

FISCAL YEAR ENDING JUNE 30, 2019

2019

Citizens Financial Report

TOWN OF WAKE FOREST ~ NORTH CAROLINA



TOWN of
WAKE FOREST

Providing transparency about the Town's financial operations

The *2019 Citizens Financial Report* provides citizens and other interested parties with an overview of the Town'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 *2019 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 of the Town in a user-friendly format as well as serve as a supplement to the CAFR, not a replacement.

To see the CAFR, visit the Town's website at wakeforestnc.gov and search for "comprehensive annual financial report."

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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 29 consecutive years. For the last five 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.

In addition, the Town's *Citizens Financial Report* has received the award for Outstanding Achievement in Popular Annual Financial Reporting for the last two years. The award is valid for a period of one year.

To view all Town of Wake Forest financial reports, including the budget, visit the Town's website at wakeforestnc.gov and search for "finance."



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 its *Citizens Financial Report* for the fiscal year ending 2019.

I want to take this opportunity to update you on a few activities happening in your Town government. Since last year's message, we have completed several major projects, including three that were focused on increasing our offerings to residents: 1) The Joyner Park Community Center (JPCC) opened in October. Its multiple programming rooms, gym and elevated walking track are enjoying record numbers of users compared to our other facilities. The Parks, Recreation & Cultural Resources Department also relocated its offices to the JPCC; 2) Holding Park Aquatic Center was open for its first full season and visited by over 20,000 people—far exceeding attendance numbers at the former Holding Park Pool; 3) Staff at the newly renovated Northern Wake Senior Center are moving in and will be offering new and expanded programs to our senior population. In addition, we expect the Stadium Drive Complete Streets Project and Phase 3 of the Downtown Streetscape Improvements to be completed by mid-December.

As growth throughout the region continues, the Town will continue to engage in strategic long-range planning to guide its capital funding decisions. For example, in the fall, we completed a new Comprehensive Transportation Plan (CTP). In addition, in early 2020 we will initiate an update to the Town's Community Plan which will help guide development throughout Wake Forest. A portion of this update will include small area

studies in such places as the northeast quadrant of town. We will also begin a companion update of our Unified Land Development Code later in 2020.



An important task the Town is currently undertaking involves merging the Wake Forest Fire Department (WFFD) into the Town as a new department. For many years, the WFFD has operated successfully under the direction of a nonprofit board of directors. However, in the analysis conducted to determine whether the WFFD should become a Town department, the consultants noted: "The Wake Forest Fire Department is a progressive organization and is providing credible service to the people of Wake Forest. However, the current systems are not sustainable long-term as the Town continues with rapid growth and complexity increases." Therefore, at the recommendation of the consultants and Town staff, the Board of Commissioners and WFFD Board of Directors agreed to move forward and merge the WFFD into the Town effective July 1, 2020.

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 "our Wake Forest" the ultimate location to live, work, and play.

— Kip Padgett, Town Manager

2019 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 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 as listed at right:

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.



Goal 1
Economic Development



Goal 2
Safe & Connected Community



Goal 3
Values-Based Organizational Culture



Goal 4
Fiscal Strength

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



The Joyner Park Community Center (JPCC) opened in October 2019. Its multiple programming rooms, gym, elevated walking track and outdoor playground are enjoying large numbers of users.

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.

	2019	2018	Change
Total Assets & Deferred Outflows	\$297,370,623	\$241,366,448	\$56,004,175
Total Liabilities & Deferred Inflows	78,639,802	73,465,002	(5,174,800)
Total Net Position	\$218,730,821	\$167,901,446	\$50,829,375

◀ **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 2018-2019, the Town’s net position increased \$50,829,375.

	2019	2018	Change
Revenues	\$97,901,442	\$52,749,027	\$45,152,415
(Expenses)	(47,072,067)	(42,886,860)	(4,185,207)
Change in Net Position	\$50,829,375	\$9,862,167	\$40,967,208

◀ **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.

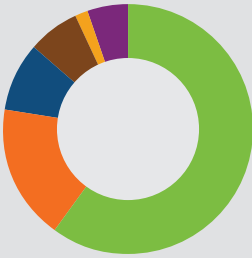
Total governmental activity revenue increased 85.6% from the prior year while expenses increased 9.9%. Capital grants and contributions accounted for 51.1% of governmental activity revenues. This was due to the number of streets and sidewalks accepted into the Town’s system. Healthy increases from previous fiscal year were recognized as follows:

- **Ad valorem taxes** – 7.1% over previous year due to continued growth
- **Local option sales tax** – 8.5% increase due to increased retail sales in Wake Forest along with additional businesses coming on line



General Fund Revenues

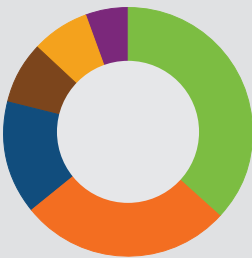
Year Ended June 30, 2019
\$45,248,615



Property Taxes	27,713,298	61.2%
Sales Taxes	8,245,963	18.2%
Grants & Other Taxes	3,855,450	8.5%
Permits & Fees	2,751,352	6.1%
Sales & Services	930,868	2.1%
Other Sources	1,751,684	3.9%

General Fund Expenditures

Year Ended June 30, 2019
\$45,179,430



Public Safety	\$16,674,495	36.9%
General Government	12,362,906	27.4%
Debt Service	6,703,678	14.8%
Environmental Protection	3,674,634	8.1%
Cultural & Recreational	3,276,171	7.3%
Transportation	2,487,546	5.5%

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 79% (\$35,959,261) 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 37% (\$16,674,495) of the total expended. This is followed by General Government at 27% (\$12,362,906) 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.

Three Year Trends

General Fund Revenues

	2019 Actual	2018 Actual	2017 Actual
Property Taxes	\$27,713,298	\$25,890,727	\$24,470,851
Sales Taxes	8,245,963	7,601,465	7,187,101
Grants & Other Taxes	3,855,450	3,725,604	3,657,020
Permits & Fees	2,751,352	2,966,351	2,513,613
Sales & Services	930,868	696,350	711,485
Other Sources	1,751,684	2,187,875	2,184,099
Total GF Revenues	\$45,248,615	\$43,068,372	\$40,724,169

General Fund Expenditures

	2019 Actual	2018 Actual	2017 Actual
Public Safety	\$16,674,495	\$14,710,562	\$14,440,077
General Government	12,362,906	12,832,656	11,003,966
Debt Service	6,703,678	4,800,406	4,757,426
Environmental Protection	3,674,634	3,617,821	3,334,935
Cultural & Recreational	3,276,171	3,239,292	3,119,498
Transportation	2,487,546	2,456,873	2,447,334
Total GF Expenditures	\$45,179,430	\$41,657,610	\$39,103,236



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 are financed or recovered through user charges.

	2019	2018	Change
Total Assets & Deferred Outflows	\$32,731,406	\$27,932,390	\$4,799,016
Total Liabilities & Deferred Inflows	11,829,653	8,502,483	(3,327,170)
Total Net Position	\$20,901,753	\$19,429,907	\$1,471,846

◀ **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.

Change in net position for business-type activities increased \$1,471,846 for the fiscal year.

	2019	2018	Change
Revenues	\$21,152,284	\$21,129,754	\$22,530
(Expenses)	(19,680,438)	(20,200,887)	520,449
Change in Net Position	\$1,471,846	\$928,867	\$542,979

◀ **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, 1.6%, compared to the previous fiscal year.



Wake Forest Power serves over 6,800 customers.



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 long 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

Holding Park Pool was formally renamed Holding Park Aquatic Center. Renovations totaled \$3.2 million and include three bodies of water: a six-lane, 25-yard lap pool; two water slides; and a children's pool with a sprayground. The pool officially opened in May 2019 and enjoyed a record-breaking season with attendance and revenues.

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 is closed for the winter. It re-opens during Memorial Day weekend in 2020.

Joyner Park Community Center



The Joyner Park Community Center construction was completed during the fiscal year. The project includes a 32,000 square foot facility with walking track, gymnasium for basketball, volleyball and pickleball; multi-purpose rooms; dance studio; and kitchen. The grand opening was held October 19, 2019.

Citizen input played an important part in the Town's planning process for the center. 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.



Stadium Drive

The Stadium Drive Complete Street project is expected to be completed in early 2020.



Downtown Improvements

Phase 3 consists of street and landscape improvements along South White Street: (East Holding Avenue to Elm Avenue) and on East Owen Avenue (South White Street to Brooks Street). Total cost of the project is approximately \$5.7 million.

East Owen Avenue (Festival Street) officially opened Dec. 6, 2019 during the Lighting of Wake Forest.



Northern Wake Senior Center

Northern Wake Senior Center is nearing completion and is expected to open in early 2020. The \$3.1 million construction project consists of adding almost 9,000 square feet, interior renovations to approximately 80% of the existing center and a complete redecoration. The larger facility will offer new and expanded programs to Wake Forest's senior population.





A new playground was included with the construction of the Joyner Park Community Center.

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.

Merger of Fire Services

A major initiative that will have long term financial impacts is the transition of fire services into the Town's municipal structure.



In November 2018, the Town received an official letter from the Wake Forest Fire Department, Inc. Board of Directors requesting the Town initiate a feasibility study. In February 2019, the Town retained the services of a consulting firm specializing in fire services planning to conduct a comprehensive analysis on potential consolidation. The results and recommendations were presented to the Wake Forest Board of Commissioners and the Wake Forest Fire Board of Directors. Both boards formally approved moving forward with consolidation in October 2019 with the merger to be effective July 1, 2020.



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 relocated from 234 Friendship Chapel Road to this site in June 2019.

Fiscal Year Highlights



16 staff positions were added to meet the needs of our growing community



The Town hosted The Wall That Heals, a replica of the Vietnam Veterans Memorial at E. Carroll Joyner Park



Transitioned to NC Health Insurance Pool that will enable the Town to be more predictable and sustainable in controlling costs



Friday Night on White, in its fourth season, continues to attract over 10,000 people to downtown Wake Forest



The Strategic Plan was updated outlining strategies for the next three to five years



To be fiscally prudent going forward, the Town changed its policy for all employees hired on or after July 1, 2018: upon retirement, medical and life insurance benefits will not be provided

The Town issues debt to fund General Governmental and business-type capital needs. Total outstanding debt as of June 30, 2019 totals \$47,950,217. 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 the Town's 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. By maintaining or improving bond ratings result in lower interest rates on debt.

Debt Issuance

The Town's total debt increased by \$3,306,064 (7.4%) during the fiscal year. Along with retiring a significant amount of debt during the year, the Town issued the following debt:

Installment Purchase Agreements:

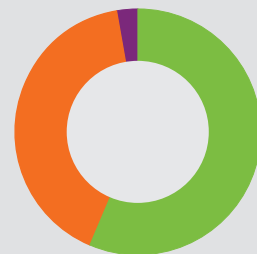
- **\$3,500,000**
Unicon Drive, Electric Building
October 2018, ten year term, 2.94%
- **\$5,500,000**
Downtown Streetscape Improvements
April 2019, seven year term, 2.74%
- **\$683,650**
Electric Fund Rolling Stock
May 2019, three year term, 2.57%



The Holding Park Aquatic Center was open for its first full season and visited by over 20,000 people—far exceeding attendance numbers at the former Holding Park Pool.

Breakdown of Debt

Year Ended June 30, 2019
\$47,950,217



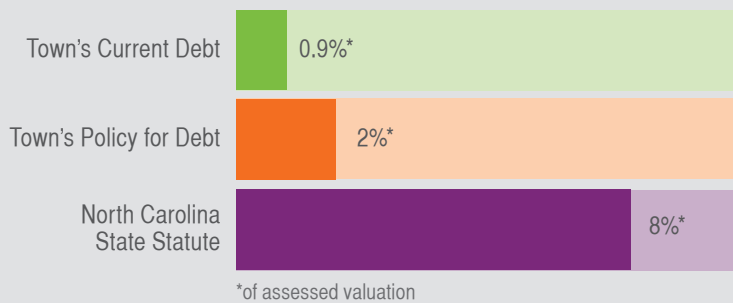
General Obligation Bonds	\$27,050,000	56.4%
Installment Purchase Agreements	\$19,590,503	40.9%
Revenue Bonds	\$1,309,714	2.7%

Debt Management

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.

How the Town's Debt Compares to Policy



Future Debt Issuance

The Town utilizes a debt model to plan the issuance of future debt. The model was last updated during FY 2017-2018 in conjunction with issuing general obligation bonds in June 2018. The updated debt model includes planned issuances through 2021. A debt service fund with specific revenues including a portion of the tax rate, vehicle fees and downtown municipal service district tax funds are 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 to 2024) to issue these bonds. As of June 30, 2019, \$4,920,000 remains authorized but unissued.

In the upcoming fiscal year, the following debt issuance is planned:

- **\$2.75 million** installment purchase agreement for fiber optic infrastructure, Spring 2020



Friday Night on White concert series continues to grow in popularity drawing thousands of visitors to the downtown area.

Fiscal Year 2019–20 Budget Highlights

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.

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 2019-2020 Adopted Budget increased 4.7% from the 2018-2019 Amended Budget, but increased 7.9% over the 2018-2019 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 goals in the strategic plan by maintaining current service levels, enhancing infrastructure and providing for employees.

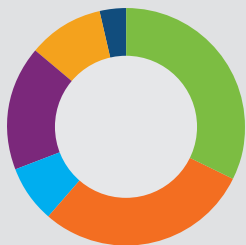
The Town's tax rate remained unchanged at \$0.52 for the coming fiscal year. This equates to a breakdown of \$0.41 for Town operations and debt service and \$0.11 for fire services. The final budget for the General Fund totaled \$48.3 mil-

lion. In addition, the Downtown Municipal Service District tax rate remains unchanged at \$0.14.

Subsequent to the approval of the 2019-2020 budget, the Wake Forest Board of Commissioners and the Wake Forest Fire Department Board unanimously voted to merge the Wake Forest Fire Department with the Town of Wake Forest. This merger will be effective on July 1, 2020. The Town engaged in a comprehensive feasibility study for this endeavor. The department currently operates five fire stations, with 63 paid personnel and 55 volunteers. Management will be exploring all the financial implications related to this merger and determine the best method for addressal.

Business-Type Activities: Utility rates were unchanged in the Electric Fund with the Adopted 2019-2020 Budget. The total budget was \$22.7 million for the Electric Fund. Included in the budget is an allocation for the electric rate study. In our strategic plan it was determined to update every three to five years. Three new positions were included in the approved budget.

Total Budget FY 2019–2020
\$78,335,185

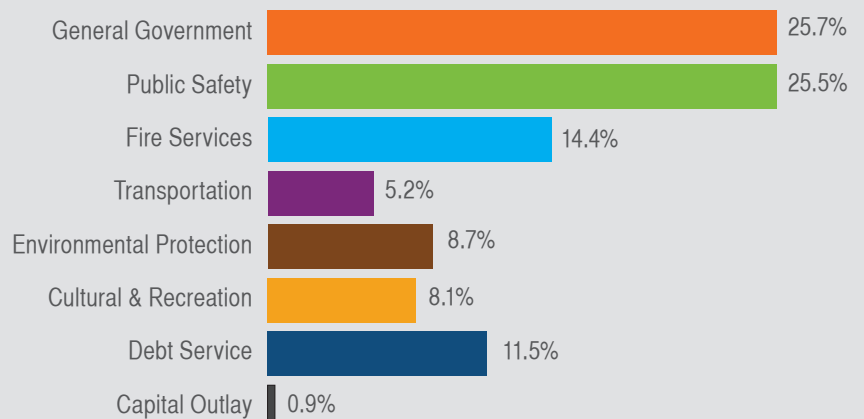


Personnel Costs	\$25,648,840	32.7%
Operating Costs	\$22,816,515	29.1%
Fire Services Contract	\$6,084,595	7.8%
Purchase for Power	\$12,377,010	15.8%
Debt Service	\$7,776,250	9.9%
Capital Outlay	\$3,631,975	4.6%

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 Dollars Are Spent



Wake Forest by the Numbers



45,264

TOWN POPULATION

4TH LARGEST MUNICIPALITY
IN WAKE COUNTY

35 yrs

MEDIAN AGE



\$37,315

PER CAPITA PERSONAL INCOME

\$85,155

MEDIAN HOUSEHOLD INCOME



127

MILES OF
TOWN-OWNED
STREETS

18.5

LAND AREA IN
SQUARE MILES

11,840

ACRES WITHIN
TOWN LIMITS



937

BUILDING PERMITS
ISSUED DURING
FISCAL YEAR



3.6%

WAKE FOREST
UNEMPLOYMENT RATE



92

FULL-TIME AND
PART-TIME
FIREFIGHTERS

55

FIRE DEPARTMENT
VOLUNTEERS

5

FIRE STATIONS



76

FULL-TIME SWORN
POLICE OFFICERS

275

TOWN EMPLOYEES

5

POLICE STATIONS



6,824

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	Legacy Wake Forest LLC	29,806,893
5	Crossroads Holdings LLC	27,683,674
6	WMCI Raleigh IV LLC	26,803,533
7	1-800 Pack Rat LLC	26,737,580
8	Heritage Gardens LLC	25,104,215
9	Wake Electric Membership Corp.	24,561,065
10	Gateway Forest LLC	23,054,415
Total		\$290,904,123
Total Assessed Valuation		\$5,323,065,702

Source: Wake County Revenue Department

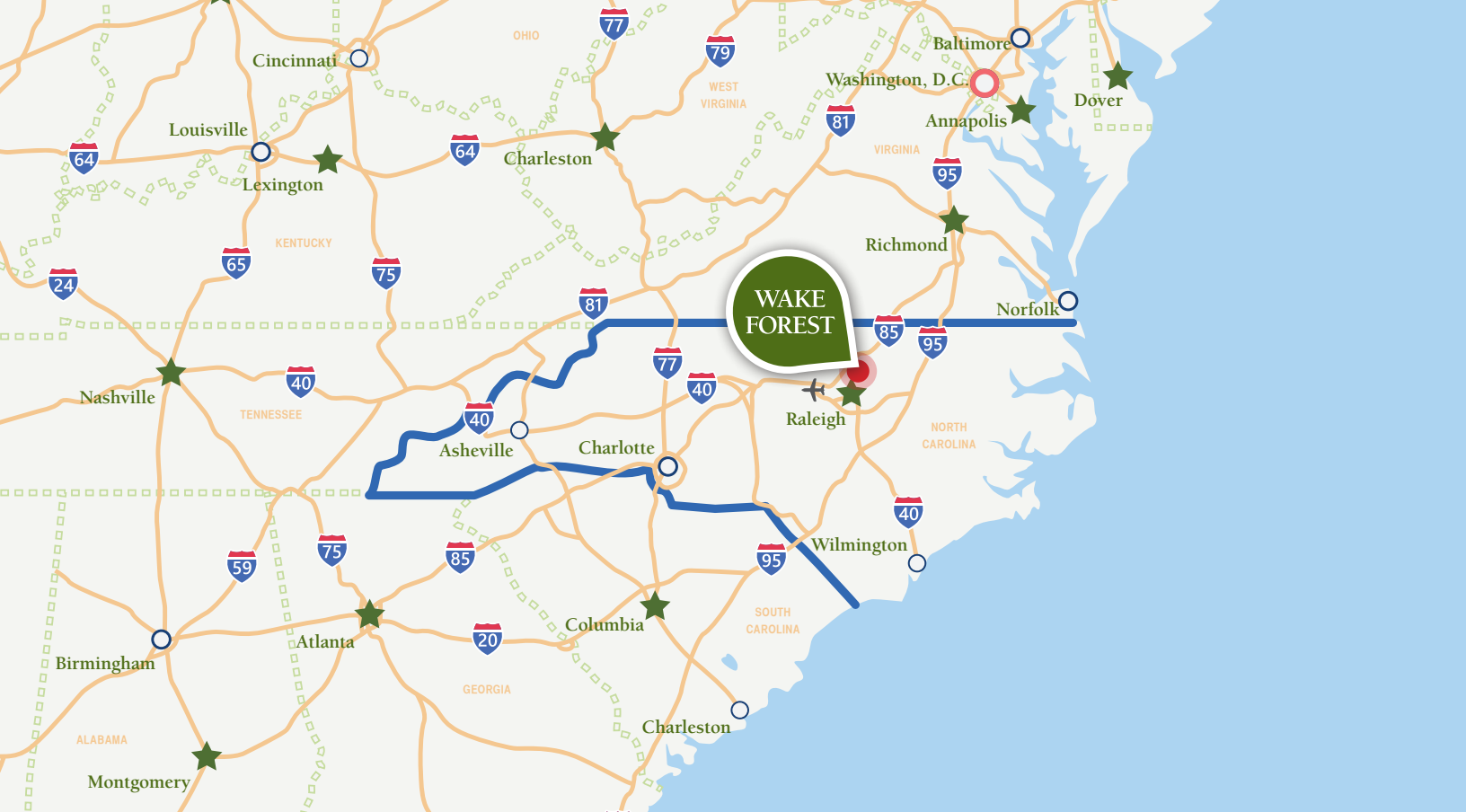


MAJOR EMPLOYERS

Rank	Principal Employers	Approximate # of Employees
1	Wake County Public School System	843
2	Southeastern Baptist Theological Seminary, Inc.	450
3	Walmart	396
4	CenturyLink	380
5	Town of Wake Forest	275
6	Lowes Foods	235
7	Target Corporation	200
8	Sam's Club	182
9	Pack-Rat	175
10	Chick Fil A	175
11	Lowe's Home Improvement	170
12	Rex Healthcare (Wake Forest & Wakefield)	165
13	Home Depot	161
14	Publix	160
15	Hillside Nursing Center of Wake Forest, Inc.	150
16	Franklin Academy	130

Source: Wake Forest Economic Development





TOWN of
WAKE FOREST

The 2019 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

