



Town of Wake Forest ~ North Carolina

# CITIZENS' FINANCIAL REPORT

Fiscal Year Ended June 30, 2016



## Providing transparency about the town's financial operations

The 2016 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 2016 Comprehensive Annual Financial Report (CAFR). The CAFR is audited by Cherry Bekaert LLP and has received an unmodified or

"clean" audit opinion.

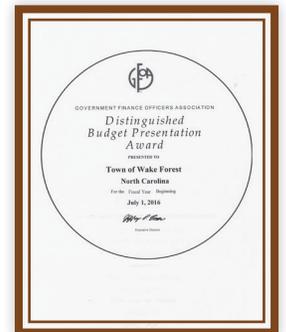
The Citizens' Financial Report is not required to present the same level of detail as the CAFR and, therefore may not fully conform to generally accepted accounting principles (GAAP). This report, in a summarized version, highlights the overall financial condition of the town.

To see the comprehensive 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 26 consecutive years. For the last three consecutive years, the town has received the GFOA award for Distinguished Budget Presentation. To earn these awards, the town must produce an 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."



## 2016 Wake Forest 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 to you our first Citizen's Financial Report also known as a Popular Annual Financial Report (PAFR). We hope you enjoy learning more about the town and its finances through this easy-to-use booklet. I want to take a moment to update you on some of the activities within the town. I am proud to let you know that the town is financially stable with excellent bond ratings and appropriate reserves. This is due to fiscally conservative spending principles and internal financial controls.

The economy continues to grow in Wake Forest and we are in the process of implementing the projects approved by the voters in 2014. Our greenway system continues to grow and provide linkages with downtown, residential neighborhoods and other places of interest. Design is underway for the addition to the Northern Wake Senior Center. We have also begun the programming stage for the construction of a new community center and gymnasium at E. Carroll Joyner Park. Both projects are expected to be finished in 2018 and 2019 respectively.

We continue to focus on the revitalization of our downtown area. An updated Renaissance Plan is in the final stages and will soon provide recommendations to continue our efforts to enhance this important economic development generator. We also added a new concert series named Friday Night on White. Our first season surpassed our expectations with around 8,000 people attending each event.

As we look to the coming year, the Mayor and Board of Commissioners will begin to review the town's strategic plan to make revisions and updates for the coming five-year time frame. We will also begin focusing more attention on improving the maintenance of our existing roadways by assessing our needs and then developing a funding mechanism to make the necessary repairs to our locally maintained roads.

On behalf of our elected officials and staff, I want to thank you for your continued support of our efforts in Wake Forest. 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 every-changing community. The strategic plan charts our course for the next five years towards providing excellent and sustainable quality of life for our citizens.

### KEY GOALS



**Stimulate economic development**



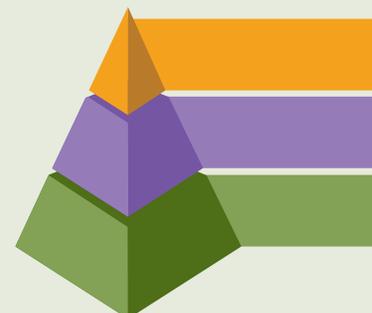
**Enhance and promote a safe and connected community**



**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.

	2016	2015	Change
Total Assets	\$192,047,137	\$187,321,124	\$4,726,013
Total Liabilities	38,051,214	40,616,399	2,565,185
Total Net Position	\$153,995,923	\$146,704,725	\$7,291,198

◀ **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 FY 2015-2016, the town's net position increased \$7,291,198. Almost 94% of the town's net position is capital infrastructure representing land, buildings and equipment which the town uses to provide services to the citizens.

	2016	2015	Change
Revenues	\$42,277,909	\$53,010,947	(\$10,733,038)
(Expenditures)	(34,986,711)	(37,352,181)	2,365,470
Change in Net Position	\$7,291,198	\$15,658,766	(\$8,367,568)

◀ **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 decreased 19.5% from the prior year while expenditures decreased 2.2%. Capital grants and contributions decreased significantly from 2015. Management acknowledges that 2016 was a successful year and

plans to continue to enhance fiscal strength which is a goal identified in the strategic plan.



## General Fund Results

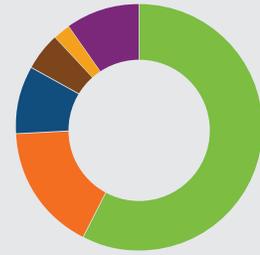
The General Fund is the town's primary operating fund. Property taxes and sales taxes are the two largest sources of revenue making up over 74% (\$30,365,860) of the total received for the fiscal year. These revenues are used to provide services to citizens and businesses within town limits.

Public safety which includes police and fire protection account for 40% (\$15,883,240) of the total expended. This is followed by general government at 27% (\$10,751,122) which includes the governing body, administration, communications, human resources, finance, downtown development, information technology, planning, inspections, engineering, public works administration and fleet maintenance.



## General Fund Revenues

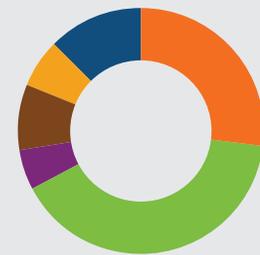
Year Ended June 30, 2016  
\$40,883,345



Property Taxes	\$23,610,065	57.8%
Sales Taxes	6,755,795	16.5%
Grants & Other Taxes	3,681,074	9.0%
Permits & Fees	2,052,949	5.0%
Sales & Services	870,171	2.1%
Other Sources	3,913,291	9.6%

## General Fund Expenditures

Year Ended June 30, 2016  
\$39,591,317



Public Safety	\$15,883,240	40.1%
General Government	10,751,122	27.2%
Debt Service	4,895,010	12.4%
Environmental Protection	3,399,391	8.5%
Cultural & Recreational	2,582,951	6.5%
Transportation	2,079,603	5.3%



## Business-Type Results

Business-type activities rely on fees charged to customers for services rendered. The town operates Wake Forest Power and reports as the Electric

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

	2016	2015	Change
Total assets	\$26,349,819	\$25,595,550	\$754,269
Total liabilities	6,764,805	7,896,488	1,131,683
Total net position	\$19,585,014	\$17,699,062	\$1,885,952

Over 77% of the net position represents investment in net assets. The largest assets include two substations, transformers, system

◀ **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.

improvements and electric lines throughout the system.

	2016	2015	Change
Revenues	\$20,086,497	\$19,714,343	\$372,154
(Expenses)	(18,200,545)	(19,801,018)	1,600,473
Change in Net Position	\$1,885,952	(\$86,675)	\$1,972,627

Charges for services from the sale of power increased 2.3% from the previous fiscal year due to growth in the system. The major reason for positive change in net position is attributed to the wholesale rate decrease in the purchase of power.

◀ **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.

This resulted in expenses decreasing 6.8% from the prior fiscal year.

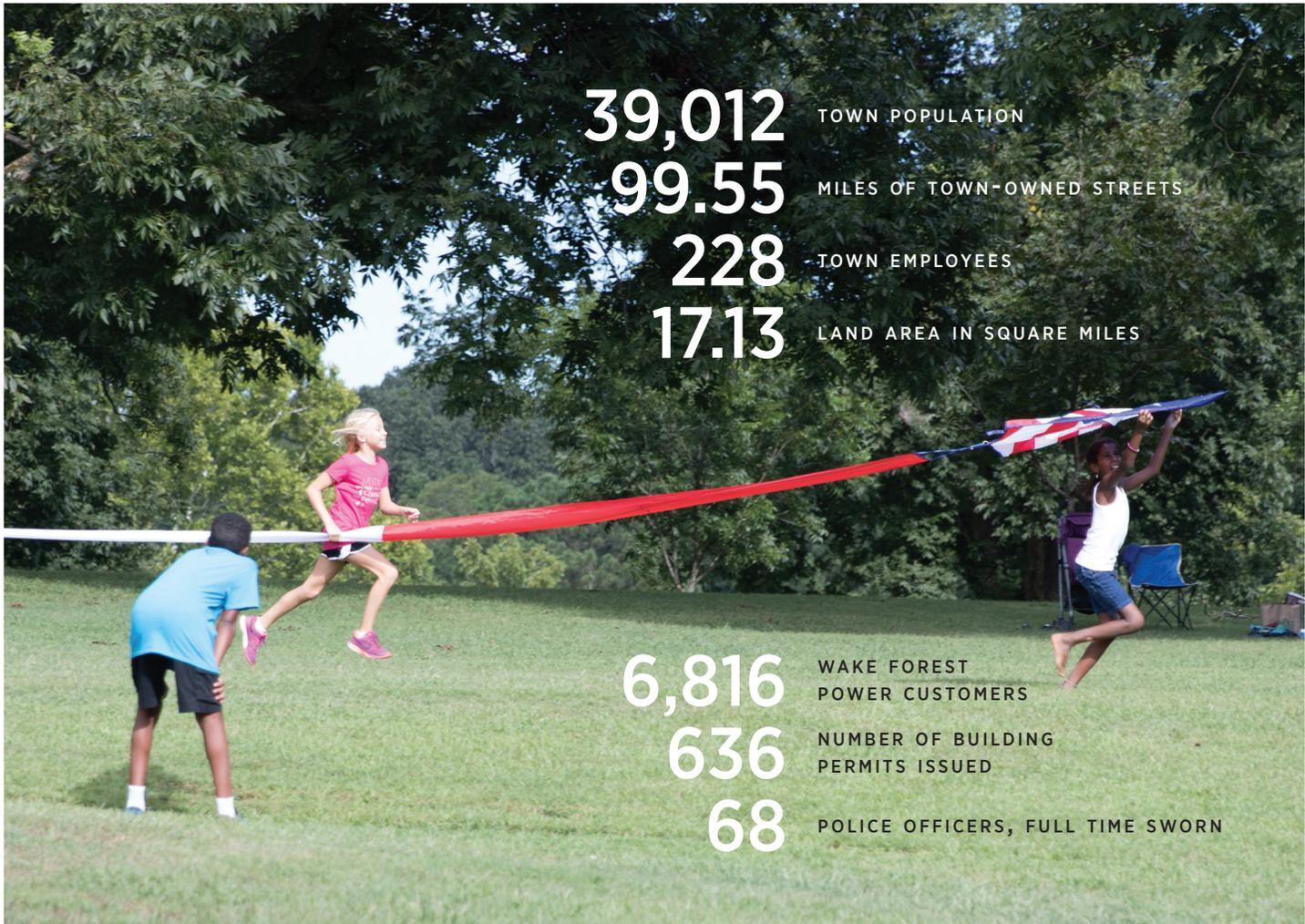
## Major Initiatives

These projects and activities are highlights from fiscal year 2015-2016. They reflect the town's continued commitment to enhancing its citizens' quality of life while maintaining the community's unique character.



### North Main Street project completed

The North Main Street sidewalk replacement and streetlight installation project along with the improvements at the John B. Cole substation located on Cedar Street were completed during this past year.



39,012

TOWN POPULATION

99.55

MILES OF TOWN-OWNED STREETS

228

TOWN EMPLOYEES

17.13

LAND AREA IN SQUARE MILES

6,816

WAKE FOREST  
POWER CUSTOMERS

636

NUMBER OF BUILDING  
PERMITS ISSUED

68

POLICE OFFICERS, FULL TIME SWORN



### Website redesigned

The town unveiled a new and refreshing website design in March 2016. The new site offers a more functional and responsive design, which means the site is resizable for any screen, including any mobile device for mobile web users. The site also offers improved navigation menus, friendly URLs, online forms and printer-friendly pages.



### Feasibility study conducted on Operations Center

The town has outgrown the current Operations Center. An architect was retained to conduct a feasibility study on the existing facility during 2016. Preliminary findings were presented at the August 2016 mid-year Board of Commissioners retreat. Once the study is finalized and direction is provided, it is anticipated to fund this expansion and construction using an installment purchase agreement.

## Design is underway for projects at Joyner Park & Senior Center

In November 2014 town voters approved \$25.1 million in general obligation bonds to finance unmet capital needs in the areas of parks and recreation facilities, streets and sidewalks, and greenways. The Joyner Park Community Center will account for just over \$11 million of the \$14.2 million worth of parks and recreation facility projects. The remainder will go towards the expansion of the senior center.

**Northern Wake Senior Center:** The Northern Wake Senior Center, 235 E. Holding Ave., offers adults age 55 and older a full schedule of recreational activities. During the fiscal year, an architect was retained to design the expansion of the center. The design is expected to be complete by early 2017 and construction to bid by summer 2017. Plans to issue this debt will be in 2017-2018.

**E. Carroll Joyner Park:** 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.

Preliminary plans call for the 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 with bonds possibly being issued in 2018-2019.



### New Town Manager hired

The town entered a new era in July 2015 when Kipling D. Padgett assumed the helm as Town Manager.

### Economic Development Director hired

The economic development responsibilities transitioned to the town from the Wake Forest Chamber of Commerce during the fiscal year. As the new economic development director, Jason Cannon will oversee the town's efforts to promote economic growth in Wake Forest.



### Fiscal stability maintained

Enhancing fiscal strength is one of the four goals of the town's strategic plan. The main focus for 2015-2016 was to meet this goal by providing funding to pay debt service on 2015 general obligation bonds and while continuing to build the general fund balance.

Efforts were focused on taking care of and maintaining what we have therefore, no new positions were added. These difficult decisions and prudent financial planning solidify the town's commitment to meeting this significant goal and focusing on our financial stability.



### **Renaissance Plan updated**

During this past year, staff began the process of updating the “Renaissance Plan for the Heart of Wake Forest.” Originally adopted in 2004, the Renaissance Plan proposed a vision for the re- invigoration of the downtown area.

Since then, several key public and private investments have occurred resulting in a renewed vibrancy for downtown Wake Forest. The Board of Commissioners realized a review and update of the plan was necessary to maintain momentum, sharpen focus, and retain the vibrancy downtown recently gained.

### **Construction started on greenway projects**

The Smith, Sanford and Dunn Creek Greenways Downtown connector project will add approximately 3.8 miles of greenway trail – including boardwalk and bridges – and 0.8 mile of sidewalk, along with a multi- use path.

Once completed, the project – which will introduce new wayfinding signage – will connect the major activity centers throughout Wake Forest. This project is being funded with \$3.4 million in grant proceeds along with bond monies from the 2014 referendum.

# Debt Management

## Debt Issuance

The town issues debt to fund general governmental and business-type capital needs. Total outstanding debt as of June 30, 2016 totals \$28,708,139. This includes general obligation bonds (voter approved debt), revenue bonds (electric) and installment purchase agreements.

The town's total debt decreased by \$4,194,698 (12.7%) during the 2015-2016 fiscal year. Two small installment purchase agreements for three-year terms were issued as follows:

- \$455,735 – Police vehicles – 1.42%
- \$415,965 – Equipment and vehicles – 1.39%

## 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 the town's 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 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.

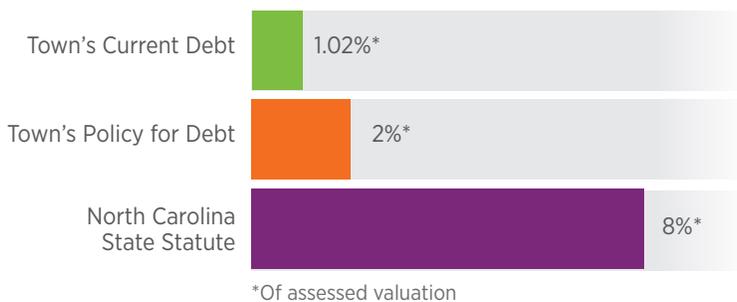
## Debt Refinancing

During 2016, the town refinanced \$5,060,000 of existing general obligation bonds. This resulted in savings of \$367,516 over the next ten years.

## Future Bond 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 to 2024) to issue these bonds. As of June 30, 2016, \$20,770,000 remains authorized but unissued.

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



### Breakdown of Debt Year Ended June 30, 2016 \$28,708,139



General Obligation Bonds	\$14,935,000	52.0%
Installment Purchase Agreements	\$11,070,705	38.6%
Revenue Bonds	\$2,702,434	9.4%

## Fiscal Year 2016-17 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.

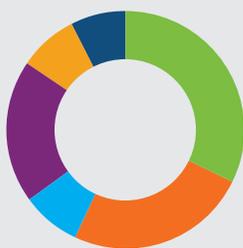
**Governmental Activities:** The 2016-2017 Adopted Budget decreased slightly (1.1%) from the 2015-2016 Amended Budget, but increased 6.7% over the 2015-2016 Adopted Budget. The foundation of this budget is the strategic plan which sets the roadmap for all decisions over the next few years. The budget endeavors to achieve the four key goals in the strategic plan by maintaining current service levels, enhancing infrastructure and providing for employees.

The town's tax rate remained unchanged at \$0.52 for the coming fiscal year. The final budget for the General Fund totaled \$40.7 million. Despite the appearance of renewed fiscal growth and other positive changes in economic conditions, the town will continue to focus on financial sustainability.

Decision making will still require much care and prudence as the town continues to focus on providing the core services citizens expect. Prioritizing how resources are utilized is critical as long term plans are made for capital investments.

**Business-Type Activities:** Utility rates were unchanged in the Electric Fund with the Adopted 2016-2017 Budget. The total budget was \$20.9 million for the Electric Fund. The NC Eastern Municipal Power Agency and its participants, including the town, sold their generation assets to Duke Energy Progress, Inc. This transaction resulted in a net reduction in power costs to the town. During fiscal year 2015-2016, a comprehensive electric utility rate design and cost allocation study rate study was completed. Results were presented and an average decrease of 2.75% in electric rates was effective September 1, 2016.

**Total Budget FY 2016-2017**  
\$62,312,110

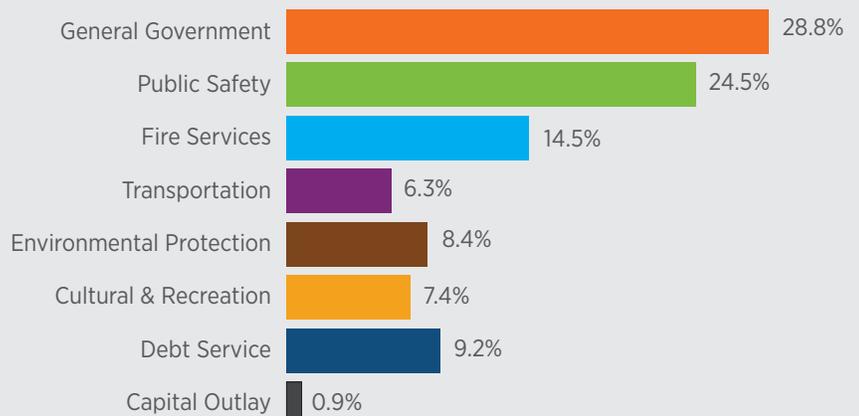


Personnel Costs	\$20,139,760	32.3%
Operating Costs	\$15,514,935	24.9%
Fire Services Contract	\$4,958,690	8.0%
Purchase for Power	\$12,047,500	19.3%
Debt Service	\$5,036,625	8.1%
Capital Outlay	\$4,614,600	7.4%

### 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 Town of Wake Forest's *Citizens' Financial Report* is a publication of the

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)

**Cover Photos:** Friday Night on White is a new outdoor concert series that takes place in downtown Wake Forest on the second Friday of each month, April through September. Attendance exceeded all expectations in 2016 – its inaugural year.

**Back Cover Photo:** Six Sundays in Spring is a free concert series at E. Carroll Joyner Park.

*Photos by Joe Martinson*