

TOWN OF WAKE FOREST

# Citizens Financial Report

FOR FISCAL YEAR ENDING  
JUNE 30,

# 2018



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TOWN *of*  
WAKE FOREST

## Providing transparency about the Town's financial operations

The *2018 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.

The financial information provided here is obtained from the audited financial statements in the Town's *2018 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 is designed to provide a summary of the Town's overall financial condition in a user-friendly format as well as serve as a supplement to the CAFR, not a replacement.

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

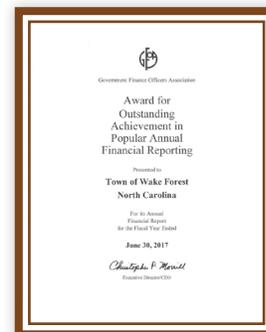
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## Finance & Budget Awards

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 28 consecutive years. For the last four consecutive years, the Town has received the GFOA award for 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.

In addition, the Town's *Citizens Financial Report* for the fiscal year ended June 30, 2017 received the award for Outstanding Achievement in Popular Annual Financial Reporting. Wake Forest received the award for the first time with its initial submission to GFOA for consideration.



## A Message from the Town Manager

“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.”

The Town of Wake Forest is proud to present the *2018 Citizens Financial Report*, also known as the Popular Annual Financial Report (PAFR).

In last year’s message, I talked about the major construction projects that were underway. Some of these were approved by the voter referendum in 2014. In order to fund these projects it was necessary to issue bonds. I am pleased to report that during this process, our credit worthiness was reaffirmed by Standard & Poor’s with a AAA assignment. Fitch Ratings Services also awarded the Town a AAA. This designation reaffirms the strong financial position of the Town and our commitment to long-term stability. It also means lower interest rates which translate into lower borrowing costs. Also important to note is that it was anticipated and planned to increase the tax rate by two cents if the voters approved the 2014 bond referendum. To date, the Town has not required the additional two cents. Rather, through prudent planning and financial spending, the tax rate has remained unchanged since 2014.

Our location within the Raleigh and the Research Triangle area continues to make us attractive to businesses and citizens desiring to relocate to the region. This provides great opportunity, as well as some challenges for the Town, such as increased pressure on our transportation infrastructure. During the last budget year, we completed resurfacing and repairing some of our lowest rated Town-owned roads. We have also completed a street connections project that links North White Street to Traditions Grande Boulevard via Royal

Mill Avenue. Another project on Wake Drive is nearing completion to provide a connection between South Main Street and Ligon Mill Road via Forest Drive. We continue to focus on sidewalks and greenway trails as part of our commitment to providing alternative forms of transportation.



As we look forward to fiscal year 2019, many of our capital projects will be coming to a close. The Holding Park Aquatic Center was completed in September 2018. The Joyner Park Community Center and Senior Center are expected to be completed next summer. These projects implement the vision of the Board of Commissioners by expanding programming areas for our senior population and to meet programming needs of our Parks, Recreation & Cultural Resources Department. The renovation of Stadium Drive into a complete street concept will be completed by early fall. This project will offer a better travel corridor between the downtown and the seminary to Capital Boulevard.

On behalf of our elected officials and staff, I want to thank you for your support of our continued 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

## 2018 Wake Forest Mayor & Board of Commissioners



Mayor  
Vivian Jones



Commissioner  
Greg Harrington



Commissioner  
Brian Pate



Commissioner  
Anne Reeve



Commissioner  
Liz Simperts



Commissioner  
Bridget  
Wall-Lennon

## Key Goals of the 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. The Town's strategic plan has four key goals listed at right.



**Economic Development**



**Safe and Connected Community**



**Values-Based Organizational Culture**



**Fiscal Strength**

## Mission Statement

The Town of Wake Forest is committed to improving the quality of life in our community by preserving our character, fostering economic opportunities, strengthening our neighborhoods, delivering superior services and embracing the diversity of our citizens.

*A vibrant and diverse community that provides superior public services and an exceptional quality of life*



The new Holding Park Aquatic Center offers a lap pool, water slides, children's pool and sprayground.

## 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.

	2018	2017	Change
Total Assets & Deferred Outflows	\$241,366,448	\$210,129,436	\$31,237,012
Total Liabilities & Deferred Inflows	73,465,002	42,193,400	(31,271,602)
<b>Total Net Position</b>	<b>\$167,901,446</b>	<b>\$167,936,036</b>	<b>\$(34,590)</b>

◀ **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 2017-2018, the Town’s

net position increased \$9,862,167. Over 81% of the Town’s net position is capital infrastructure representing, land, buildings and equipment which the Town uses to provide services to the citizens.

	2018	2017	Change
Revenues	\$52,749,027	\$55,529,796	\$(2,780,769)
(Expenses)	(42,886,860)	(40,444,115)	(2,442,745)
<b>Change in Net Position</b>	<b>\$9,862,167</b>	<b>\$15,085,681</b>	<b>\$(5,223,514)</b>

◀ **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.

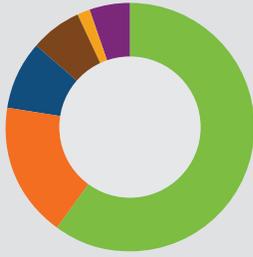
Total governmental activity revenue decreased 5% from prior year while expenses increased 6%. Capital grants and contributions decreased over 38% from previous year, which was a major factor in the overall revenue decrease. This was due to the number of streets and sidewalks accepted into the town’s system. Healthy increases from previous fiscal year were recognized as follows:

- **Ad valorem taxes** – 5.9% over previous year due to continued growth
- **Local option sales tax** – 5.8% increase due to increased retail sales in Wake Forest along with additional businesses coming on line
- **Building permit revenue** – 21.7% increase over previous year due to continued construction and development



## General Fund Revenues

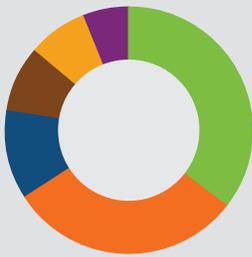
Year Ended June 30, 2018  
\$43,068,372



Property Taxes	\$25,890,727	60.1%
Sales Taxes	7,601,465	17.6%
Grants & Other Taxes	3,725,604	8.7%
Permits & Fees	2,966,351	6.9%
Sales & Services	696,350	1.6%
Other Sources	2,187,875	5.1%

## General Fund Expenditures

Year Ended June 30, 2018  
\$41,657,610



Public Safety	\$14,710,562	35.3%
General Government	12,832,656	30.8%
Debt Service	4,800,406	11.5%
Environmental Protection	3,617,821	8.7%
Cultural & Recreational	3,239,292	7.8%
Transportation	2,456,873	5.9%

## 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% (\$33,491,192) 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, account for 35% (\$14,710,562) of the total expended. This is followed by general government at approximately 31% (\$12,832,656) which includes the governing body, administration, communications, human resources, finance, downtown development, information technology, planning, inspections, engineering, public works administration and fleet maintenance.

## Three Year Trends

### General Fund Revenues

	2018 Actual	2017 Actual	2016 Actual
Property Taxes	\$25,890,727	\$24,470,851	\$23,610,065
Sales Taxes	7,601,465	7,187,101	6,755,795
Grants & Other Taxes	3,725,604	3,657,020	3,681,074
Permits & Fees	2,966,351	2,513,613	2,052,949
Sales & Services	696,350	711,485	870,171
Other Sources	2,187,875	2,184,099	3,913,291
<b>Total GF Revenues</b>	<b>\$43,068,372</b>	<b>\$40,724,169</b>	<b>\$40,883,345</b>

### General Fund Expenditures

	2018 Actual	2017 Actual	2016 Actual
Public Safety	\$14,710,562	\$14,440,077	\$15,883,240
General Government	12,832,656	11,003,966	10,751,122
Debt Service	4,800,406	4,757,426	4,895,010
Environmental Protection	3,617,821	3,334,935	3,399,391
Cultural & Recreational	3,239,292	3,119,498	2,582,951
Transportation	2,456,873	2,447,334	2,079,603
<b>Total GF Expenditures</b>	<b>\$41,657,610</b>	<b>\$39,103,236</b>	<b>\$39,591,317</b>



### 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. It is operated in a manner

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

	2018	2017	Change
Total Assets & Deferred Outflows	\$27,932,390	\$26,433,242	\$1,499,148
Total Liabilities & Deferred Inflows	8,502,483	6,185,586	(2,316,897)
<b>Total Net Position</b>	<b>\$19,429,907</b>	<b>\$20,247,656</b>	<b>\$(817,749)</b>

**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 87% of the net position represents investment in net assets. The largest include two substations, transformers, system improvements and electric lines throughout the system.

	2018	2017	Change
Revenues	\$21,129,754	\$20,237,446	\$892,308
(Expenses)	(20,200,887)	(19,574,804)	(626,083)
<b>Change in Net Position</b>	<b>\$928,867</b>	<b>\$662,642</b>	<b>\$266,225</b>

**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 increased slightly, 3.5%, compared to the previous fiscal year. This is attributed to an abnormally cold winter season.



Over 87% of Wake Forest Power's net position represents an investment in assets.



# Major Initiatives

The Town maintains a five-year capital improvement plan which serves as its planning document to ensure that its facilities, equipment and infrastructure are well maintained. This process provides the ability to plan for capital needs and allocate short and term resources appropriately. The plan also serves as the basis for determining future debt issuance.

The following projects have been completed over the past year or are currently in progress.

## Holding Park Aquatic Center

The Town of Wake Forest completed work on the \$3.2 million Holding Park Aquatic Center at 133 W. Owen Ave. The new facility is comprised of three bodies of water, including a six-lane, 25-yard lap pool, two water slides with plunge pool, and children's pool with sprayground.

The aquatic center officially opened to the public in September 2018 with a ribbon-cutting ceremony and free pool admission for all guests. The facility then closed for the winter. It will re-open during Memorial Day weekend in 2019.

## Joyner Park Community Center



Construction is underway on the 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, the park consists of 117 acres including picturesque rolling hills, a majestic pecan grove and a 2,000-linear-foot stone ribbon wall.

Designed to blend in with current Joyner Park structures and the natural habitat, the new 32,000-square-foot facility will feature a walking track, gymnasium for basketball, volleyball and pickleball, multi-purpose rooms, dance studio and kitchen. The facility will be constructed in a manner consistent with the park's natural beauty and rustic feel.

The official groundbreaking ceremony for the new Joyner Park Community Center was held in June 2018. The Town awarded the construction contract to Barnhill Construction.



## Stadium Drive

The Stadium Drive Complete Street project construction is underway and completion is expected in late 2019.



## Renaissance Centre Renovations

The second phase of renovations at the Wake Forest Renaissance Centre totaling approximately \$744,500 was completed in June 2018. Improvements include a raised ceiling, extended stage, theater lighting and upgraded sound system. The project was made possible through a grant received from the Wake County Board of Commissioners.



## Street Improvements

Construction commenced for the Royal Mill road connection, street rehabilitation and pavement resurfacing along with Owen Avenue parking lot. Street rehabilitation was completed in June and others are expected to be complete by early 2019.

Aerial view of Joyner Park Community Center under construction and artist rendering (far right)



Citizen input played an important part in the Town's planning process. In January 2017 the Wake Forest Parks, Recreation & Cultural Resources (PRCR) Department hosted two public meetings to solicit public feedback concerning the center. Attendees were encouraged to ask questions and share suggestions. Discussions focused on potential programming at the center and how to best achieve the appropriate balance between maintaining E. Carroll Joyner Park's natural charm while adding needed amenities.

The \$12 million project is financed through general obligation bonds that were approved by Wake Forest voters in November 2014. A total of \$25.1 million was approved to finance unmet capital needs in the areas of parks and recreation facilities, streets and sidewalks, and greenways.

### Northern Wake Senior Center



The expansion of the Northern Wake Senior Center is underway. The \$3.9 million construction project consists of adding almost 9,000 square feet of space and replacing the roof. Interior renovations are being made to approximately 80% of the existing center. This project is financed through voter-approved bonds from the 2014 Bond Referendum.



### Acquisition of 353 S. White St.

The Town purchased 353 S. White Street (former SunTrust building) for \$1.5 million in May 2018. Located in the Renaissance area of downtown, the property was acquired for the purpose of future economic development.



### Pedestrian Improvements to Wait Avenue & Oak Avenue

Construction on the Priority Pedestrian Corridor started during the fiscal year and is expected to be completed in late 2019.



### Acquisition of 5031 Unicon Dr.

The purchase of 5031 Unicon Drive located in South Forest Business Park for \$2.9 million was finalized in October 2018. Wake Forest Power will relocate from 234 Friendship Chapel Road to this site in early 2019.

# Fiscal Year Highlights



To meet the growing needs of the community, ten full time positions were added and three part time positions were converted to full time



A performance management system that uses measures and workload indicators was implemented



A comprehensive fee analysis was completed for the Renaissance Centre and the Parks, Recreation & Cultural Resources Department – new fees were adopted in May 2018



An internal Information Technology assessment was completed



The update to the Comprehensive Transportation Plan was launched and is expected to be completed by mid-2019



Four town departments were reorganized



The Parks and Recreation Impact Fee Study was completed and new fees were implemented in August 2018



The debt model was updated in April 2018

The Town issues debt to fund general governmental and business-type capital needs. Total outstanding debt as of June 30, 2018 totals \$44,644,153. 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

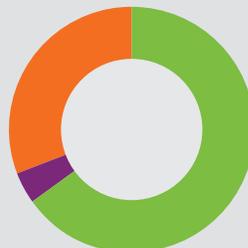
The Town benefits from its outstanding credit ratings. A priority of the Town is to maintain public trust in the sustainability of its financial system. This commitment has resulted in the Town receiving the following credit ratings:

- Standard & Poor's AAA (*highest rating*)
- Fitch Ratings AAA
- 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.



The expansion of the Northern Wake Senior Center will help meet the needs of Wake Forest's growing community.



## Debt Issuance

The Town's total debt increased by \$20,081,191 (81.8%) during the 2017-18 fiscal year. Along with retiring a significant amount of debt during the year, the Town issued the following debt:

### Installment Purchase Agreements:

- **\$2,900,000** – Holding Park Pool renovations, September 2017, 10 year term, 2.85%
- **\$833,235** – Electric Fund rolling stock, December 2017, three year (3) year term, 1.77%
- **\$1,068,550** – General Fund rolling stock, December 2017, three (3) year term, 1.97%
- **\$2,400,000** – Street rehabilitation/connections, May 2018, eight (8) year term, 3.39%
- **\$1,000,000** – Building purchase, May 2018, four and a half (4½) year term, 3.10%

### General Obligation Bonds:

The follow general obligation bonds were issued in June 2018 with a 20-year term and average true interest cost of 2.98%:

- **\$830,000** – Street & sidewalk improvements and greenway improvements
- **\$14,200,000** – Parks and recreation improvements (Northern Wake Senior Center expansion and the Joyner Park Community Center)
- **\$1,650,000** – Street & sidewalk improvements (Rogers Road)

### Breakdown of Debt

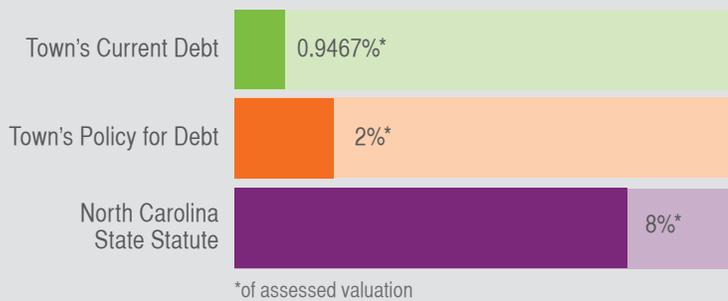
Year Ended June 30, 2018  
\$44,644,153

General Obligation Bonds	\$29,117,000	65.2%
Installment Purchase Agreements	\$13,739,136	30.8%
Revenue Bonds	\$1,788,017	4.0%

## 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's has a formal policy which provides guidance and direction when considering the impact of future debt.

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



## Future Debt Issuance

The Town updated its debt model during FY 2017-2018 in conjunction with issuing general obligation bonds in June 2018. Also included in the debt model update are planned issuances through 2021. A debt service fund was established during the fiscal year with specific revenues including a portion of the tax rate, vehicle fees and downtown municipal service district tax funds being earmarked to repay general fund debt.

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, 2018, \$4,920,000 remains authorized but unissued.

In the upcoming fiscal year, plans to issue debt are as follows:

- **\$3.5 million** installment purchase agreement for acquisition of 5031 Unicon Drive to house the electric system – debt will be repaid from electric sale of power revenues – October 2018
- **\$2.5 million** installment purchase agreement for fiber optic infrastructure – Spring 2019
- **\$4.5 million** installment purchase agreement for White Street streetscape improvements – Spring 2019



Beginning in spring 2019, streetscape improvements will be made to Owen Avenue in downtown Wake Forest. Conceptual illustration is shown above.

## Fiscal Year 2018-19 Budget Highlights

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

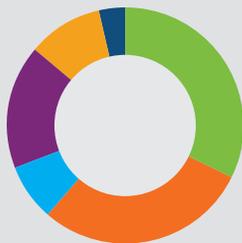
Much like an average household, the Town uses a balanced budget to ensure that it maintains a healthy financial position. North Carolina law requires local governments to approve a balanced budget each year. The Town plans for its financial needs of the future by utilizing a five-year capital improvements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

**Governmental Activities:** The 2018-2019 Adopted Budget decreased (1.6%) from the 2017-2018 Amended Budget, but increased 3.8% over the 2017-2018 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. Performance pay (merit), market adjustments and career ladder funds for eligible departments were included. Sixteen new positions were included in the approved budget.

The Town's tax rate remained unchanged at \$0.52. This equates to \$0.41 for Town operations and debt service and \$0.11 for fire services. The final budget for the General Fund totaled \$44.5 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. The budget represents the fundamental philosophy of being conservative with revenue projections and maintaining fiscal constraint on the expenditure side.

**Business-Type Activities:** Utility rates were unchanged in the Electric Fund with the Adopted 2018-2019 Budget. The total budget was \$21.4 million for the Electric Fund. Included in the Electric Fund budget is an allocation for the electric rate study, which will be conducted on a three to five year cycle along with a full year personnel expenses for the Electric Systems Division Manager as well as the Tree Trimming Urban Forestry positions.

Total Budget FY 2018-19  
\$73,349,050

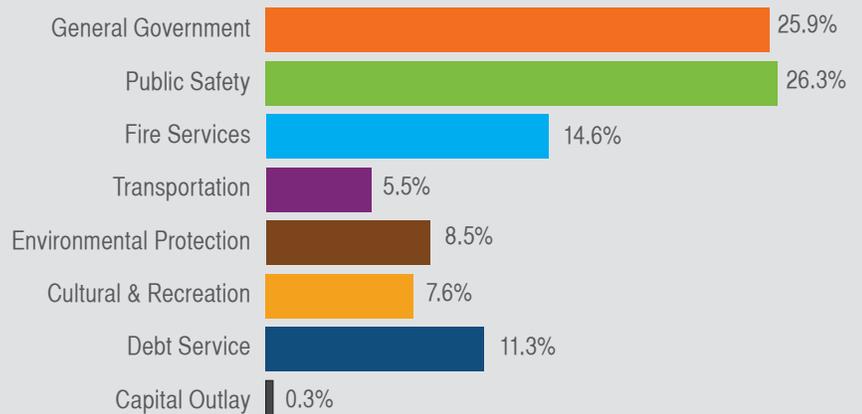


Personnel Costs	\$23,767,130	32.4%
Operating Costs	\$21,420,530	29.2%
Fire Services Contract	\$5,663,300	7.7%
Purchase for Power	\$12,436,200	17.0%
Debt Service	\$7,546,540	10.3%
Capital Outlay	\$2,515,350	3.4%

## 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



# Wake Forest by the Numbers



**43,287**

TOWN POPULATION

**35.5**

MEDIAN AGE



**\$35,752**

PER CAPITA PERSONAL INCOME

**\$81,200**

MEDIAN HOUSEHOLD INCOME

Source: US Census and 2012–2016 American Community Survey 5–Year Estimates



**105**

MILES OF TOWN-OWNED STREETS

**18.23**

LAND AREA IN SQUARE MILES

**11,667**

ACRES WITHIN TOWN LIMITS



**4th largest**

MUNICIPALITY IN WAKE COUNTY



**3.9%**

WAKE FOREST UNEMPLOYMENT RATE



**1,188**

BUILDING PERMITS ISSUED DURING FISCAL YEAR



**73**

FULL-TIME SWORN POLICE OFFICERS

**258**

TOWN EMPLOYEES

**5**

POLICE STATIONS



**6,683**

NUMBER OF WAKE FOREST POWER CUSTOMERS



## MAJOR TAXPAYERS

Rank	Taxpayer	Taxable Assessed Valuation
1	Wake Forest Apartments LLC	\$39,620,368
2	Caveness Partners LLC	35,075,009
3	Wake Forest Crossing Owner LLC	32,457,371
4	1-800 Pack Rat LLC	30,648,628
5	Crossroads Holdings LLC	27,664,604
6	WMCI Raleigh IV LLC	26,803,533
7	Gateway Forest LLC	26,416,587
8	Heritage Gardens LLC	25,135,041
9	Wake Electric Membership Corp.	23,532,694
10	Capital Creek Apartments LLC	19,057,143
Total		\$286,410,978
<b>Total Assessed Valuation</b>		<b>\$4,977,344,040</b>

Source: [www.wakegov.com/tax/statistics/Pages/toptaxpayers.aspx](http://www.wakegov.com/tax/statistics/Pages/toptaxpayers.aspx)

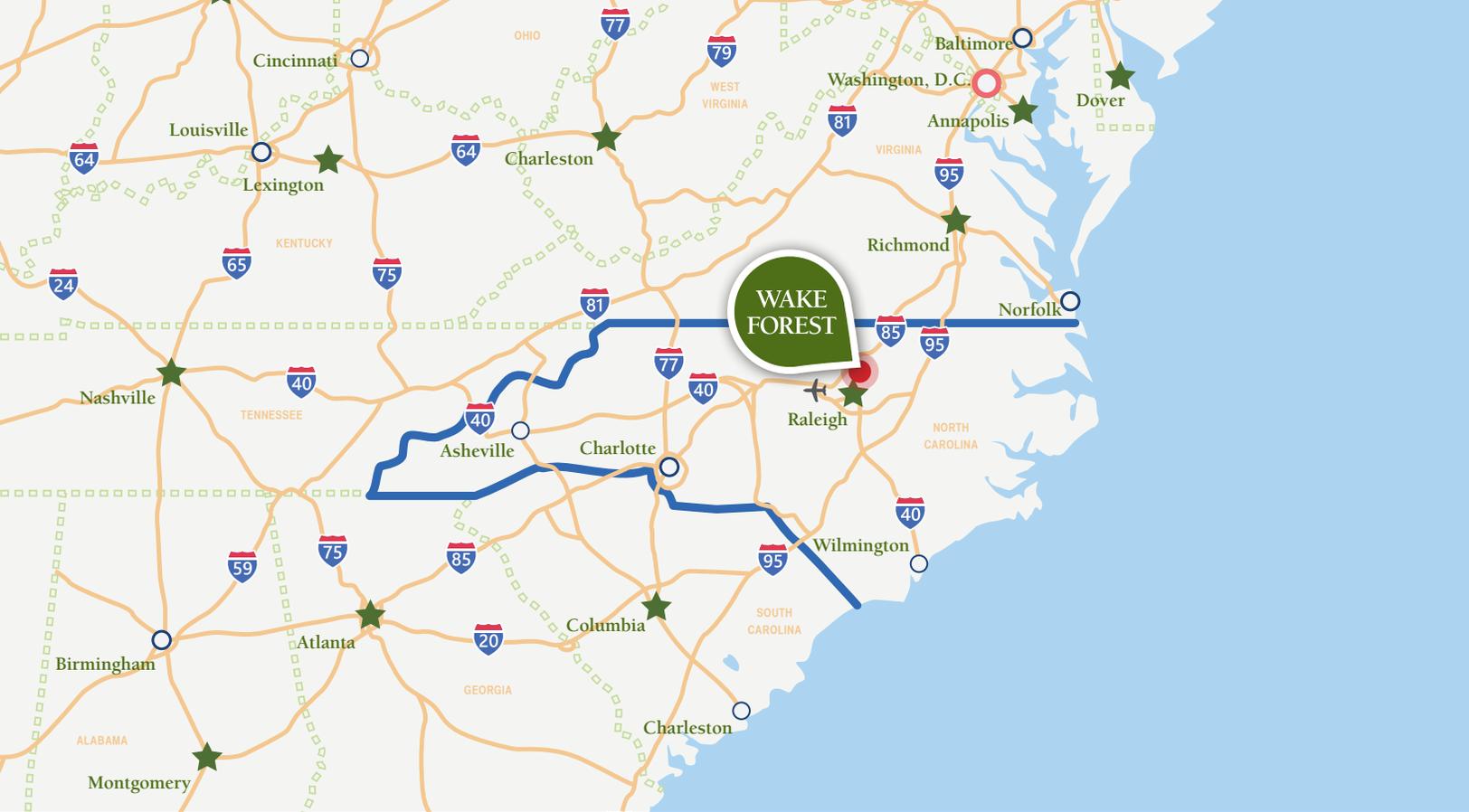


## MAJOR EMPLOYERS

Rank	Principal Employers	Approximate # of Employees
1	Wake County Public School System	900
2	Southeastern Baptist Theological Seminary, Inc.	425
3	Centurylink	400
4	Walmart	396
5	Pack-Rat	275
6	Town of Wake Forest	258
7	Lowes Foods	235
8	Rex Healthcare (Wake Forest & Wakefield)	228
9	Target	200
10	Lowe's Home Improvement	175
11	Publix	160
12	Hillside Nursing Center of Wake Forest, Inc.	150
13	Home Depot	136
14	Franklin Academy	130
15	Ultra Electronics/3 Phoenix	122

Source: Wake Forest Economic Development





TOWN of  
WAKE FOREST

The 2018 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)

