2,861,740	\$ 2,868,217
Contributions as a percentage of covered payroll	8.02%	7.77%	7.52%	6.86%	7.19%	7.11%

Note this schedule will show ten years of information beginning with fiscal year 2023.

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 LAW ENFORCEMENT SPECIAL SEPARATION ALLOWANCE
 June 30, 2019

Exhibit A-4

	2019	2018	2017
Beginning balance	\$ 507,354	\$ 563,707	\$ 539,222
Service cost	37,051	29,695	34,167
Interest on the total pension liability	16,032	21,618	19,079
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	23,916	(140,650)	-
Changes of assumptions or other inputs	(30,183)	40,292	(19,196)
Benefit payments	-	(7,308)	(9,565)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 554,170</u>	<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 ten years of information beginning with fiscal year 2026.

TOWN OF ZEBULON, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2019

Exhibit A-5

	2019	2018	2017
Total pension liability	\$ 554,170	\$ 507,354	\$ 563,707
Covered payroll	1,089,316	996,834	1,046,278
Total pension liability as a percentage of covered payroll	50.87%	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.

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, 2019
 With comparative actual amounts for year ended June 30, 2018

Schedule 1
 Page 1 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
REVENUES				
Ad valorem taxes	\$ 6,418,471	\$ 6,551,499	\$ 133,028	\$ 6,281,941
Penalties and interest	12,500	10,737	(1,763)	8,635
Total	<u>6,430,971</u>	<u>6,562,236</u>	<u>131,265</u>	<u>6,290,576</u>
Other taxes and licenses				
Motor vehicle decals	39,000	44,333	5,333	41,244
Total	<u>39,000</u>	<u>44,333</u>	<u>5,333</u>	<u>41,244</u>
Unrestricted intergovernmental				
Local option sales tax	1,087,000	1,120,464	33,464	1,028,190
Franchise tax	550,000	633,812	83,812	569,948
Video programming	28,000	27,578	(422)	28,728
Beer and wine	20,500	21,176	676	20,773
Total	<u>1,685,500</u>	<u>1,803,030</u>	<u>117,530</u>	<u>1,647,639</u>
Restricted intergovernmental				
Powell Bill	126,000	129,680	3,680	128,099
Federal grants	23,782	23,782	-	-
State grants	52,475	2,474	(50,001)	-
Other grants	5,000	5,000	-	-
PEG Supplement	54,000	54,054	54	53,515
Solid waste disposal tax	3,200	3,416	216	3,261
Wake County Fire District	651,098	661,172	10,074	735,657
Total	<u>915,555</u>	<u>879,578</u>	<u>(35,977)</u>	<u>920,532</u>
Permits and fees				
Zoning permits and fees	95,000	177,172	82,172	154,617
Transportation impact fees	-	181,873	181,873	85,709
Developer reimbursements	12,000	75,710	63,710	217,183
Inspection fees	53,000	70,598	17,598	47,114
Officer fees	1,500	1,838	338	1,719
Total	<u>161,500</u>	<u>507,191</u>	<u>345,691</u>	<u>506,342</u>
Investment earnings	<u>60,000</u>	<u>219,633</u>	<u>159,633</u>	<u>108,715</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, 2019
With comparative actual amounts for year ended June 30, 2018

Schedule 1
Page 2 of 5

	Budget	Actual	Variance Positive Negative	Prior Year
REVENUES (continued)				
Sales and services				
Charges for services	\$ 443,000	\$ 470,114	\$ 27,114	\$ 445,198
Cemetery	-	8,474	8,474	7,650
Rent	59,300	73,536	14,236	59,055
Recreation	143,080	186,592	43,512	158,104
Total	<u>645,380</u>	<u>738,716</u>	<u>93,336</u>	<u>670,007</u>
Miscellaneous				
ABC revenue	32,500	45,791	13,291	36,721
Stormwater fees	112,000	113,554	1,554	111,914
Surplus property	-	147,941	147,941	9,090
Fines and forfeitures	-	2,104	2,104	229
Miscellaneous	59,220	88,545	29,325	88,490
Total	<u>203,720</u>	<u>397,935</u>	<u>194,215</u>	<u>246,444</u>
Total revenues	<u>10,141,626</u>	<u>11,152,652</u>	<u>1,011,026</u>	<u>10,431,499</u>
EXPENDITURES				
General government				
Governing body				
Personnel costs	68,450	67,226	1,224	66,136
Contract services	267,500	261,860	5,640	233,520
Other operating	198,250	62,143	136,107	83,154
Subtotal	<u>534,200</u>	<u>391,229</u>	<u>142,971</u>	<u>382,810</u>
Finance				
Personnel costs	242,800	239,201	3,599	226,819
Retiree insurance	59,000	51,702	7,298	44,552
Contract services	28,800	25,608	3,192	16,816
Other operating	28,500	21,382	7,118	19,254
Subtotal	<u>359,100</u>	<u>337,893</u>	<u>21,207</u>	<u>307,441</u>
Administration				
Personnel costs	329,350	325,482	3,868	270,675
Contract services	160,500	158,972	1,528	77,940
Other operating	161,215	136,724	24,491	129,135
Capital outlay	-	-	-	30,480
Subtotal	<u>651,065</u>	<u>621,178</u>	<u>29,887</u>	<u>508,230</u>
Public buildings				
Personnel costs	174,906	179,622	(4,716)	158,719
Contract services	72,000	54,309	17,691	57,044
Utilities	99,500	106,584	(7,084)	94,638
Other operating	291,444	214,200	77,244	215,878
Capital outlay	257,356	49,249	208,107	140,320
Subtotal	<u>895,206</u>	<u>603,964</u>	<u>291,242</u>	<u>666,599</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, 2019
 With comparative actual amounts for year ended June 30, 2018

Schedule 1
 Page 3 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
EXPENDITURES (continued)				
Planning				
Personnel costs	\$ 335,500	\$ 251,742	\$ 83,758	\$ 321,839
Contract services	74,700	58,437	16,263	30,372
Other operating	48,800	22,394	26,406	37,822
Capital outlay	437,310	48,579	388,731	25,244
Subtotal	<u>896,310</u>	<u>381,152</u>	<u>515,158</u>	<u>415,277</u>
Total general government	<u>3,335,881</u>	<u>2,335,416</u>	<u>1,000,465</u>	<u>2,280,357</u>
Public safety				
Police				
Personnel costs	1,639,290	1,610,485	28,805	1,524,444
Contract services	180,850	180,606	244	142,651
Other operating	354,747	344,084	10,663	227,061
Capital outlay	125,000	121,153	3,847	190,357
Subtotal	<u>2,299,887</u>	<u>2,256,328</u>	<u>43,559</u>	<u>2,084,513</u>
Fire				
Personnel costs	1,128,335	1,083,006	45,329	1,021,172
Contract services	12,650	10,618	2,032	8,381
Other operating	266,000	217,476	48,524	377,877
Capital outlay	1,764,559	1,650,865	113,694	163,428
Subtotal	<u>3,171,544</u>	<u>2,961,965</u>	<u>209,579</u>	<u>1,570,858</u>
Total public safety	<u>5,471,431</u>	<u>5,218,293</u>	<u>253,138</u>	<u>3,655,371</u>
Streets				
Non-Powell Bill				
Personnel costs	235,093	184,522	50,571	176,231
Contract services	47,200	39,063	8,137	24,962
Utilities	164,000	153,975	10,025	136,072
Other operating	115,902	76,579	39,323	374,191
Capital outlay	169,000	162,821	6,179	58,730
Subtotal	<u>731,195</u>	<u>616,960</u>	<u>114,235</u>	<u>770,186</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, 2019
 With comparative actual amounts for year ended June 30, 2018

Schedule 1
 Page 4 of 5

	Budget	Actual	Variance Positive (Negative)	Prior Year
EXPENDITURES (continued)				
Powell Bill				
Contract services	\$ 27,000	\$ 26,994	\$ 6	\$ 99,000
Capital outlay	<u>229,000</u>	<u>215,472</u>	<u>13,528</u>	<u>-</u>
Subtotal	<u>256,000</u>	<u>242,466</u>	<u>13,534</u>	<u>99,000</u>
Total streets	<u>987,195</u>	<u>859,426</u>	<u>127,769</u>	<u>869,186</u>
Sanitation				
Personnel costs	374,484	327,665	46,819	341,925
Contract services	528,223	427,313	100,910	409,209
Other operating	139,994	114,546	25,448	107,970
Capital outlay	<u>148,500</u>	<u>139,856</u>	<u>8,644</u>	<u>-</u>
Total sanitation	<u>1,191,201</u>	<u>1,009,380</u>	<u>181,821</u>	<u>859,104</u>
Storm Water				
Personnel costs	133,504	128,998	4,506	119,104
Contract services	19,750	18,128	1,622	10,737
Other operating	49,783	28,318	21,465	42,124
Capital outlay	<u>975,100</u>	<u>32,285</u>	<u>942,815</u>	<u>64,394</u>
Total Storm Water	<u>1,178,137</u>	<u>207,729</u>	<u>970,408</u>	<u>236,359</u>
Cultural and recreation				
Recreation				
Personnel costs	485,220	469,249	15,971	440,689
Contract services	54,285	54,866	(581)	49,727
Other operating	295,960	275,679	20,281	234,135
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,401</u>
Subtotal	<u>835,465</u>	<u>799,794</u>	<u>35,671</u>	<u>740,952</u>
Stadium				
Utilities	42,500	37,150	5,350	36,817
Other operating	<u>9,100</u>	<u>7,613</u>	<u>1,487</u>	<u>8,852</u>
Subtotal	<u>51,600</u>	<u>44,763</u>	<u>6,837</u>	<u>45,669</u>
Total cultural and recreation	<u>887,065</u>	<u>844,557</u>	<u>42,508</u>	<u>786,621</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, 2019
 With comparative actual amounts for year ended June 30, 2018

Schedule 1
 Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Prior Year</u>
EXPENDITURES (continued)				
Debt service				
Principal	\$ 802,181	\$ 802,181	\$ -	\$ 626,382
Interest	<u>220,909</u>	<u>103,005</u>	<u>117,904</u>	<u>119,794</u>
Total debt service	<u>1,023,090</u>	<u>905,186</u>	<u>117,904</u>	<u>746,176</u>
Total expenditures	<u>14,074,000</u>	<u>11,379,987</u>	<u>2,694,013</u>	<u>9,433,174</u>
Revenues over (under) expenditures	<u>(3,932,374)</u>	<u>(227,335)</u>	<u>3,705,039</u>	<u>998,325</u>
OTHER FINANCING SOURCES (USES)				
Installment financing	2,629,000	1,700,000	(929,000)	-
Operating transfers out				
N. Arendell Ave. Capital Project	-	-	-	(326,595)
Greenways Capital Project	(618,352)	(618,352)	-	(455,733)
Stormwater Capital Project	(35,750)	(35,750)	-	-
Water and Sewer Fund	(26,018)	(21,462)	4,556	-
Appropriated fund balance	<u>1,983,494</u>	<u>-</u>	<u>(1,983,494)</u>	<u>-</u>
Total other financing sources	<u>3,932,374</u>	<u>1,024,436</u>	<u>(2,907,938)</u>	<u>(782,328)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>797,101</u>	<u>\$ 797,101</u>	<u>215,997</u>
Fund balance - beginning of year		<u>9,378,155</u>		<u>9,162,158</u>
Fund balance- end of year		<u>\$ 10,175,256</u>		<u>\$ 9,378,155</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.

The Stormwater Capital Project Fund is used to account for financial resources to be used for the construction of stormwater improvements.

**TOWN OF ZEBULON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019**

Schedule 2

	Capital Projects			Total Nonmajor Governmental Funds
	N. Arendell Ave. Capital Project	Greenways Capital Project	Stormwater Capital Project	
ASSETS				
Cash and cash equivalents	\$ 267,251	\$ 837,771	\$ 35,750	\$ 1,140,772
Total assets	\$ 267,251	\$ 837,771	\$ 35,750	\$ 1,140,772
LIABILITIES				
Accounts payable	\$ 3,867	\$ -	\$ -	\$ 3,867
Total liabilities	3,867	-	-	3,867
FUND BALANCES				
Committed	263,384	837,771	35,750	1,136,905
Total fund balance	263,384	837,771	35,750	1,136,905
Total liabilities and fund balances	\$ 267,251	\$ 837,771	\$ 35,750	\$ 1,140,772

TOWN OF ZEBULON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2019

Schedule 3

	<u>Capital Projects</u>			Total Nonmajor Governmental Funds
	<u>N. Arendell Ave Capital Project</u>	<u>Greenways Capital Project</u>	<u>Stormwater Capital Project</u>	
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay-improvements	<u>40,189</u>	<u>9,992</u>	<u>-</u>	<u>50,181</u>
Revenues under expenditures	(40,189)	(9,992)	-	(50,181)
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>618,352</u>	<u>35,750</u>	<u>654,102</u>
Net change in fund balances	(40,189)	608,360	35,750	603,921
FUND BALANCES - Beginning of year	<u>303,573</u>	<u>229,411</u>	<u>-</u>	<u>532,984</u>
FUND BALANCES - End of year	<u>\$ 263,384</u>	<u>\$ 837,771</u>	<u>\$ 35,750</u>	<u>1,136,905</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, 2019

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	40,189	63,211
Revenues under expenditures	(326,595)	(23,022)	(40,189)	(63,211)
OTHER FINANCING SOURCES				
Transfers in General Fund	326,595	326,595	-	326,595
Net change in fund balance	\$ -	\$ 303,573	\$ (40,189)	\$ 263,384

TOWN OF ZEBULON, NORTH CAROLINA
CAPITAL PROJECTS FUND
GREENWAYS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2019

Schedule 5

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Grants	\$ 318,855	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay-improvements	1,392,940	226,322	9,992	236,314
Revenues under expenditures	(1,074,085)	(226,322)	(9,992)	(236,314)
OTHER FINANCING SOURCES				
Transfers in General fund	1,074,085	455,733	618,352	1,074,085
Net change in fund balance	\$ -	\$ 229,411	\$ 608,360	\$ 837,771

TOWN OF ZEBULON, NORTH CAROLINA
CAPITAL PROJECT FUND
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2019

Schedule 6

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay-improvements	35,750	-	-	-
Revenues under expenditures	(35,750)	-	-	-
OTHER FINANCING SOURCES				
Transfers in				
General fund	35,750	-	35,750	35,750
Net change in fund balance	\$ -	\$ -	\$ 35,750	\$ 35,750

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, 2019
 With comparative actual amounts for year ended June 30, 2018

Schedule 7

	Budget	Actual	Variance Positive (Negative)	Prior Year
OPERATING REVENUES				
Miscellaneous revenues	\$ -	\$ 4,555	\$ 4,555	\$ 2,974
NON-OPERATING REVENUES				
Debt reimbursements from Raleigh	-	-	-	86,700
Investment earnings	-	150	150	207
Total non-operating revenues	-	150	150	86,907
Total revenues	-	4,705	4,705	89,881
OPERATING EXPENDITURES				
Debt service				
Principal	-	-	-	85,000
Interest	-	-	-	1,700
Total debt service	-	-	-	86,700
Total operating expenditures	-	-	-	86,700
Revenues over expenditures	-	4,705	4,705	3,181
OTHER FINANCING SOURCES				
Transfers in-General Fund	26,018	21,462	(4,556)	-
Appropriated fund balance	(26,018)	-	-	-
Total other financing sources (uses)	-	21,462	(4,556)	-
Revenues and other financing sources over expenditures and other financing uses	\$ -	26,167	\$ 149	3,181
ADJUSTMENTS TO ACCRUAL				
Add (deduct)				
Debt principal		-		85,000
Decrease in accrued interest payable		-		708
Reimbursement for debt payments from City of Raleigh		-		(85,000)
Change in net position		\$ 26,167		\$ 3,889

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, 2019

Schedule 8

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 6,559,773	\$ 6,533,590	\$ 26,183
2017-2018	31,880	-	13,460	18,420
2016-2017	12,977	-	4,773	8,204
2015-2016	5,514	-	294	5,220
2014-2015	3,107	-	56	3,051
2013-2014	7,275	-	58	7,217
2012-2013	12,293	-	48	12,245
2011-2012	6,867	-	58	6,809
2010-2011	5,871	-	101	5,770
2009-2010	23,071	-	291	22,780
2008-2009	9,392	-	9,392	-
	<u>\$ 118,247</u>	<u>\$ 6,559,773</u>	<u>\$ 6,562,121</u>	<u>\$ 115,899</u>

Ad valorem taxes - General Fund	\$ 6,562,236
Add (deduct):	-
Collections of deferred taxes	(695)
Releases allowed	1,925
Taxes written off	9,392
Penalties and interest	<u>(10,737)</u>
 Total collections and credits	 <u>\$ 6,562,121</u>

TOWN OF ZEBULON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

June 30, 2019

Schedule 9

	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	\$ 1,106,329,392	0.5920	\$ 6,549,299	\$ 6,265,087	\$ 284,212
Penalties	-		1,899	1,899	-
Total	1,106,329,392		6,551,198	6,266,986	284,212
Discoveries:					
Prior year taxes	-		10,003	10,003	-
Abatements	(241,216)	0.5920	(1,428)	(1,428)	-
Total property valuation	<u>\$ 1,106,088,176</u>				
Net levy			6,559,773	6,275,561	284,212
Uncollected taxes at June 30, 2019			26,183	23,224	2,959
Current year's taxes collected			\$ 6,533,590	\$ 6,252,337	\$ 281,253
Current levy collection percentage			<u>99.6%</u>	<u>99.6%</u>	<u>99.0%</u>



STATISTICAL SECTION

STATISTICAL TABLES

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

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

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

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

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

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

Town of Zebulon, North Carolina

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 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	\$ 26,460,741
Restricted	159,123	635,366	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444	1,512,756
Unrestricted	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	3,236,736
Total governmental activities net position	<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>	<u>\$ 31,210,233</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(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>\$ (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>	<u>\$ 0</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 26,460,741
Restricted	159,123	635,366	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444	1,512,756
Unrestricted	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	3,236,736
Total primary government net position	<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>	<u>\$ 31,210,233</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 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	\$ 2,468,204
Public safety	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	3,879,905
Streets	804,201	766,885	1,264,030	798,858	815,731	782,121	816,957	863,966	941,827	664,098
Sanitation	748,643	797,076	837,952	828,740	836,113	826,740	859,777	925,776	1,332,511	1,455,403
Storm water	-	101,888	191,214	207,596	210,764	224,215	224,279	286,500	264,964	278,182
Cultural and recreational	843,239	885,495	913,921	880,850	970,340	983,783	1,036,994	1,046,872	1,078,303	1,146,509
Interest on long-term debt	211,298	194,085	185,118	170,577	166,392	153,411	140,481	127,256	110,389	134,184
Total governmental activities expenses	<u>7,025,512</u>	<u>7,369,144</u>	<u>8,545,361</u>	<u>7,693,816</u>	<u>7,923,504</u>	<u>7,797,126</u>	<u>8,054,732</u>	<u>8,772,224</u>	<u>9,780,194</u>	<u>10,026,485</u>
Business-type activities:										
Water and sewer	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	124,220	104,644	70,646	29,129	21,797	9,623	6,497	3,450	992	-
Total business-type activities	<u>124,220</u>	<u>104,644</u>	<u>70,646</u>	<u>29,129</u>	<u>21,797</u>	<u>9,623</u>	<u>6,497</u>	<u>3,450</u>	<u>992</u>	<u>-</u>
Total primary government expenses	<u>\$ 7,149,732</u>	<u>\$ 7,473,788</u>	<u>\$ 8,616,007</u>	<u>\$ 7,722,945</u>	<u>\$ 7,945,301</u>	<u>\$ 7,806,749</u>	<u>\$ 8,061,229</u>	<u>\$ 8,775,674</u>	<u>\$ 9,781,186</u>	<u>\$ 10,026,485</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 87,522	\$ 83,574	\$ 74,313	\$ 114,469	\$ 166,699	\$ 182,735	\$ 189,760	\$ 157,473	\$ 268,436	\$ 329,780
Public safety	7,306	6,244	4,194	3,462	2,508	2,418	2,048	1,708	1,719	1,838
Streets	-	-	-	-	78,420	62,346	-	-	-	-
Sanitation	323,524	341,160	367,255	352,503	373,855	394,117	408,743	430,027	444,605	470,546
Cultural and recreational	76,148	85,970	102,045	88,342	110,794	128,618	133,956	141,895	158,104	186,592
Operating grants and contributions	629,278	629,693	793,192	793,825	782,618	831,799	888,155	1,054,039	920,532	879,578
Capital grants and contributions	504,339	10,825	914,062	36,503	260,172	773,591	648,574	1,908,788	2,044,350	9,994,933
Total governmental activities program revenues	<u>1,628,117</u>	<u>1,157,466</u>	<u>2,255,061</u>	<u>1,389,104</u>	<u>1,775,066</u>	<u>2,375,624</u>	<u>2,271,236</u>	<u>3,693,930</u>	<u>3,837,746</u>	<u>11,863,267</u>
Business-type activities:										
Charges for services:										
Water and sewer	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 1,628,117</u>	<u>\$ 1,157,466</u>	<u>\$ 2,255,061</u>	<u>\$ 1,389,104</u>	<u>\$ 1,775,066</u>	<u>\$ 2,375,624</u>	<u>\$ 2,271,236</u>	<u>\$ 3,693,930</u>	<u>\$ 3,837,746</u>	<u>\$ 11,863,267</u>

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	\$ (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)	\$ 1,836,782
Business-type activities	(124,220)	(104,644)	(70,646)	(29,129)	(21,797)	(9,623)	(6,497)	(3,450)	(992)	-
Total primary government net revenue (expense)	<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>	<u>\$ 1,836,782</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	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	6,559,888
Other taxes and licenses	45,709	44,111	39,063	36,064	43,164	47,983	37,671	39,899	39,453	42,813
Unrestricted intergovernmental revenues	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	1,803,030
Investment earnings	42,856	12,114	7,087	7,224	5,809	6,117	19,832	41,388	108,715	219,633
Miscellaneous	97,304	126,917	91,892	191,911	160,374	167,632	199,700	195,565	192,323	253,752
Transfers	-	-	-	-	-	-	-	-	-	(21,462)
Gain (loss) on disposal of capital assets	45,769	123,057	25,044	33,210	284,424	83,168	7,600	24,174	(17,212)	109,603
Total governmental activities	<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>	<u>8,967,257</u>
Business-type activities:										
Investment earnings	\$ 123,926	\$ 104,219	\$ 73,738	\$ 42,446	\$ 25,056	\$ 11,047	\$ 7,887	\$ 4,804	\$ 1,907	\$ 150
Miscellaneous	8,271	6,546	408	401	-	1,141	1,433	2,651	2,974	4,555
Transfers	-	-	-	-	-	-	-	-	-	21,462
Special Item: gain (loss) on transfer of assets to City of Raleigh	(1,495,579)	(28,620)	-	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>26,167</u>
Total primary government general revenues and other changes in net position	<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>	<u>8,993,424</u>
Change in net position										
Governmental activities	\$ 867,150	\$ 89,994	\$ (534,824)	\$ (421,318)	\$ (97,358)	\$ 479,842	\$ 578,635	\$ 2,296,402	\$ 2,330,039	\$ 10,804,039
Business-type activities	(1,487,602)	(22,499)	3,500	13,718	3,259	2,565	2,823	4,005	3,889	26,167
Total primary government change in net position	<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>	<u>\$ 10,830,206</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
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
2019	2,468,204	3,879,905	664,098	1,455,403	278,182	1,146,509	134,184	-	10,026,485

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

Table 4

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets</u>	<u>Sanitation</u>	<u>Storm Water</u>	<u>Cultural & Recreation</u>	<u>Debt Service</u>	<u>Total</u>	<u>Per Capita Expenditures</u>
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
2019	2,335,416	5,218,293	859,426	1,009,380	207,729	844,557	905,186	11,379,987	2,016

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	
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
2019	988,756	879,578	9,994,933	6,602,701	1,803,030	219,783	367,910	20,856,691

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
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
2019	6,606,569	2,682,608	507,191	219,633	738,716	397,935	11,152,652	1,975

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>
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
2019	6,562,236	0.5920

Town of Zebulon, North Carolina

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

Table 8

	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 786,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,824,878	-	-	-	-	-	-	-	-	-
Restricted	-	635,361	867,586	705,512	667,364	1,019,076	1,077,310	1,282,832	1,390,444	1,512,756
Committed	-	150,000	361,800	363,500	265,400	193,400	193,400	232,350	485,979	536,120
Assigned	-	514,200	668,000	590,070	870,403	339,780	916,050	549,675	1,568,182	1,336,331
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	6,790,049
Total General Fund	<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>	<u>10,175,256</u>
All other governmental funds										
Unreserved, reported in:										
Capital projects funds	-	-	-	30,909	-	-	-	-	532,984	1,136,905
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,984</u>	<u>\$ 1,136,905</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				
	2010	2011	2012	2013	2014
Revenues:					
Ad valorem taxes	\$ 4,232,404	\$ 4,179,121	\$ 3,939,522	\$ 3,961,589	\$ 4,114,916
Other taxes and licenses	44,934	43,903	40,040	36,516	45,751
Unrestricted intergovernmental	1,778,698	1,822,245	1,665,768	1,645,507	1,458,220
Restricted intergovernmental	746,265	633,400	1,335,338	833,149	918,019
Permits and fees	47,055	38,654	26,627	65,650	184,692
Sales and services	448,373	465,286	519,963	499,695	545,043
Investment earnings	42,856	12,114	7,087	7,224	5,809
Miscellaneous	162,483	275,239	146,912	238,324	453,429
Total revenues	<u>7,503,068</u>	<u>7,469,962</u>	<u>7,681,257</u>	<u>7,287,654</u>	<u>7,725,879</u>
Expenditures:					
General government	1,404,090	1,476,530	1,689,801	1,420,572	1,522,715
Public safety	2,485,817	2,604,805	2,906,795	2,844,487	2,790,544
Streets	404,808	421,031	887,973	409,308	440,077
Sanitation	677,837	728,086	772,653	754,167	756,567
Storm water	-	46,015	128,188	139,118	136,939
Cultural and recreational	652,222	642,403	655,357	627,298	688,389
Capital outlay	1,403,548	479,616	691,103	957,363	674,664
Debt service:					
Principal retirement	694,708	458,160	509,005	507,109	587,188
Interest and fees	214,934	201,626	183,585	172,965	169,209
Total expenditures	<u>7,937,964</u>	<u>7,058,272</u>	<u>8,424,460</u>	<u>7,832,387</u>	<u>7,766,292</u>
Excess of revenues over (under) expenditures	<u>(434,896)</u>	<u>411,690</u>	<u>(743,203)</u>	<u>(544,733)</u>	<u>(40,413)</u>
Other financing sources (uses):					
Installment note proceeds	325,000	-	297,300	690,000	460,635
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	122,818	-	-	-	30,921
Transfers (out)	<u>(122,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,921)</u>
Total other financing sources (uses)	<u>325,000</u>	<u>-</u>	<u>297,300</u>	<u>690,000</u>	<u>460,635</u>
Net change in fund balances	<u>\$ (109,896)</u>	<u>\$ 411,690</u>	<u>\$ (445,903)</u>	<u>\$ 145,267</u>	<u>\$ 420,222</u>
Debt service as a percentage of noncapital expenditures	13.9%	10.0%	9.0%	9.9%	10.7%

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				
	2015	2016	2017	2018	2019
Revenues:					
Ad valorem taxes	\$ 4,136,640	\$ 4,538,730	\$ 5,475,283	\$ 6,290,576	\$ 6,562,236
Other taxes and licenses	49,673	38,682	41,084	41,244	44,333
Unrestricted intergovernmental	1,477,071	1,567,546	1,594,566	1,647,639	1,803,030
Restricted intergovernmental	1,177,170	888,155	1,054,039	920,532	879,578
Permits and fees	466,550	195,259	579,767	506,342	507,191
Sales and services	582,560	623,262	638,614	670,007	738,716
Investment earnings	6,117	19,832	41,388	108,715	219,633
Miscellaneous	273,324	207,300	249,195	246,444	397,935
Total revenues	8,169,105	8,078,766	9,673,936	10,431,499	11,152,652
Expenditures:					
General government	1,497,599	1,533,719	1,886,827	2,084,313	2,237,588
Public safety	2,820,289	2,859,970	2,830,972	3,301,586	3,446,275
Streets	414,949	419,280	447,960	810,456	481,133
Sanitation	775,532	809,120	845,297	859,104	869,524
Storm water	154,487	150,539	178,778	171,965	175,444
Cultural and recreational	699,274	748,959	734,025	770,220	844,557
Capital outlay	605,237	792,897	1,088,373	689,354	2,420,280
Debt service:					
Principal retirement	588,564	578,042	628,609	626,382	802,181
Interest and fees	162,612	145,831	133,121	119,794	103,005
Total expenditures	7,718,543	8,038,357	8,773,962	9,433,174	11,379,987
Excess of revenues over (under) expenditures	450,562	40,409	899,974	998,325	(227,335)
Other financing sources (uses):					
Installment note proceeds	-	252,000	259,500	-	1,700,000
Bond Proceeds	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	(782,328)	(675,564)
Total other financing sources (uses)	-	252,000	259,500	(782,328)	1,024,436
Net change in fund balances	\$ 450,562	\$ 292,409	\$ 1,159,474	\$ 215,997	\$ 797,101
Debt service as a percentage of noncapital expenditures	10.6%	10.0%	9.9%	8.5%	10.1%

Town of Zebulon, North Carolina

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

Table 10

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Property Tax Rate	Taxable Assessed Ratio of Assesed Value to Estimated Actual Value
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%
2019	592,484,309	500,416,676	13,187,191	1,106,088,176	0.592	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
2010	0.500	0.534	1.034
2011	0.500	0.534	1.034
2012	0.500	0.534	1.034
2013	0.5125	0.534	1.047
2014	0.525	0.534	1.059
2015	0.525	0.578	1.103
2016	0.525	0.6145	1.140
2017	0.575	0.6005	1.1755
2018	0.575	0.615	1.1900
2019	0.592	0.6544	1.2464

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	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GlaxoSmithKline ⁽¹⁾	\$ 289,049,524	1	26.13	\$ 144,931,841	1	17.28
Branch Banking & Trust	146,227,070	2	13.22	1,734,231	45	0.21
Glaxo Inc ⁽¹⁾	59,409,968	3	5.37	51,794,460	2	6.18
US Foods Inc	8,148,645	4	0.74	5,891,188	13	0.70
USF Propco LLC ⁽²⁾	17,754,785	5	1.61	18,705,870	5	2.23
Vinventions LLC ⁽³⁾	16,757,635	6	1.52	26,344,910	4	3.14
Walmart	10,561,665	7	0.95	13,303,291	6	1.59
Zeb Land LLC ⁽⁴⁾	12,407,682	8	1.12			0.00
Triangle East Shopping Centre	9,042,876	9	0.82	6,981,375	11	0.83
Corc LLC ⁽²⁾	7,914,544	10	0.72	8,081,650	9	0.96
Tidewater Investors LLC	6,956,317	11	0.63	-		0.00
Duke Energy Progress, Inc. ⁽⁵⁾	7,466,791	12	0.68	6,677,311	11	0.80
Nomaco Zebulon ⁽⁴⁾	10,041,862	13	0.91	7,484,687	10	0.89
LNP Inc.	6,199,545	14	0.56	3,271,282	13	0.39
Legacy Crest LLC	4,904,040	15	0.44	4,457,995	18	0.53
Total	\$ 612,842,949		55.42 %	\$ 299,660,091		35.73 %

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) Vinventions 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
2010	4,249,259	4,169,855	98.13	56,591	4,226,446	99.46 %
2011	4,166,859	4,111,810	98.68	49,638	4,161,448	99.87
2012	3,918,084	3,874,143	98.88	36,973	3,911,116	99.82
2013	3,962,815	3,910,527	98.68	41,985	3,952,512	99.74
2014	4,085,330	4,053,950	99.23	23,776	4,077,726	99.81
2015	4,117,537	4,102,612	99.64	11,874	4,114,486	99.93
2016	4,527,755	4,512,507	99.66	10,028	4,522,535	99.88
2017	5,471,997	5,450,738	99.61	13,055	5,463,793	99.85
2018	6,308,023	6,276,143	99.49	13,460	6,289,603	99.71
2019	6,559,773	6,533,590	99.60	-	6,533,590	99.60

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			
2010	1,543,871	(1) 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	(2) 3,700,000	-	(3) 919,386	(3) 580,852	6,395,972	N/A	1,433
2013	1,603,625	(4) 3,475,000	-	710,000	290,424	6,079,049	N/A	1,343
2014	1,702,072	(5) 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	(6) 2,811,307	-	235,000	-	4,283,773	N/A	863
2017	1,093,357	(7) 2,585,429	-	85,000	-	3,763,786	N/A	730
2018	691,975	2,359,550	-	-	-	3,051,525	N/A	579
2019	1,814,794	(8) 2,133,672	-	-	-	3,948,466	N/A	699

Notes:

- (1) During fiscal year 2010, an installment note for \$325,000 was issued for the purchase of vehicles and equipment.
- (2) During fiscal year 2012, an installment note for \$297,300 was issued for the purchase of vehicles and equipment.
- (3) During fiscal year 2012, the GO Bonds for business-type activities were refunded with an installment note in the amount of \$1,040,000.
- (4) During fiscal year 2013, an installment note for \$690,000 was issued for construction, maintenance and repair of buildings and parks.
- (5) During fiscal year 2014, an installment note for \$460,635 was issued for maintenance and repair of town buildings.
- (6) During fiscal year 2016, an installment note for \$252,000 was issued for the purchase of vehicles and equipment.
- (7) During fiscal year 2017, an installment note for \$259,500 was issued for the purchase of vehicles and equipment.
- (8) During fiscal year 2019, an installment note for \$1,700,000 was issued for the purchase of vehicles and equipment.

Town of Zebulon, North Carolina

Direct and Overlapping Governmental Activities Debt
June 30, 2019

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	\$ 1,727,510,000 ⁽¹⁾	0.74%	\$ 12,856,150
Town of Zebulon direct debt			<u>3,948,466</u> ⁽³⁾
Total direct and other overlapping debt			<u>\$ 16,804,616</u>

Notes:

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,421,230,484, or 82%, 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 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	\$ 88,487,054
Total net debt applicable to limit	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	3,948,466
Legal debt margin	<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>	<u>\$ 84,538,588</u>
Total net debt applicable to the limit as a percentage of debt limit	8.80%	8.71%	8.17%	8.59%	8.17%	7.12%	5.95%	4.95%	3.59%	4.46%

Legal Debt Margin for Fiscal Year 2019

Assessed value	\$ 1,106,088,176
Debt limit (8% of assessed value)	<u>88,487,054</u>
Debt applicable to limit:	
General obligation bonds	2,133,672
Non-bonded debt	1,814,794
Less: State exclusion for general obligation water bonds	-
Total net debt applicable to limit	<u>3,948,466</u>
Legal debt margin	<u>\$ 84,538,588</u>

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

Town of Zebulon, North Carolina

Pledge-Revenue Coverage
Last Ten Fiscal Years

Table 17

<u>Fiscal Year</u>	<u>Water and Sewer Charges</u>	<u>Other Operating Revenues</u>	<u>Total Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
						<u>Principal</u>	<u>Interest</u>	
2010	-	-	-	-	-	150,000	63,450	-
2011	-	-	-	-	-	150,000	56,100	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-

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⁾
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%
2019	5,646	35.8	50,267	1,678	3.8%

Notes:

(1) Population projections provided by US Census Bureau

The 2017 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, 2019

Table 19

Employer	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
GlaxoSmithKline	800	1	12.45%	635	1	N/A
US Foodservice	560	2	8.71%	634	2	N/A
Wake County Public School System (All Zebulon locations)	221	3	3.44%	211	5	N/A
Advanced Plastiform	147	4	2.29%	80	10	N/A
Nomaco	146	5	2.27%	185	6	N/A
Wal-Mart	130	6	2.02%	240	3	N/A
East Wake Academy	121	7	1.88%	100	7	N/A
Nomacor	114	8	1.77%	236	4	N/A
Town of Zebulon	67	9	1.04%	63	N/A	N/A
Devil Dog Manufacturing	50	10	0.78%	95	8	N/A
Total	2,356			2,479		
Total Estimated Employed in Town ⁽¹⁾	6,427			N/A		
Estimated Percentage of Total Employment represented by Top Employers	36.66%			N/A		

Notes:

Data obtained from Town of Zebulon Finance and Planning Departments.
Total Employment in Town for 2010 is not available.

⁽¹⁾ Estimated employment based on Capital Area Metropolitan Planning Organization projections.

Town of Zebulon, North Carolina

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

Table 20

Function	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration/Finance	5	5	5	5	5	5	5	5	6	6
Planning	3	3	3	3	3	3	3	4	5	5
Buildings & Grounds	2	2	2	2	0	1	1	3	3	3
Public Safety										
Police	23	23	23	23	21	21	21	21	22	22
Fire	11	11	11	14	14	14	14	14	15	15
Streets	3	3	3	3	3	3	3	3	3	4
Environmental Protection	5	5	5	5	5	5	5	5	5	5
Stormwater	0	0	2	2	2	2	2	2	2	2
Cultural and Recreation	5	5	5	5	5	5	5	5	5	5
Water/Sewer Maintenance	0	0	0	0	0	0	0	0	0	0
Water Plant	0	0	0	0	0	0	0	0	0	0
Sewer Plant	0	0	0	0	0	0	0	0	0	0
Total	57	57	59	62	58	59	59	62	66	67

Note: Effective October 1, 2006, the Town of Zebulon merged its water and wastewater operations with the City of Raleigh. All employees associate with these functions were transferred to Raleigh. In FY 2011, the Town added the function of Stormwater operations, and included the addition of two positions for this function in FY 2012.

Town of Zebulon, North Carolina

Operating Indicators by Function
Last Ten Fiscal Years

Table 21
Page 1 of 2

Function/Program	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Building permits issued	47	44	31	54	107	128	111	104	136	196
Privilege licenses issued	288	302	325	337	471	261	51	30	32	34
Code violations corrected	105	124	149	133	75	50	2	54	41	117
Public Safety										
Police calls for service	11,906	12,310	13,707	10,925	8,266	8,684	8,879	8,216	9,579	8,639
Physical arrests	736	465	313	403	330	336	260	213	192	161
Traffic violations	261	326	347	310	312	369	365	416	500	465
Warrants served	435	179	154	229	96	206	107	59	87	103
Civil citations	480	133	18	20	23	21	19	8	31	13
Child safety seat inspections	30	19	55	47	32	57	70	74	60	54
Emergency responses	1,490	1,530	1,501	1,471	1,433	1,480	1,588	1,680	1,547	1,652
Fires extinguished	47	43	50	43	41	67	34	38	36	32
Property losses due to fire (dollars)	\$457,055	\$ 277,900	\$ 305,480	\$ 352,098	\$ 465,850	\$ 332,968	\$ 199,050	\$ 388,190	\$ 322,174	\$ 74,445
Fire code violations corrected	1,196	644	915	1,268	1,739	985	1,274	1,126	816	1,093
Streets										
Miles of road maintained	19.30	19.07	19.07	19.07	19.07	19.14	19.41	20.29	21.14	24.85
Feet of sidewalk maintained	41,175	42,278	44,132	45,812	47,962	49,378	49,905	52,763	55,318	60,515
Storm Water										
Miles of storm drainage pipe maintained	N/A	9.26	9.60	9.63	9.63	9.65	9.91	10.70	12.80	16.77
Miles of ditches maintained	N/A	2.06	4.12	4.12	4.12	4.12	4.12	4.12	4.12	4.12
Environmental Protection										
Yard waste collected (tons)	1,200	1,807	1,672	1,080	1,720	1,662	1,441	2,140	1,650	2,862
White goods collected (pounds)	800	500	200	300	400	400	400	1,500	1,900	2,400
Number of sanitation customers	1,721	1,735	1,749	1,777	1,822	1,874	1,969	2,033	2,127	2,215
Number of recycling customers	1,642	1,661	1,675	1,698	1,805	1,874	1,969	2,033	2,086	2,165
Garbage collection fee	\$17.00	\$17.00	\$17.76	\$18.75	\$18.75	\$ 18.75	\$ 18.75	\$ 19.25	\$ 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Recreation and Parks										
Summer camp participants	255	229	189	250	346	204	234	245	225	235
Athletic program participants (youth and adult)	591	579	669	577	517	509	646	727	744	860
Recreation program participants (youth and adult)	458	1,425	1,111	1,074	1,366	1,550	1,597	1,676	1,776	1,882
Senior program participants	233	433	229	273	363	250	283	291	283	289
Park and community center facility rentals	50	112	146	296	414	684	727	764	795	986
Special events attendance	3,266	3,573	2,400	2,700	3,625	3,185	13,364	10,051	13,977	13,975

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Patrol and detective units	23	23	23	23	21	21	21	21	22	22
K-9 Units	1	1	1	1	1	1	1	1	1	2
Fire Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	7	8	7	7	7	7	7	7	7	7
Streets										
Streets (miles)	19.30	19.07	19.07	19.07	19.07	19.07	19.41	20.29	21.14	24.85
Sidewalk (feet)	41,175	42,278	44,132	45,812	47,962	47,962	49,905	52,763	55,318	60,515
Recreation and Parks										
Parks	6	6	6	6	6	6	6	6	6	6
Acreage	64.04	75.21	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	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	0	0	0	0	0	0	0	0	0	0
Fire hydrants	0	0	0	0	0	0	0	0	0	0
Storage capacity (million gallons)	0	0	0	0	0	0	0	0	0	0
Wastewater										
Sanitary sewers (miles)	0	0	0	0	0	0	0	0	0	0
Lift stations	0	0	0	0	0	0	0	0	0	0
Treatment capacity (million gallons)	0	0	0	0	0	0	0	0	0	0
Reclaimed Water										
Water mains (miles)	0	0	0	0	0	0	0	0	0	0
Storage capacity (million gallons)	0	0	0	0	0	0	0	0	0	0

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

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

Table 23

Fiscal Year	Governmental Activities	Business- type Activities	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
	GO Bonds	GO Bonds			
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
2019	2,133,672	-	2,133,672	0.19%	378

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

**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, 2019, 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 November 19, 2019.

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

JOYCE AND COMPANY, CPA
Cary, North Carolina

November 19, 2019

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

For the year ended June 30, 2019

Schedule 10

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.

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

For the Fiscal Year Ended June 30, 2019

Schedule 11

Pass-Through Grantor/ Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS:					
U.S. Department of Justice Passed through N.C. Department of Public Safety <i>Byrne Justice Assistance Grant</i>	16.738	N/A	\$ 23,782	\$ -	\$ -
STATE GRANTS:					
<u>N.C. Department of Agriculture & Consumer Services</u>					
<u>Local Farmers Market</u>					
<i>Cooperative Advertising Program</i>	N/A	AGRI-3	-	2,474	-
<u>N.C. Department of Transportation</u>					
<i>Powell Bill Fund</i>	N/A	DOT-4	-	242,466	-
Total federal and state assistance			<u>\$ 23,782</u>	<u>\$ 244,940</u>	<u>\$ -</u>

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, 2019. 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.