



FISCAL YEAR ENDED June 30, 2017

# CITIZENS' FINANCIAL REPORT

Town of Wake Forest ~ North Carolina



## Providing transparency about the Town's financial operations

The 2017 *Citizens' Financial Report* provides citizens and other interested parties with an overview of the Town of Wake Forest's financial results. This report is prepared to increase awareness and provide transparency about the Town's financial operations. Therefore, it is written in a user-friendly manner.

The financial information provided here is obtained from the audited financial statements in the Town's 2017 *Comprehensive Annual Financial Report (CAFR)*. The CAFR is audited by Cherry Bekaert LLP and has received an unmodified or

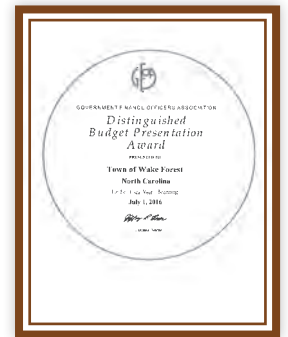
“clean” opinion. The *Citizens' Financial Report* is not required to present the same level of detail as the CAFR and therefore may not fully conform to generally accepted accounting principles (GAAP).

This report, in a summarized version, highlights the overall financial condition of the Town. To see the full report, visit the Town's website at [wakeforestnc.gov](http://wakeforestnc.gov) and search for “comprehensive annual financial report.”

## Finance & Budget Awards

The Town of Wake Forest's *Comprehensive Annual Financial Report (CAFR)* has won the Government Finance Officers Association of the United States and Canada (GFOA) award for 27 consecutive years. For the last three consecutive years, the Town has received the GFOA award for the Distinguished Budget Presentation. To earn these awards, the Town must produce easily readable and efficiently organized budget and CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and accepted legal requirements.

To view all Town of Wake Forest financial reports, including the budget, visit the Town's website at [wakeforestnc.gov](http://wakeforestnc.gov) and search for “finance.”



## 2017 Wake Forest Mayor & Board of Commissioners



Mayor  
Vivian Jones



Commissioner  
Greg Harrington



Commissioner  
Brian Pate



Commissioner  
Anne Reeve



Commissioner  
Margaret Stinnett



Commissioner  
Jim Thompson

## A Message from the Town Manager

The Town of Wake Forest is proud to present the *Citizens' Financial Report* for the fiscal year ending 2017. I want to take this opportunity to update you on some of the activities happening in your town government.

Our economy continues to grow and we remain financially strong. As growth continues, so does an increase in traffic and a need to keep our streets properly maintained. We are in the process of finalizing bids to select a contractor to pave some of the Town-owned roads that have been rated below average. The Town is also in the final stages of selecting a consultant to update our *Transportation Plan*. This plan, with your input, will help guide our transportation decisions over the next twenty years.

Three major construction projects are either underway or in the final design phases. First is Holding Park Pool. The construction of the new pool began in October 2017. This will replace the 1970s era pool with an updated system and design to meet the needs of our ever-changing population. Second is the community center at E. Carroll Joyner Park. Design has been completed and plans are underway to select the contractor to build the center. Construction is still on schedule to be completed in 2019. Finally, the Wake Forest Senior Center is entering its construction phase. We have relocated all senior center activities to other locations in Wake Forest and anticipate construction to begin in 2018 with completion in 2019.

We are in the first year of our performance management initiative. This is a long term effort to provide measures and results for Town activities that will help guide our budgeting process for the coming years. It is also an effort to increase the Town's transparency to its citizens. Our citizen portal continues to be used by many residents seeking information about the Town. Staff is continuously looking at ways to improve the portal and increase the amount of information it contains.



As we look to the coming year, there is much to do. The Town will begin the task of designing and constructing a fiber system that connects all Town facilities. As the Town grows and technology changes, fiber has become almost as important as water, sewer and electricity. To remain competitive, it is important to move forward with this initiative. We will also be preparing to sell the majority of the 2014 voter approved bonds, as we begin to enter the final stages of completing those projects.

On behalf of our elected officials and staff, thank you for your continued support of our efforts. We strive to make sure we retain that sense of character that continues to make Wake Forest the ultimate location to live, work and play.

— Kip Padgett, Town Manager

## Town's Strategic Plan

As we look to the future, Wake Forest must plan for how it will continue providing services in a manner that efficiently meets the needs of our growing and ever-changing community. The strategic plan charts our course for the next five years towards providing excellent and sustainable quality of life for our citizens. The Town's strategic plan has four goals:

### KEY GOALS



**Stimulate economic development**



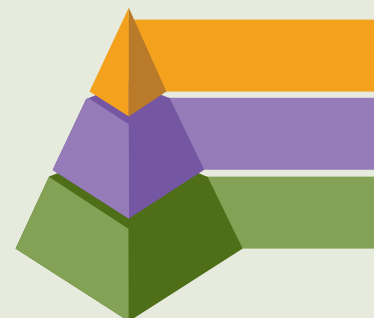
**Enhance and promote a safe and connected community**



**Instill an organizational culture that reflects our core values**



**Enhance fiscal strength**



## Governmental Results

The governmental activities section in the Town's financial statements include programs generally supported by taxes, capital contributions along with grants from federal/state governments. Governmental revenue sources cover various services including public

safety, public infrastructure, general government administration and parks, recreation and cultural resources. Governmental activities also include special revenue activities, such as grants, and capital project activities, such as greenway and transportation projects funded by bond proceeds.

	2017	2016	Change
Total Assets	\$210,129,436	\$192,047,136	\$18,082,300
Total Liabilities	42,193,400	38,051,213	(4,142,187)
Total Net Position	\$167,936,036	\$153,995,923	\$13,940,113

◀ **Balance Sheet** A balance sheet provides a snapshot of what the Town owns (assets) and owes (liabilities). **Net position** represents the Town's investment in the assets it uses in providing services to its citizens.

Over time increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or weakening. During fiscal year 2016-17, the Town's net position increased \$15,085,681. Almost 95%

of the Town's net position is capital infrastructure representing, land, buildings and equipment which the Town uses to provide services to citizens.

	2017	2016	Change
Revenues	\$55,529,796	\$42,277,909	\$13,251,887
(Expenditures)	(40,444,115)	(34,986,711)	(5,457,404)
Change in Net Position	\$15,085,681	\$7,291,198	\$7,794,483

◀ **Income Statement** An income statement provides a summary of amounts received (revenues) and amounts spent (expenditures). The difference between revenue and expenditures shows the Town's net position. A positive change indicates the Town had enough revenues to cover its obligations and has the ability to save for the future.

Total governmental activity revenue increased 31.4% from the prior year while expenditures increased 15.6%. As a result of continued development activity, capital grants and contributions increased 70% over the previous year which was a major factor in the revenue increase. Management acknowledges that 2017

was another successful year and plans to continue to enhance fiscal strength which is a goal identified in the strategic plan.



## General Fund Results

The General Fund is the Town's primary operating fund. Property taxes and sales taxes are the two largest sources of revenue making up over 77% (\$31,657,952) of the total received for the fiscal year. These revenues provide services to citizens and businesses within Town limits.

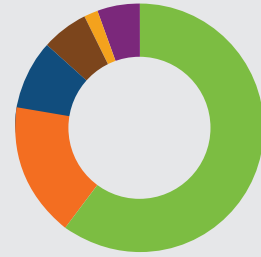
Public Safety, which includes police and fire protection, accounts for 37% (\$14,440,077) of the total expended. This is followed by General Government at 28% (\$11,003,966) which includes the governing body, administration, communications, human resources, finance, downtown development, information technology, planning, inspections, engineering, public works administration and fleet maintenance.

The charts on this page show the breakdown by percentage of General Fund revenues and expenditures.



## General Fund Revenues

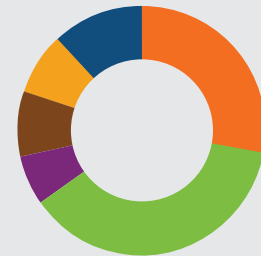
Year Ended June 30, 2017  
\$40,724,169



Property Taxes	\$24,470,851	60.1%
Sales Taxes	7,187,101	17.6%
Grants & Other Taxes	3,657,020	9.0%
Permits & Fees	2,513,613	6.2%
Sales & Services	711,485	1.7%
Other Sources	2,184,099	5.4%

## General Fund Expenditures

Year Ended June 30, 2017  
\$39,103,236



Public Safety	\$14,440,077	36.9%
General Government	11,003,966	28.1%
Debt Service	4,757,426	12.2%
Environmental Protection	3,334,935	8.5%
Cultural & Recreational	3,119,498	8.0%
Transportation	2,447,334	6.3%



## Proprietary Results

Proprietary or business type activities rely on fees charged to customers for services rendered. The Town operates Wake Forest Power and reports as the Electric Fund. Wake Forest Power is operated

in a manner similar to private business where the costs of providing the service is financed or recovered through user charges.

	2017	2016	Change
Total Assets	\$26,433,242	\$26,349,819	\$83,423
Total Liabilities	6,185,586	6,764,805	579,219
Total Net Position	\$20,247,656	\$19,585,014	\$662,642

◀ **Balance Sheet** A balance sheet provides a snapshot of what the Town owns (assets) and owes (liabilities). **Net position** represents the Town's investment in the assets it uses in providing services to its citizens.

Over 83% of the net position represents investment in net assets. The largest include two substations, transformers, system improvements and electric lines throughout the system.

	2017	2016	Change
Revenues	\$20,237,446	\$20,086,497	\$150,949
(Expenses)	(19,574,804)	(18,200,545)	(1,374,259)
Change in Net Position	\$662,642	\$1,885,952	(\$1,223,310)

◀ **Income Statement** An income statement provides a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenue and expenses shows the Town's net position. A positive change indicates the Town had enough revenues to cover its obligations and has the ability to save for the future.

Charges for services from the sale of power was relatively flat compared to the previous fiscal year. This is attributed to the rate decrease that was effective in September 2016.

### FISCAL YEAR 2016-17

## Highlights


The following activities reflect the Town's continued commitment to enhancing its citizens' quality of life while maintaining the community's unique character.

Sixteen full time positions were added to meet the demands of our growing community

In its second year, Friday Night on White set new attendance records drawing thousands to the downtown area

The strategic plan was updated to provide a roadmap and guide for the next five years

The Town of Wake Forest opened 3.8 miles of new greenway trails in September 2017.



41,157	TOWN POPULATION
103.28	MILES OF TOWN-OWNED STREETS
244	TOWN EMPLOYEES NUMBER OF AUTHORIZED POSITIONS
17.25	LAND AREA IN SQUARE MILES
7,044	NUMBER OF WAKE FOREST POWER CUSTOMERS
940	TOTAL BUILDING PERMITS ISSUED DURING FISCAL YEAR
73	AUTHORIZED SWORN POLICE OFFICER POSITIONS

Wake Forest Business & Industry Partnership (BIP), a 501(c)3 corporation was formed to promote economic development

A consultant was retained to prepare a feasibility and business case study for fiber initiative

Biennial Historic Home Tour was held in December 2016 with record breaking attendance

Cell phone charging stations were installed in the downtown area

Free wireless internet service was added along portions of South White Street, South Brooks Street and South Taylor Street

# Major Initiatives

Our regional location, quality of life and small town atmosphere continues to make Wake Forest a destination for people and businesses moving into our region. To ensure that its facilities and infrastructure are kept in good condition, the Town maintains a five-year capital improvements plan. This process provides the ability to plan for capital needs and allocate resources appropriately.

The following major projects are underway.

## Northern Wake Senior Center Expansion



The Northern Wake Senior Center, 235 E. Holding Ave., offers adults age 55 and older a full schedule of recreational activities. To meet growing needs, the center will be expanded to include a new multi-purpose room and exercise room. The roof will be replaced and a new HVAC system installed. Design is nearing completion and construction is expected to begin in January 2018. The \$3.1 million project is financed through general obligation bonds that were approved by Wake Forest voters in November 2014.

## Joyner Park Community Center



Situated one mile east of Capital Boulevard at 701 Harris Road, E. Carroll Joyner Park is Wake Forest's largest park. Offering an abundance of gorgeous scenery, including picturesque rolling hills, a majestic pecan grove, and a 2,000-linear-foot stone ribbon wall, the park consists of 117 acres – 84 of which are currently being used.

Plans are underway for a new community center to be constructed on a portion of the park's 33 remaining acres. Town officials insist the facility will be constructed in a manner consistent with the park's natural beauty and rustic feel.

Following public meetings to solicit input from residents, the design of the new community center is expected to be finalized by early 2018. Construction is expected to begin in May 2018.

The \$12 million project is financed through general obligation bonds that were approved by Wake Forest voters in November 2014.



### Rogers Road widening

The NC Department of Transportation replaced the Rogers Road bridge in 2016 and widened the road from Hope Lutheran Church to Forestville Road .



### Taylor Street Sprayground

The Town opened its first sprayground at Taylor Street Park, 416 N. Taylor St. A sprayground is a dynamic, zero-depth aquatic play area that provides refreshing fun for residents of all ages and abilities. The sprayground is free and open to the public during the summer months.

The initiative was funded through a Community Development Block Grant (CDBG) through Wake County Human Services.



### New Pickleball Courts

Considered one of the fastest-growing sports in the United States, pickleball is a low impact paddle sport. It's played on a badminton-sized court with a slightly modified tennis net, a large ping-pong like paddle and a plastic whiffle ball.

The four outdoor, lighted courts are located next to the Flaherty Park Tennis Courts at 1226 N. White St.





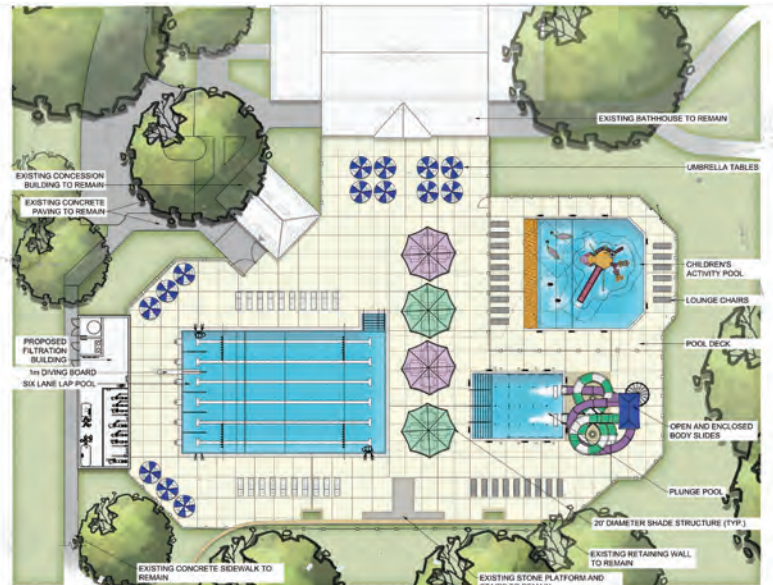
## Holding Park Pool

Located at 133 W. Owen Ave., Holding Park Pool is open during the summer months and offers swimming to the general public, as well swim lessons and dedicated parent/toddler swim times.

Construction of the new and improved Holding Park Pool has begun and the pool is scheduled to open in May 2018.

Due to the discovery of significant structural issues, Holding Park Pool did not open in 2016. Faced with the decision of either permanently closing the pool or rebuilding the pool, the Town asked residents to voice their opinions in a Swimming Pool Community Interest Survey. Based on the results of the survey, the Wake Forest Board of Commissioners voted to replace Holding Park Pool.

During its October 2016 meeting, the board of commissioners heard about the possibilities and options for the Holding Park Pool replacement and approved funding to proceed with design and construction.



The new-style pool will be comprised of three bodies of water, including a six-lane, 25-yard lap pool, two water slides with plunge pool and a children's pool with water play.



## Greenway Construction



The Smith, Sanford and Dunn Creek Greenways downtown connector project added approximately 3.8 miles of greenway trail – including boardwalk and bridges – and 0.8 mile of sidewalk.

The project connects major activity centers throughout Wake Forest. This project was funded with \$3.4 million in grant proceeds along with bond monies from the 2014 referendum.



## Street Improvements

Design commenced for the Royal Mill road connection in Traditions, street rehabilitation and pavement resurfacing along with the Owen Avenue parking lot. Construction will get underway in 2018.



## Renaissance Centre Renovations

Phase one, completed in February 2017, entailed connecting the Arts Annex to the Grand Hall and making other facility improvements. Phase two includes a raised ceiling, extended stage, and upgraded sound system, along with the installation of theater lighting, upstairs dressing rooms and a lighted marquee.

The project was made possible through a grant from the Wake County Board of Commissioners.

The Town issues debt to fund General Governmental and business-type capital needs. Total outstanding debt as of June 30, 2017 totals \$24,562,962. This includes general obligation bonds (voter approved debt), revenue bonds (electric) and installment purchase agreements. The chart below provides the breakdown of debt type at the end of the fiscal year.

## Town's Credit Ratings

The Town benefits from its outstanding credit ratings. A priority of the Town is to maintain public trust in the sustainability of its financial system. This commitment has resulted in the Town receiving the following credit ratings:

- Standard and Poor's AAA (*highest rating*)
- Moody's Aa1

Another priority of the Town is to maximize return on Town funds. Maintaining or improving bond ratings results in lower interest rates on debt.

## Debt Issuance

The Town's total debt decreased by \$4,145,145 (14.4%) during the fiscal year. Along with retiring a significant amount of debt during the year, one installment purchase agreement was issued:

- **\$1,023,170** for police vehicles, street sweeper and rear loader sanitation truck – March 2017, four year term, 1.72%

## Debt Policy Compliance

The Town actively monitors and manages its debt capacity and affordability. In keeping with the goal of enhancing fiscal strength identified in the strategic plan the Town has a formal policy which provides guidance and direction when considering the impact of future debt.

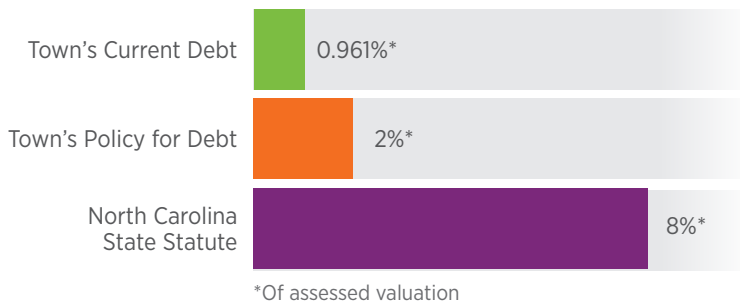
## Future Debt Issuance

In November 2014, voters overwhelmingly approved issuing \$25,100,000 in general obligation bonds for street and sidewalk improvements, parks and recreation facilities and greenway improvements. The Town has until November 2021 (seven years – but can apply for a three-year extension – 2024) to issue these bonds. As of June 30, 2016, \$20,770,000 remains authorized but unissued.

In the upcoming fiscal year, several debt issuances are planned:

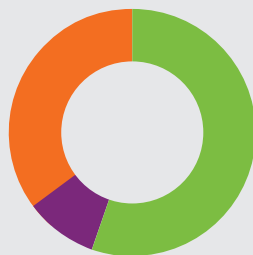
- **\$2.9 million** installment purchase agreement for Holding Park Pool – September 2017
- **\$2.5 million** installment purchase agreement for street improvements – 2017-18
- **\$14.1 million** general obligation bonds (authorized but unissued) for the Northern Wake Senior Center expansion and the Joyner Park Community Center – Spring 2018

### How the Town's Debt Compares to Policy



### Breakdown of Debt

Year Ended June 30, 2017  
\$24,562,962



General Obligation Bonds	\$13,682,000	55.7%
Installment Purchase Agreements	\$8,629,189	35.1%
Revenue Bonds	\$2,251,773	9.2%

## Fiscal Year 2017-18 Budget Highlights

The budget represents the fundamental philosophy of being conservative with revenue projections and maintaining fiscal constraint on the expenditure side.

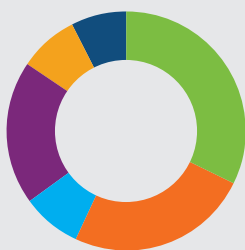
Much like an average household, the Town uses a balanced budget to ensure that it maintains a healthy financial position. North Carolina law requires local governments to approve a balanced budget each year. The Town plans for its financial needs of the future by utilizing a five-year capital improvements plan that is updated annually, financial forecasting, debt models, various other studies and plans.

**Governmental Activities:** The 2017-18 Adopted Budget increased 3.7% from the 2016-17 Amended Budget. The foundation of this budget is the strategic plan, which sets the roadmap for all decisions over the next few years. The budget endeavors to achieve the four key goals in the strategic plan by maintaining current service levels, enhancing infrastructure and providing for employees. Performance pay (merit), market adjustments and career ladder funds for eligible departments were included. Seven new positions along with the conversion of three part time positions into full time positions were included in the approved budget.

The Town's tax rate remained unchanged at \$0.52 for the coming fiscal year. This equates to a breakdown of \$0.41 for town operations and debt service and \$0.11 for fire services. The final budget for the General Fund totaled \$42.9 million. In addition, the Downtown Municipal Service District tax rate remains unchanged at \$0.14. Despite the appearance of renewed fiscal growth and other positive changes in economic conditions, the Town will continue to focus on financial sustainability.

**Business-Type Activities:** Utility rates were unchanged in the Electric Fund with the Adopted 2017-18 Budget. The total budget was \$21.5 million for the Electric Fund. Included in the Electric Fund budget is an Electric Systems Division Manager which will be responsible for the entire electric division. A tree trimming crew was added to enhance the urban forestry program.

**Total Budget FY 2017-18**  
\$65,023,200

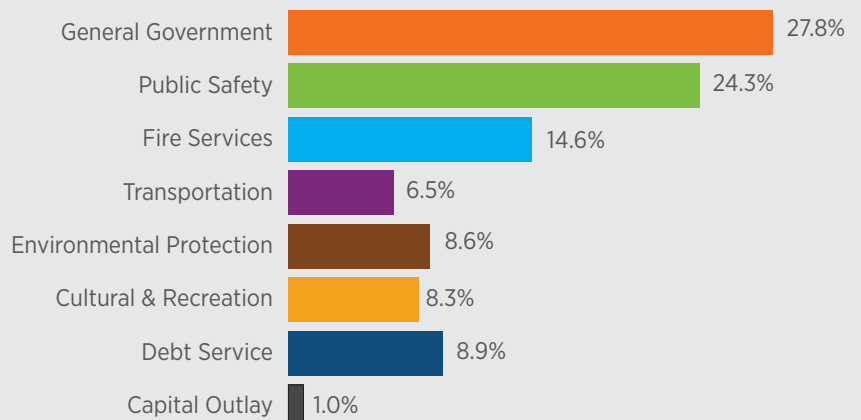


Personnel Costs	\$21,755,035	33.5%
Operating Costs	\$16,187,750	24.9%
Fire Services Contract	\$5,254,655	8.1%
Purchase for Power	\$12,543,680	19.3%
Debt Service	\$5,128,645	7.9%
Capital Outlay	\$4,153,435	6.4%

### Property Tax Rate

The Town's tax rate remains unchanged at \$0.52 for the coming fiscal year. This equates to \$0.41 for Town operations and \$0.11 for fire services.

### How Your Town Property Tax is Spent





TOWN of  
WAKE FOREST

The 2017 Citizens' Financial Report is a publication of:

Town of Wake Forest  
FINANCE DEPARTMENT  
301 S. Brooks St.  
Wake Forest, NC 27587

For more information about the Town of Wake Forest visit  
[wakeforestnc.gov](http://wakeforestnc.gov)

PHOTOS

COVER | *Six Sundays in Spring*, E. Carroll Joyner Park JOE MARTINSON  
PAGE 5 | *Wake Forest Town Hall* JULIE SHUEY  
PAGE 7 | *Tri-Creek Greenway Crawl* JOE MARTINSON  
PAGE 12 | *Friday Night on White*, Downtown Wake Forest JOE MARTINSON