

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2013



TOWN OF WAKE FOREST ~ NORTH CAROLINA





TOWN *of*
WAKE FOREST

**TOWN OF WAKE FOREST,
NORTH CAROLINA**



TOWN *of*
WAKE FOREST

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2013

Prepared by the Finance Department

TOWN OF WAKE FOREST – BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



Mayor
Vivian A. Jones



Mayor Pro-Tem
Margaret Stinnett



Zachary Donahue



Frank Drake



Greg Harrington



Anne Hines

TOWN OF WAKE FOREST STAFF

Mark S. Williams
Town Manager

Deeda Harris
Town Clerk

Town Attorney
Eric Vernon

Virginia Jones
Human Resources Director

Jeff Leonard
Police Chief

Aileen J. Staples
Finance Director

Roe O'Donnell
Deputy Town Manager – Operations

Roger A. Russell
Planning Director

Ruben Wall
Parks and Recreation Director

Eric Keravuori
Director of Engineering

Mike Barton
Public Works Director

Tom LaBarge
Information Technology Director

Bill Crabtree
Public Information Officer

J J Carr
Inspections Director

Mickey Rochelle
Facilities Manager

Lisa Newhouse
Downtown Development Director

ADVISORY BOARDS AND COMMISSIONS

Planning and Zoning Board
Bob Hill, Chairperson

Cemetery Advisory Board
John Mills, Chairperson

Board of Adjustment
David Shearon, Chairperson

Recreation Advisory Board
Sandy Thomason, Chairperson

Historic Preservation Commission
Louise Howard, Chairperson

Urban Forestry Advisory Board
Don Daria, Chairperson

Human Relations Council
Henrietta Coursey, Chairperson

Senior Center Advisory Board
Sharda Khilani, Chairperson

Greenway Advisory Board
Jan Ammons, Chairperson

Youth Advisory Board
Jeremy Boudah, Chairperson

Public Art Commission
John Pelosi, Chairperson

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TOWN *of* WAKE FOREST

November 22, 2013

**Honorable Mayor Vivian A. Jones
Members of the Governing Board and
Citizens of the Town of Wake Forest:**

The Comprehensive Annual Financial Report (CAFR) of the Town of Wake Forest, as of and for the fiscal year ended June 30, 2013, is submitted herewith by the Finance Department in compliance with North Carolina General Statute 159-34. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are formulated in accordance with the principles prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of North Carolina, Town Ordinances and the Government Finance Officers Association.

This report is the official comprehensive publication of the Town's financial position at June 30, 2013, and results of operations for the fiscal year then ended for all funds for the Town. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the Town. We believe the data and presentation are fair and accurate and that you will find everything necessary in this document to gain an understanding of the Town's financial activities over the past fiscal year.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is written to complement the MD&A.

Profile of the Town

Wake Forest, incorporated in 1909, offers a unique blend of small-town charm, coupled with a vibrant and growing business community located in Northern Wake County and is contiguous to the City of Raleigh. In addition to a focus on business and industry, the Town also has a strong commitment to environmental stewardship, pursuing many sustainable green building and development practices. Residents enjoy 561 acres of open space, natural land and trails, excellent schools, access to higher education, all located in close proximity to Research Triangle and Raleigh-Durham International Airport.

The Town boasts a plethora of events and community activities to enhance our citizens' experience and draw them together and to local businesses. Wake Forest is very proud of our "Art After Hours", a monthly downtown gathering of artistic expression; "Meet in the Streets", a music and art festival held each spring; a vibrant and growing Christmas parade; "Six Sundays in Spring", a free outdoor concert series, and a host of other family oriented community centered events.

The Town operates under the council-manager form of government. The governing body is comprised of a Mayor and a five-member Board of Commissioners, elected on a nonpartisan, at large basis for staggered four-year terms in odd numbered years. The Board of Commissioners appoints members of various Town boards and commissions, the Town Manager and the Town Attorney. The Board of Commissioners enacts all general and technical ordinances including budgetary appropriations within a balanced budget, establishes a tax rate for supported Town programs and originates general management policies as recommended by the Town Manager.

The Town Manager directs the Town's daily operations through department heads he appoints.

The Town provides its citizens with a full range of services, including police, leisure and recreational opportunities, land use development administration and management, solid waste collection and disposal, construction and maintenance of streets, curbs, gutters, sidewalks and other infrastructure. In addition, the Town operates Wake Forest Power, an electric utility providing residential and commercial service. Fire protection is provided through a contract with Wake Forest Fire Department, a private non-profit entity. This report includes all the Town's activities in delivering and administering these services.

The Wake Forest Board of Commissioners is required to adopt an annual operating budget by July 1st each year. The Town is empowered to levy a property tax on both real and personal property located within its boundaries. The Town's budget ordinance creates a legal limit on spending authorizations and serves as the foundation for financial planning and control. The Town Manager is authorized by the budget ordinance to make transfers within funds to facilitate budget execution consistent with the Board of Commissioner's intent.

Economic Condition and Outlook

By creating a unique, safe, and affordable community environment, friendly to commerce and industry, the Town has positioned itself as a magnet for businesses, both large and small. Because of this, and our geographic proximity to Raleigh, Durham, the Research Technology Park, and RDU International Airport, Wake Forest is increasingly seen as one of the most desirable places to live and work in the eastern United States.

Southeastern Baptist Theological Seminary was founded in 1950 on the former campus of Wake Forest College with a mandate to educate ministers on the East Coast. The school is located on 300 acres in downtown Wake Forest. Approximately 2,500 students study in 30 different undergraduate, graduate and post-graduate degree programs. Enrollment has increased over 85% in the past nine years.

Wake Forest is home to The Wireless Research Center of NC (WRCNC), a non-profit 501(C)(3) research organization focused on economic growth supporting research, development, testing and regulatory assistance for current and next generation wireless antenna technologies. The WRCNC is the only facility of its kind in the state. It's an international destination for customers and partners who require specialized facilities coupled with applied and theoretical expertise, such as telecommunications, government/defense and medical industries. Current customers include mobile device companies, antenna design companies, defense contractors, and universities/researchers.

The center serves as a hub for job creation, retention and expansion around the growing field of wireless and antenna technology for communications, medical and government use. It also serves as a catalyst for university research initiatives in wireless and antenna technology by providing cost-effective ready access to test laboratories and expertise that will make area universities more competitive when seeking government and commercial research grants and in the commercialization of technology.

The Town's estimated population at June 30, 2013 was 33,703 which is an increase of 6.2% over the previous fiscal year. Total growth has been 91% since 2004. Wake Forest's tax base has grown from \$1.2 billion in 2004 to \$3.9 billion in 2013. The Town's tax base is approximately 20% commercial/industrial and 80% residential for fiscal year 2012-13.

The Town recognized a 40% increase in commercial permits issued from the previous fiscal year. Total value of permits issued increased over 58%.

Development continues in Heritage which is the single largest subdivision in Wake Forest and is located in the

heart of Wake Forest. It is less than one (1) mile from Capital Boulevard and is being developed by Ammons Development Group. Heritage consists of 1,350 acres which includes a golf course and a clubhouse, swim and tennis club, three (3) public schools, an industrial and business park, shopping and commercial opportunities, neighborhood business and office opportunities and over 2,250 residential homes. Heritage Lake Road connects Heritage to the 98 By-pass. This thoroughfare connects Heritage to downtown Wake Forest.

Construction commenced during November 2012 for Traditions. This single and multi-family development that runs along the Reservoir affording its residence access to a pristine lake that is simply perfect for an afternoon canoe ride or a stroll along the paved walking paths. A community pool and pavilion is planned for 2014.

Several apartment complexes are on the horizon which has contributed to the significant increase in value of permits issued during the fiscal year. They include: Villagio at LaScala – 248 units; Woodfield Creek – 288 units; Heritage Garden - 260 units; and Capital Creek – 315 units.

In addition to the above there are a wide variety of smaller projects completed or under construction, auto repair and supply, several new restaurants, and other projects.

Major Initiatives

The following events and projects are highlights of fiscal year 2012-13. These projects reflect the Town's continued commitment to quality of life while maintaining its unique personality.

The Board and senior staff took a conservative approach when finalizing the 2012-13 operating budget and continued the theme from fiscal year 2011-2012. It was not the time to embark on new initiatives however the focus continued to be on our existing assets, services and programs to protect our infrastructure and our dedicated employees. Seven (7) new positions were added as follows: three Police Officers, a Crime Analyst and a Telecommunicator in Public Safety; a Facility Maintenance Specialist in Public Facilities and an IT Analyst in Information Technology. During economic downturns, demands on the Police Department increase significantly, particularly in areas such as property crimes. The five positions have enabled the department to keep pace with these demands. The IT Department has seen its support of the MIS systems of the Town become more demanding as well, again particularly in the public safety area. The facility maintenance staff currently consists of one person. A second position is needed to help maintain the physical assets of the Town.

In October, the Downtown Development Director transitioned from reporting directly to an outside agency, Downtown Revitalization Corporation (now Wake Forest Downtown) to Town staff. This position is responsible for public relations, business development, marketing and promotion of the Downtown Renaissance area for the purpose of assisting downtown Wake Forest in achieving its economic and cultural potential. The Director reports directly to the Town Manager and the Town no longer contributes funds to this outside agency, but the department is housed within the Town's organizational structure.

The Town completed the final phase of the South White Streetscape Project in December 2012. The initiative was part of the "Renaissance Plan for the Heart of Wake Forest" developed in 2003. Phases II and III of the project included sidewalk, waterline, utility and storm drainage replacement from Elm Avenue to Spring Avenue. A focal point of the project was the Jones Street intersection where a raised table was added to the roadway to both slow traffic and serve as a venue for intimate downtown events. Safety bollards were installed to protect pedestrians, while seat walls, landscaping and gradual seeping steps were also added. Upper and lower sidewalks are a pleasing addition to the area and the municipal parking lot is tied to the Wait Avenue extension parking area creating a smoother flow pattern. This project has completely transformed downtown making it a popular destination location.

In February, the Town commemorated the completion of the streetscape by hosting an inaugural Mardi Gras Street Festival. Over 1,000 area residents turned out for this fun-filled family event that offered a

children's parade, face painters, strolling entertainers, live music, inflatables, entertainment, games and much more.

The Public Arts Commission (PAC) has been very active since its creation in 2009-10. During fiscal year 2011-12, the PAC solicited and commissioned an artist to create site-specific artworks that offer compelling, contextually sensitive outdoor seating to visitors to downtown. In June 2013 the Town unveiled its first two pieces of public art during a special ceremony. Designed by nationally renowned artist Robert Tully, the two sculptural seating pieces were installed in downtown Wake Forest in late May. The "Rain Gate" is located on the south end of South White Street in the parking lot of the Wake Forest Area Chamber of Commerce, while the "Leaf Shade Bench" is nestled in Jones Plaza.

The Neuse River Greenway Trail – Wake Forest Connector project includes a pedestrian bridge spanning the Neuse River and a paved trail that connects the new bridge to the current end of Smith Creek Greenway south of Burlington Mills Road. This initiative added approximately one-third mile to the Town's greenway system. In November 2012, this project was completed and officially opened with a "Function at the Junction" ceremony. This trail includes a 558-foot bridge that connects Wake Forest's greenway system to the City of Raleigh's greenway system.

During 2013 the Town renovated the Police Department's main station located at 225 S. Taylor St. The original station was constructed in 1991 and until 2008 included a courtroom used for district court. Enhancements included a new HVAC system, an enlarged evidence room, new carpet, additional offices, storage facilities and meeting rooms. Also included was the purchase of a new radio dispatch console system. Total project cost just over \$934,000 to complete.

In May 2013, the Town agreed to purchase Tuxedo Junction and Rejoice Community School and plans to transform the adjoining properties into a multipurpose facility. Both are located in Renaissance Place at the corner of Brooks Street and Elm Avenue. Tuxedo Junction, purchased for \$831,000, currently includes 10,000 square feet of commercial space. Rejoice Community School, purchased for \$350,000, encompasses approximately 3,000 square feet of commercial space. The property has officially been named the Wake Forest Renaissance Centre and will host a variety of events and activities, including weddings, receptions, exhibits, concerts, plays, recitals, concerts, conventions and meetings.

At their planning retreat in February, the Board finalized a strategic plan and identified the following four (4) goals: 1) Stimulate economic development; 2) Enhance and promote community cohesion; 3) Instill an organizational culture that embraces/reflects our core values; and 4) Maintain fiscal strength.

The Board agreed to proceed with planning a bond referendum in 2014 to address greenways, street improvements and the final phases of Joyner Park.

The Board continues to conduct annual and semi-annual planning retreats in the winter and summer to discuss current issues and long range goals for the Town. These planning sessions provide staff with the tools to carry out the policies and goals. Each year during the annual Budget process, those goals become a reality and are incorporated into a spending plan.

Internal Control

In developing and maintaining the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principals and maintaining accountability of assets; (3) the effectiveness and efficiency of operations and (4) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of

reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. To further enhance management's position, a formal Internal Control Policy was adopted by the Board of Commissioners in October 2008.

Independent Audit

The General Statutes of North Carolina require an annual independent financial audit of all local government units in the state. Joyce and Company, CPA, a firm of independent certified public accountants, has examined the financial records of the Town and their opinion has been included in this report. Their examination was made in accordance with auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, as they considered necessary in the circumstances. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 23rd consecutive year in which the Town has received this recognition. To be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA award is valid for a period of one year.

Acknowledgments

We appreciate the assistance and dedication of the Finance Department staff throughout the year. The preparation of this comprehensive annual financial report was made possible by the dedicated service and cooperation of Joyce and Company, CPA. The cooperation of each department is appreciated as we work together to conduct the Town's financial operations. In addition, we would also like to thank the Mayor and Board of Commissioners for their continued support, guidance and advice in planning and conducting the financial activities of the Town in a responsible and progressive manner.

Respectfully submitted,

Mark S. Williams
Town Manager

Aileen J. Staples
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Wake Forest
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



History of the Town of Wake Forest

The Town of Wake Forest grew up around a college founded by North Carolina Baptists in 1834. After purchasing a plantation, which originally belonged to Dr. Calvin Jones, the North Carolina Baptist Convention opened the doors of the college on February 3, 1834. Lots were sold around the campus until gradually a town developed. The first Town Charter was obtained in 1880 for the Town of Wake Forest College. It was not until February 20, 1909 – 29 years later – that the Town of Wake Forest was chartered.

When the college made plans to relocate in the 1950s, the campus was sold to the Southern Baptist Convention for use as a seminary, which opened in 1951. For the next five years Southeastern Baptist Seminary and Wake Forest College existed on the same campus. These dates – 1834, 1909, 1951 – are significant to the Town and consequently are represented on the town seal.

Wake Forest remained a quiet village throughout the 1960s and 70s. Along with most other Wake County towns, however, it began to experience significant growth in the 80s and 90s.

Tremendous progress and development continue today as easy access to Raleigh and the Research Triangle area, combined with the many amenities of small-town living, make Wake Forest a desirable destination for residential and commercial development. An emphasis on planned growth and professional management continue to ensure that the Town's unique personality is maintained and enhanced by the changes currently in progress.

Responsibilities of Town Government By Department and Division

Legislative

The Legislative Department consists of the Board of Commissioners which is comprised of the Mayor and five Board members. All are elected by the registered voters of the Town of Wake Forest.

Administration

Responsible for the general management of all municipal functions, this department includes the Town Manager, Deputy Town Manager, and Town Clerk.

Downtown Development

Responsible for public relations, business development, and marketing and promotion of the Downtown Renaissance area for the purpose of assisting Downtown Wake Forest in achieving its economic and cultural potential.

Communications

The Public Information officer oversees and directs the communications, marketing and public relations functions of the Town.

Human Resources

Responsible for directing and overseeing the personnel system, risk management and safety programs for the Town.

Finance

Responsible for financial management through the areas of billings and collections, customer service, cash management, payroll, purchasing and inventory control, accounts payable, financial reporting, debt management and of the operating and capital budgets.

Management Information Systems

Responsible for maintaining and administering the Town's centralized computer system. Staff is responsible for assisting departments with computer and network needs.

Planning and Inspections

Responsible for the development and maintenance of all land management documents and the review and inspection of proposed construction and development, department also includes building inspections and code enforcement. Provides staff support to the Planning and Zoning Board, the Board of Adjustment, the Urban Forestry Board, and the Historic Preservation Commission.

Engineering

Responsible for plan review, design work and construction inspection.

Parks and Recreation

Responsible for the maintenance of all Town parks and open space and for the provision and supervision of programs and activities designed to serve the population of the Wake Forest community. Town's parks include Holding Park, Forrest Park, H. L. Miller Park, Ailey M. Young Park, Alston-Massenburg Center Park, Flaherty Park, Joyner Park, Taylor Street Park, assorted school facilities, and the operation of a swimming pool. Staff support is also provided to the Recreation Advisory Board and Youth Advisory Board.

Public Facilities

Responsible for maintenance and housekeeping for the following Town buildings: Town Hall, the Community House, Alston-Massenburg Center, Police Station, Public Works Operations Center, and Senior Center.

Public Safety

The Public Safety Department is comprised of Police, Fire and Rescue Services and is responsible for the protection of life and property, traffic control, enforcement of state statutes and local ordinances, and crime prevention.

Public Works and Utilities Department

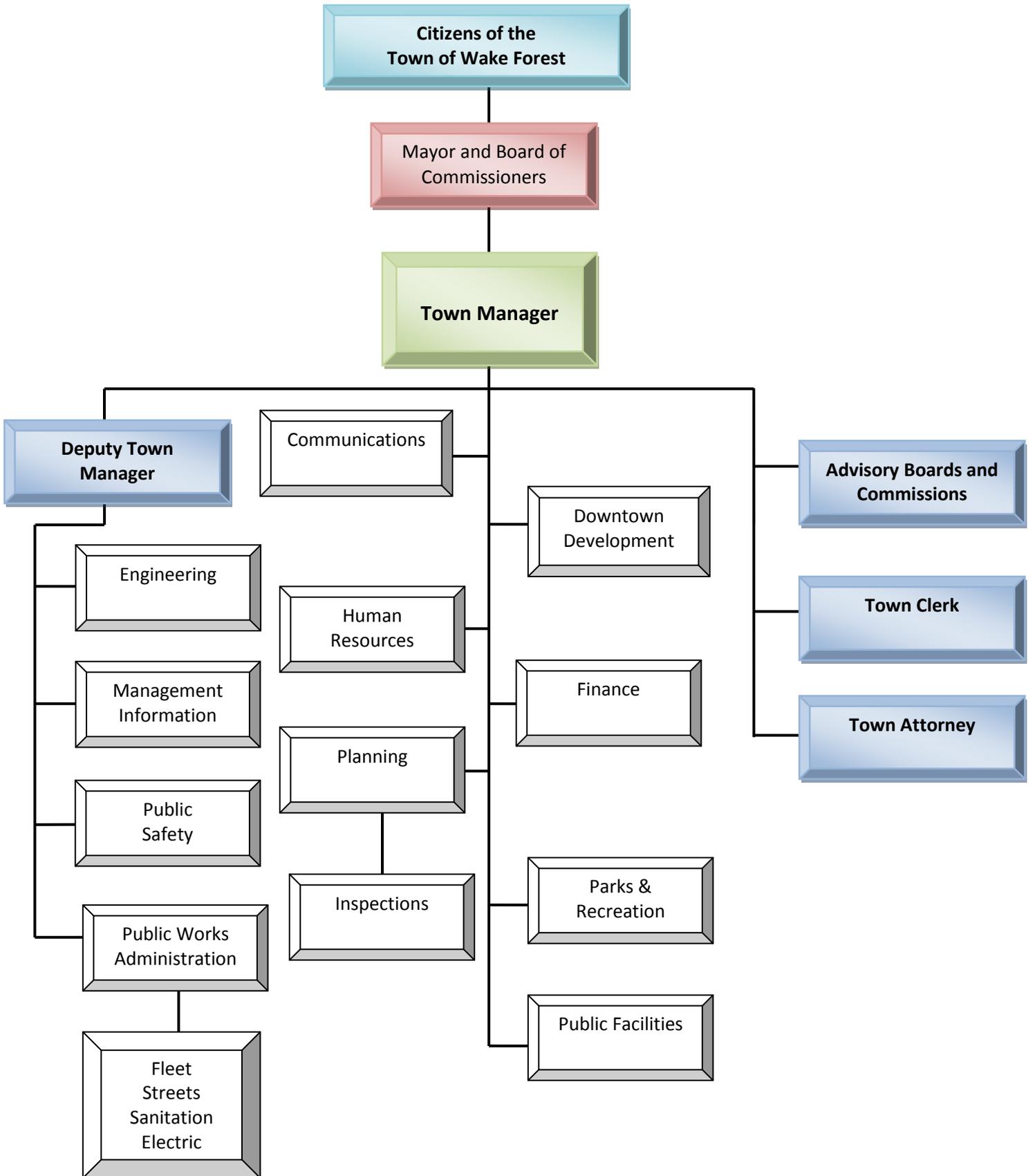
Administration The Director, Assistant Director and Office Assistant are responsible for the day to day operations of all divisions in Public Works and Electric.

Electric Operations Division This division is charged with constructing, operating and maintaining the Town's electric distribution system, including power lines, substations and other equipment. Division is also responsible for tree trimming, system additions and conversions.

Sanitation Division Responsible for the collection and disposal of commercial and residential garbage and yard waste. A private contractor provides recyclable collection service.

Streets Division Charged with the construction, maintenance and repair of municipally owned streets. Also responsible for the maintenance and repair of the Town's three cemeteries located on North White Street, North Taylor Street and East Walnut Avenue which includes maintenance of the roadways in the cemetery on an as-needed basis.

TOWN OF WAKE FOREST ORGANIZATIONAL CHART



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wake Forest, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wake Forest, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wake Forest, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2013 on our consideration of Town of Wake Forest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wake Forest's internal control over financial reporting and compliance.


Joyce and Company, CPA
Cary, North Carolina

November 22, 2013

Management's Discussion and Analysis

As management of the Town of Wake Forest, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Wake Forest for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

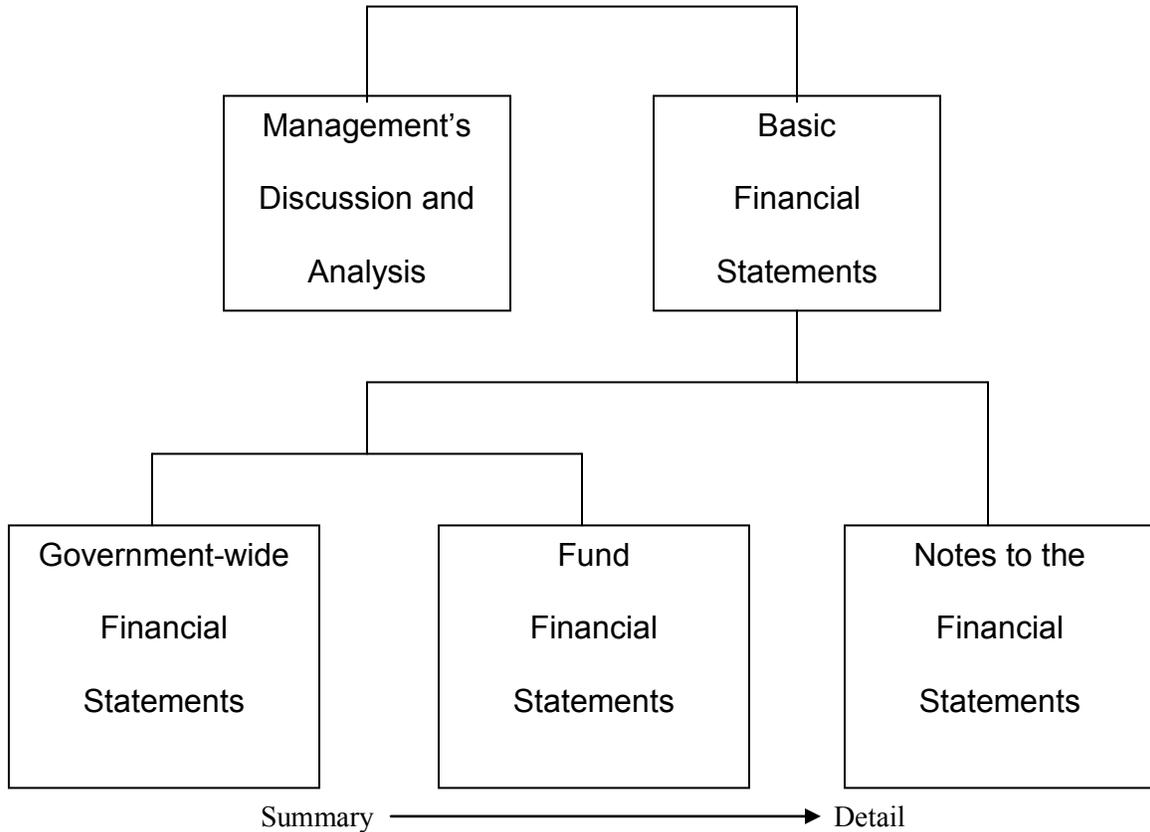
- The assets and deferred outflows of resources of the Town of Wake Forest exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$145,117,712 (*net position*).
- The Town's total net position increased by \$5,623,424, primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Wake Forest's governmental funds reported combined ending fund balances of \$16,388,278. Approximately 19.9% percent of this total amount, or \$3,266,815, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,726,822, or 24.7% percent of total general fund expenditures for the fiscal year.
- The Town's total debt *decreased* by \$2,200,126 (6.5%) during the current fiscal year. Along with retiring a significant amount of debt during the year, an installment purchase agreement was issued for \$850,000 in October 2012 for renovations to the existing police station and the purchase of a radio dispatch console system. In addition, patrol vehicles along with trucks, other vehicles and equipment were acquired through an installment purchase agreement for \$753,825 in June 2013.
- The Town retained the services of a financial advisor to review historical performance, analyze existing debt profile, perform key ratio analysis for planning future debt capacity and affordability with respect to projects identified in the Capital Improvements Plan. The information was utilized to develop a formal fiscal policy which was approved in January 2013. This policy will be the foundation for future financial planning and debt issuance for the Town.
- In March 2013, Standard & Poor's affirmed its AAA long-term rating on the Town's existing G.O. debt and the outlook is stable. During their review, they continue to view the Town's financial management practices as "strong" under S&P's Financial Management Assessment methodology. The current bond ratings are as follows:
 - Standard & Poor's - AAA
 - Moody's - Aa1
 - N.C. Municipal Council -87

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Wake Forest's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two (2) different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Wake Forest.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status, using the full accrual basis of accounting, in a manner similar to a private-sector business.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. They provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances. The government-wide statements provide short and long-term information about the Town's overall financial status.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, public works, environmental protection and cultural and recreation. Property taxes and intergovernmental revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide which include the electric services offered by the Town of Wake Forest.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Wake Forest has no component units that must be included in this report.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wake Forest, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Wake Forest can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Wake Forest adopts an annual appropriated budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on Exhibits 3 through 5. Governmental funds considered to be non-major are presented as a single column in these statements.

Proprietary Funds – Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The Town of Wake Forest uses enterprise funds to account for its electric services. The Electric Fund is classified as a major fund.

The basic proprietary fund financial statements can be found on Exhibits 6 through 8 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are included in the financial section of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found behind the notes to the financial statements and just before the individual fund statements in this report.

Government-Wide Financial Analysis

Net position over time may serve as one useful indicator of the Town’s financial condition. At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position, for the Town as a whole, as well as for its separate governmental and business-type activities.

**Town of Wake Forest Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 19,579,566	\$ 20,142,862	\$ 9,378,352	\$ 9,317,788	\$ 28,957,918	\$ 29,460,650
Capital assets	143,198,273	138,762,555	15,406,457	15,522,934	158,604,730	154,285,489
Total assets	162,777,839	158,905,417	24,784,809	24,840,722	187,562,648	183,746,139
Long-term liabilities outstanding	29,290,693	30,059,720	3,383,649	4,088,058	32,674,342	34,147,778
Other liabilities	5,912,331	6,249,033	3,806,628	3,700,708	9,718,959	9,949,741
Total liabilities	35,203,024	36,308,753	7,190,277	7,788,766	42,393,301	44,097,519
Deferred Inflows of Resources						
Prepaid taxes	51,635	-	-	-	51,635	-
Net position:						
Net investment in capital assets	115,919,685	112,059,645	14,129,141	13,998,797	130,048,826	126,058,442
Restricted	3,249,646	4,184,300	-	-	3,249,646	4,184,300
Unrestricted	8,353,849	6,352,719	3,465,391	3,053,159	11,819,240	9,405,878
Total net position	\$ 127,523,180	\$ 122,596,664	\$ 17,594,532	\$ 17,051,956	\$ 145,117,712	\$ 139,648,620

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The Town’s assets exceeded liabilities and deferred inflows by \$145,117,712 as of June 30, 2013. However, the largest portion (89.6%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was issued to acquire those assets. The Town of Wake Forest uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Town’s net investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since

the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$11,819,240) may be used to meet the Town’s ongoing obligations to citizens and creditors.

Town of Wake Forest Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,873,512	\$ 2,363,544	\$17,987,671	\$ 17,033,633	\$ 21,861,183	\$ 19,397,177
Operating grants and contribution	907,675	1,157,640	-	31	907,675	1,157,671
Capital grants and contributions	3,771,791	284,861	-	-	3,771,791	284,861
General revenues:						
Property taxes	20,062,610	19,271,260	-	-	20,062,610	19,271,260
Other taxes	92,347	113,292	-	-	92,347	113,292
Investment Earnings	139,553	68,575	82,968	132,409	222,521	200,984
Other	7,588,299	7,086,967	32,263	4,949	7,620,562	7,091,916
Total revenues	36,435,787	30,346,139	18,102,902	17,171,022	54,538,689	47,517,161
Expenses:						
General government	9,524,312	9,629,543	-	-	9,524,312	9,629,543
Public Safety	11,228,188	10,697,935	-	-	11,228,188	10,697,935
Transportation	4,119,839	4,052,075	-	-	4,119,839	4,052,075
Environmental protection	2,666,922	2,554,192	-	-	2,666,922	2,554,192
Cultural and recreation	2,819,826	2,644,989	-	-	2,819,826	2,644,989
Interest on long-term debt	995,852	932,318	-	-	995,852	932,318
Water and sewer	-	-	74,309	126,995	74,309	126,995
Electric	-	-	17,486,017	16,908,508	17,486,017	16,908,508
Total expenses	31,354,939	30,511,052	17,560,326	17,035,503	48,915,265	47,546,555
Increase (decrease) in net position	5,080,848	(164,913)	542,576	135,519	5,623,424	(29,394)
Net position-July 1	122,596,664	122,761,577	17,051,956	16,916,437	139,648,620	139,678,014
Prior period adjustment	(154,332)	-	-	-	(154,332)	-
Net assets - June 30	\$ 127,523,180	\$ 122,596,664	\$17,594,532	\$ 17,051,956	\$ 139,494,288	\$ 139,648,620

Governmental activities. Governmental activities increased the Town’s net position by \$5,080,848 thereby accounting for 90.3% if the total growth in the net position of the Town of Wake Forest. Key elements of this increase are as follows:

- Ad valorem taxes made up 55.1% of governmental activity revenue and continue to be a significant revenue source for funding local government operations. Current year revenues increased 4.1% over the previous fiscal year.
- Capital grants and contributions increased significantly (\$3,486,930) from previous fiscal year due to infrastructure contributions from development activity.
- Permits and fees increased \$649,429 (53.9%) due to uptick in building and development during the fiscal year.
- Local option sales tax increased \$292,276 (5.9%) over prior fiscal year.
- Total governmental activity revenue *increased* 20.1% while expenses *increased* 2.8% from the previous fiscal year.

Business-type activities. Business-type activities increased the Town of Wake Forest's net position by \$542,576. Key elements of this increase are as follows:

- Charges for services from the Sale of Power *increased* \$628,412 (3.8%) in fiscal year ended June 30, 2013 from fiscal year ended June 30, 2012.
- Other operating revenues *increased* 49.2%. This was attributed to funds received from Long Island Power Authority for assistance provided by Wake Forest Power crews for Hurricane Sandy power restoration and clean-up.
- Total business-type expenses *increased* \$524,823 (3.1%).

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Wake Forest's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The general fund is the chief operating fund of the Town of Wake Forest. At the end of the current fiscal year, fund balance available in the General Fund was \$7,726,822, while total fund balance was \$11,928,767. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned (available) fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 24.7% of the total General Fund expenditures, while total fund balance represents 38.2% of that same amount.

In January 2013, the Town adopted a set of fiscal policy guidelines providing the framework for future financial planning. Per this policy, available fund balances at the close of each fiscal year should be at least 35% of the total annual operating budget of the Town. In the event that funds are available over and beyond the targeted amount, those funds may be transferred to capital reserve fund or capital projects fund at the Board of Commissioners discretion. The Board may also appropriate fund balances that will reduce available fund balances below the 35% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal stability and security of the Town of Wake Forest. According to this policy, a plan would be adopted to restore the available fund balances to the policy level within 36 months. The plan entails the following:

- Continued conservative revenue estimation
- Issue debt during low interest rate environment for small capital projects and rolling stock
- 10% reduction in capital outlay budgeted for the upcoming fiscal year

The General Fund balance enabled the Town to sustain its sound fiscal position during the recession utilizing fund balance for one time capital items. The percentage of available fund balance increased from 21.2% in 2011-12 to 24.7% in 2012-13. Net of the prior period adjustment, general fund balance increased \$457,795 during the fiscal year. The Town budgeted essentially the same amount of appropriated fund balance in the fiscal year 2013-2014 budget and will continue efforts to increase the percentage of available fund balance in the coming fiscal year.

At June 30, 2013, the governmental funds of the Town of Wake Forest reported a combined fund balance of \$16,388,278. The General Fund, special revenue funds, capital project funds and future capital reserve funds are included in this combined amount.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to

recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The primary differences between the original budget and the final amended budget are as follows:

- Ad valorem taxes received exceeded original budget estimates by \$710,224 due to conservative budgeting regarding the collection rate coupled with some growth in the tax base.
- Sales tax revenues were amended slightly as they exceeded the original budget estimate.

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were held in check to comply with its budgetary requirements.

The original budget planned to use \$921,000 of appropriated fund balance for one time capital items, however it was amended during the year to \$535,795. Due to revenues exceeding original budgeted expectations and continued frugal spending, an increase of \$550,712 was recognized as of June 30, 2013.

Proprietary Funds. The Town of Wake Forest’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$3,526,359 and the total ending net position were \$17,655,500.

The Electric Fund’s net position increased \$539,212 while the total proprietary fund’s net position increased \$542,576 during this past fiscal year. Operating expenses *increased* 3.5% while sale of power revenues *increased* 3.8%.

The Proprietary Funds are discussed further in the business-type activities section.

Capital Asset and Debt Administration

Capital assets. The Town of Wake Forest’s investment in capital assets for its governmental and business-type activities as of June 30, 2013 totaled \$158,604,730 (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment including vehicles, park facilities and electric system.

**Town of Wake Forest Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 34,599,357	\$ 33,887,121	\$ 510,605	\$ 510,605	\$ 35,109,962	\$ 34,397,726
Buildings and system	18,239,526	16,915,572	-	-	18,239,526	16,915,572
Other improvements	82,803,530	77,801,805	13,995,103	14,078,346	96,798,633	91,880,151
Equipment and furniture	1,694,443	1,793,364	525,333	654,454	2,219,776	2,447,818
Vehicles and motorized equipment	2,055,225	1,396,132	375,416	279,529	2,430,641	1,675,661
Construction in progress	3,806,192	6,968,561	-	-	3,806,192	6,968,561
Total	\$ 143,198,273	\$ 138,762,555	\$ 15,406,457	\$ 15,522,934	\$ 158,604,730	\$ 154,285,489

See Note 5 of this report for additional information regarding the Town’s capital assets.

**Town of Wake Forest Outstanding Debt
General Obligation and Revenue Bonds
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 13,760,000	\$ 14,765,000	\$ -	\$ -	\$ 13,760,000	\$ 14,765,000
Revenue bonds	-	-	1,277,315	1,463,932	1,277,315	1,463,932
N.C Water Pollution Control Revolving Loan and Bond Fund	-	-	1,541,132	1,929,194	1,541,132	1,929,194
Installment Purchase	14,078,185	14,431,762	826,667	1,093,537	14,904,852	15,525,299
Total	\$ 27,838,185	\$ 29,196,762	\$ 3,645,114	\$ 4,486,663	\$ 31,483,299	\$ 33,683,425

Long-term Debt. As of June 30, 2013, the Town of Wake Forest had total bonded debt outstanding of \$13,760,000 and installment purchase related debt of \$14,904,852. The outstanding revenue bond debt totals \$1,277,315 which represents the balance owed on the electric substation as of June 30, 2013. The remaining \$826,667 installment note along with the \$1,541,132 in N.C. Water Pollution Control Revolving Loan and Bond funds are being repaid from utility system revenues. As part of the merger agreement, the City of Raleigh is required to pay to the Town amounts equal to the debt service on the Town’s water and sewer obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight (8%) percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Wake Forest is \$284,343,069. Practically, these statutory limits exceed the Town’s realistic debt capacity.

Additional information regarding the Town of Wake Forest’s long-term debt can be found in Note 10 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The 2013-2014 Adopted Budget increased 5.4% over the 2012-2013 Amended Budget. The Board of Commissioners started a strategic planning process at January’s planning retreat that established four key goals of the organization. These goals set the road map for future plans and were used to formulate the upcoming budget. Emphasis continued to be on maintaining current levels of service, while continuing to be conservative in our revenue projections and prudent in our use of revenues. Pay and classification adjustments, performance pay (merit) and career ladder funds for eligible departments were included. Twelve (12) new positions were funded and four (4) existing positions formerly frozen were funded.

The Town’s tax rate remained unchanged at \$.51 for the coming fiscal year. This equates to a breakdown of \$.41 for town operations and debt service and \$.10 for fire services. The final budget for the General Fund totaled \$33.6 million. The positive economic outlook will allow Wake Forest to make adjustments in our services that have been delayed over the past few years. Decision making will still require much care and prudence as we

continue to focus on providing the core services our citizens expect. Prioritizing how our resources are utilized is critical as we make long term plans for capital investments.

Business-type Activities: Utility rates were unchanged in the Electric Fund. The total budget was \$18.9 million for the Electric Fund. Effective July 1, 2005 the City of Raleigh operates the water and wastewater systems.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Wake Forest, 301 S. Brooks Street Wake Forest, North Carolina 27587; (919) 435-9461 or astaples@wakeforestnc.gov.

Town of Wake Forest, North Carolina
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,891,314	\$ 4,273,467	\$ 18,164,781
Taxes receivables (net)	465,575	-	465,575
Accounts receivable (net)	2,253,791	1,964,103	4,217,894
Internal balances	511,160	(511,160)	-
Due from other governments	210,276	-	210,276
Inventories	17,169	1,284,148	1,301,317
Restricted cash and cash equivalents	1,281,331	-	1,281,331
Due within one year			
Note receivable-current portion	-	594,727	594,727
Due in more than one year			
Note receivable-noncurrent portion	948,950	1,773,067	2,722,017
Capital assets			
Land, improvements, and construction in progress	38,405,549	510,605	38,916,154
Other capital assets, net of depreciation	104,792,724	14,895,852	119,688,576
Total assets	<u>162,777,839</u>	<u>24,784,809</u>	<u>187,562,648</u>
LIABILITIES			
Accounts payable	1,658,963	2,709,042	4,368,005
Accrued interest payable	281,202	27,280	308,482
Customer deposits	-	176,770	176,770
Due within one year			
Compensated absences	662,996	105,146	768,142
Bonds and notes payable	3,212,564	788,390	4,000,954
Payable from restricted assets	96,606	-	96,606
Due in more than one year			
Compensated absences	17,243	-	17,243
Net pension obligation	623,963	-	623,963
Other postemployment benefits	3,819,393	526,924	4,346,317
Bonds and notes payable	24,830,094	2,856,725	27,686,819
Total liabilities	<u>35,203,024</u>	<u>7,190,277</u>	<u>42,393,301</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	51,635	-	51,635
NET POSITION			
Net investment in capital assets	115,919,685	14,129,141	130,048,826
Restricted for			
Stabilization by State Statute	2,757,473	-	2,757,473
Downtown District	224,269	-	224,269
Public Safety	267,904	-	267,904
Unrestricted	8,353,849	3,465,391	11,819,240
Total net position	<u>\$ 127,523,180</u>	<u>\$ 17,594,532</u>	<u>\$ 145,117,712</u>

Town of Wake Forest, North Carolina
Statement of Activities
 For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 9,524,312	\$ 1,901,453	\$ -	\$ -	\$ (7,622,859)	\$ -	\$ (7,622,859)
Public safety	11,228,188	624,000	82,944	16,960	(10,504,284)	-	(10,504,284)
Transportation	4,119,839	36,873	770,703	3,612,138	299,875	-	299,875
Environmental protection	2,666,922	191,383	54,028	-	(2,421,511)	-	(2,421,511)
Cultural and recreation	2,819,826	1,119,803	-	142,693	(1,557,330)	-	(1,557,330)
Interest on long-term debt	995,852	-	-	-	(995,852)	-	(995,852)
Total governmental activities	<u>31,354,939</u>	<u>3,873,512</u>	<u>907,675</u>	<u>3,771,791</u>	<u>(22,801,961)</u>	<u>-</u>	<u>(22,801,961)</u>
Business-type activities:							
Water and sewer	74,309	-	-	-	-	(74,309)	(74,309)
Electric	17,486,017	17,987,671	-	-	-	501,654	501,654
Total business-type activities	<u>17,560,326</u>	<u>17,987,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,345</u>	<u>427,345</u>
Total	<u>\$ 48,915,265</u>	<u>\$ 21,861,183</u>	<u>\$ 907,675</u>	<u>\$ 3,771,791</u>	<u>(22,801,961)</u>	<u>427,345</u>	<u>(22,374,616)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					20,062,610	-	20,062,610
Other taxes and licenses					92,347	-	92,347
Unrestricted intergovernmental					7,070,415	-	7,070,415
Unrestricted investment earnings					139,553	82,968	222,521
Miscellaneous					516,424	33,723	550,147
Total general revenues not including transfers					27,881,349	116,691	27,998,040
Transfers					1,460	(1,460)	-
Total general revenues and transfers					<u>27,882,809</u>	<u>115,231</u>	<u>27,998,040</u>
Change in net position					5,080,848	542,576	5,623,424
Net position-beginning of year, as previously reported					122,596,664	17,051,956	139,648,620
Prior period adjustment					(154,332)	-	(154,332)
Net position-beginning, as restated					<u>122,442,332</u>	<u>17,051,956</u>	<u>139,494,288</u>
Net position-ending					<u>\$ 127,523,180</u>	<u>\$ 17,594,532</u>	<u>\$ 145,117,712</u>

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

Town of Wake Forest, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,194,313	\$ 3,697,001	\$ 13,891,314
Receivables, net			
Taxes	465,575	-	465,575
Accounts	1,905,843	347,948	2,253,791
Due from other governments	210,276	-	210,276
Due from other funds	511,160	-	511,160
Inventories	17,169	-	17,169
Restricted cash and cash equivalents	492,410	788,921	1,281,331
Total assets	<u>\$ 13,796,746</u>	<u>\$ 4,833,870</u>	<u>\$ 18,630,616</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,381,210	\$ 374,359	\$ 1,755,569
Deferred inflows of resources			
Property taxes receivable	418,333	-	418,333
Sanitation receivables	16,801	-	16,801
Prepaid taxes	51,635	-	51,635
Total deferred inflows of resources	<u>486,769</u>	<u>-</u>	<u>486,769</u>
Fund balances			
Non Spendable			
Inventories	17,169	-	17,169
Restricted			
Stabilization by State Statute	2,757,473	-	2,757,473
Downtown District	224,269	-	224,269
Public Safety	267,904	-	267,904
Committed			
Street improvements	-	897,352	897,352
Economic development	-	900,053	900,053
Assigned			
Subsequent years expenditures	935,130	1,830,896	2,766,026
Recreation improvements	-	726,880	726,880
Cemetery improvements	-	104,330	104,330
Unassigned	7,726,822	-	7,726,822
Total fund balances	<u>11,928,767</u>	<u>4,459,511</u>	<u>16,388,278</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,796,746</u>	<u>\$ 4,833,870</u>	<u>\$ 18,630,616</u>

Town of Wake Forest, North Carolina
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds

June 30, 2013

Fund balances-total governmental funds		\$ 16,388,278
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Amounts reported for governmental activities in the statement of net assets are different because;

Long-term assets, including notes receivable are not due and receivable in the current period and therefore are not reported in the governmental funds.		948,950
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 181,992,373	
Less accumulated depreciation	<u>(38,794,100)</u>	143,198,273

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Government bonds and notes payable	(27,838,185)	
Premiums received on bond issuance	(204,473)	
Compensated absences	(680,239)	
Other postemployment benefits	(3,819,393)	
Net pension obligation	<u>(623,963)</u>	(33,166,253)

Liabilities for earned revenues considered deferred inflows of resources in fund statements.		435,134
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued expenses payable		<u>(281,202)</u>
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Net position of governmental activities		<u><u>\$ 127,523,180</u></u>
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Town of Wake Forest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 20,062,793	\$ -	\$ 20,062,793
Other taxes	92,347	-	92,347
Unrestricted intergovernmental	7,070,415	-	7,070,415
Restricted intergovernmental	907,675	213,978	1,121,653
Permits and fees	1,853,691	1,298,232	3,151,923
Sales and services	710,031	-	710,031
Miscellaneous	422,787	165,036	587,823
Investment earnings	34,831	27,188	62,019
Total revenues	<u>31,154,570</u>	<u>1,704,434</u>	<u>32,859,004</u>
Expenditures:			
Current:			
General government	8,321,446	384,045	8,705,491
Public safety	10,418,124	-	10,418,124
Transportation	1,734,057	-	1,734,057
Environmental protection	2,577,759	-	2,577,759
Cultural and recreation	2,003,892	-	2,003,892
Capital outlay	2,336,742	3,034,465	5,371,207
Debt service:			
Bond principal	1,005,000	-	1,005,000
Bond interest	542,188	-	542,188
Installment note principal	1,957,402	-	1,957,402
Installment note interest	361,021	-	361,021
Total expenditures	<u>31,257,631</u>	<u>3,418,510</u>	<u>34,676,141</u>
Revenues under expenditures	<u>(103,061)</u>	<u>(1,714,076)</u>	<u>(1,817,137)</u>
Other financing sources (uses):			
Transfers in	120,443	1,332,904	1,453,347
Transfers out	(159,080)	(1,292,807)	(1,451,887)
Issuance of debt	753,825	850,000	1,603,825
Total other financing sources (uses)	<u>715,188</u>	<u>890,097</u>	<u>1,605,285</u>
Net change in fund balances	<u>612,127</u>	<u>(823,979)</u>	<u>(211,852)</u>
Fund balance - beginning of year (as originally stated)	11,470,972	5,086,645	16,557,617
Adjustment to beginning fund balance	(154,332)	196,845	42,513
Fund balance - beginning of year (as restated)	<u>11,316,640</u>	<u>5,283,490</u>	<u>16,600,130</u>
Fund balance - end of year	<u>\$ 11,928,767</u>	<u>\$ 4,459,511</u>	<u>\$ 16,388,278</u>

Town of Wake Forest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
 For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (211,852)

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

Expenditures for capital assets	\$ 5,371,207	
Less current year depreciation	<u>(4,285,808)</u>	1,085,399

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

Developer's contributed capital		3,545,853
Donated public safety vehicle		11,960
Notes receivable		231,000
Change in unavailable revenue for tax and sanitation revenues		11,375

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position. (10,648)

The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of bond issuance costs	(128,711)	
Amortization of bond premiums	16,783	
Issuance of debt	(1,603,825)	
Principal payments	<u>2,962,402</u>	1,246,649

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(21,186)
Net pension obligation		(108,648)
Other postemployment benefits		(735,122)
Change in accrued interest payable		<u>36,068</u>

Total changes in net position of governmental activities \$ 5,080,848

Town of Wake Forest, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 19,278,055	\$ 19,994,975	\$ 19,988,279	\$ (6,696)
Other taxes and licenses	83,500	88,305	92,347	4,042
Unrestricted intergovernmental	6,697,325	7,002,620	7,070,415	67,795
Restricted intergovernmental	1,080,555	861,425	907,675	46,250
Permits and fees	1,085,000	1,774,100	1,853,691	79,591
Sales and services	863,255	842,200	710,031	(132,169)
Miscellaneous	280,350	365,550	362,036	(3,514)
Investment earnings	65,000	55,000	34,181	(20,819)
Total revenues	<u>29,433,040</u>	<u>30,984,175</u>	<u>31,018,655</u>	<u>34,480</u>
EXPENDITURES:				
Current				
General government	9,307,260	9,566,370	9,081,076	485,294
Public safety	11,354,160	11,108,915	10,836,218	272,697
Transportation	2,066,655	2,473,650	2,343,492	130,158
Environmental protection	2,773,870	2,926,790	2,940,893	(14,103)
Cultural and recreational	2,449,900	2,546,905	2,190,341	356,564
Debt service				
Bond principal	1,005,000	1,005,000	1,005,000	-
Bond interest	542,190	542,190	542,188	2
Installment note principal	1,730,665	2,073,265	1,957,402	115,863
Installment note interest	267,340	271,840	361,021	(89,181)
Total expenditures	<u>31,497,040</u>	<u>32,514,925</u>	<u>31,257,631</u>	<u>1,257,294</u>
Revenues over (under) expenditures	<u>(2,064,000)</u>	<u>(1,530,750)</u>	<u>(238,976)</u>	<u>1,291,774</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
Downtown District Special Tax	85,000	85,000	74,500	(10,500)
Police Station Renovations Capital Project Fund	-	(84,585)	(84,580)	5
General Capital Reserve Fund	158,500	202,985	44,483	(158,502)
Water and Sewer Fund	-	-	1,460	1,460
Police Department Special Revenue Fund	-	27,230	-	(27,230)
Street & Sidewalk Improvements Capital Projects Fund	-	10,500	-	(10,500)
Installment note issuance	899,500	753,825	753,825	-
Appropriated fund balance	921,000	535,795	-	(535,795)
Total other financing sources (uses)	<u>2,064,000</u>	<u>1,530,750</u>	<u>789,688</u>	<u>(741,062)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>550,712</u>	<u>\$ 550,712</u>
FUND BALANCE - Beginning of year (as originally stated)			11,040,214	
Adjustment to beginning fund balance			(154,332)	
FUND BALANCE - Beginning of year (as restated)			<u>10,885,882</u>	
FUND BALANCE - End of year			11,436,594	
A legally budgeted Downtown District Special Tax Fund is consolidated into the General Fund for reporting purposes:				
Ad valorem taxes			74,514	
Investment earnings			341	
Miscellaneous			1,414	
Transfer to General Fund			(74,500)	
Fund balance - beginning of year			222,500	
A legally budgeted Police Department Special Fund is consolidated into the General Fund for reporting purposes:				
Donations			18,663	
Forfeited currency			32,614	
Investment earnings			309	
Miscellaneous			8,060	
Fund balance - beginning of year			208,258	
FUND BALANCE - End of year (Exhibit 4)			<u>\$ 11,928,767</u>	

Town of Wake Forest
Proprietary Funds
Statement of Fund Net Position
June 30, 2013

	Electric Fund	Water and Sewer Fund	Totals
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 2,999,458	\$ 1,274,009	\$ 4,273,467
Accounts receivable, net	1,964,103	-	1,964,103
Note receivable - current portion	-	594,727	594,727
Inventories	1,284,148	-	1,284,148
Subtotal	6,247,709	1,868,736	8,116,445
Noncurrent assets:			
Note receivable - noncurrent portion	-	1,773,067	1,773,067
Capital assets:			
Land and other non-depreciable assets	510,605	-	510,605
Other capital assets, net of depreciation	14,895,852	-	14,895,852
Capital assets (net)	15,406,457	-	15,406,457
Subtotal-noncurrent assets	15,406,457	1,773,067	17,179,524
Total assets	21,654,166	3,641,803	25,295,969
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	1,383,436	1,325,606	2,709,042
Due to other funds	511,160	-	511,160
Customer deposits	176,770	-	176,770
Accrued interest payable	17,914	9,366	27,280
Compensated absences	105,146	-	105,146
Bonds and notes payable	193,663	594,727	788,390
Total current liabilities	2,388,089	1,929,699	4,317,788
Noncurrent liabilities:			
Other postemployment benefits	526,924	-	526,924
Bonds and notes payable	1,083,653	1,773,072	2,856,725
Total noncurrent liabilities	1,610,577	1,773,072	3,383,649
Total liabilities	3,998,666	3,702,771	7,701,437
<u>Net Position</u>			
Net investment in capital assets	14,129,141	-	14,129,141
Unrestricted	3,526,359	(60,968)	3,465,391
Total net position	\$ 17,655,500	\$ (60,968)	\$ 17,594,532

Town of Wake Forest
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2013

	Electric Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 16,999,717	\$ -	\$ 16,999,717
Other operating revenues	987,954	-	987,954
Total operating revenues	<u>17,987,671</u>	<u>-</u>	<u>17,987,671</u>
Operating expenses:			
Electric operations	3,599,825	-	3,599,825
Electric power purchases	12,888,551	-	12,888,551
Depreciation	932,018	-	932,018
Total operating expenses	<u>17,420,394</u>	<u>-</u>	<u>17,420,394</u>
Operating income	<u>567,277</u>	<u>-</u>	<u>567,277</u>
Nonoperating revenues (expenses):			
Investment earnings	3,835	79,133	82,968
Interest expense	(65,623)	(74,309)	(139,932)
Gain on capital asset disposals	33,723	-	33,723
Total nonoperating revenues (expenses)	<u>(28,065)</u>	<u>4,824</u>	<u>(23,241)</u>
Income before transfers	539,212	4,824	544,036
Transfers to other funds	<u>-</u>	<u>(1,460)</u>	<u>(1,460)</u>
Change in net position	539,212	3,364	542,576
Net position, beginning of year	<u>17,116,288</u>	<u>(64,332)</u>	<u>17,051,956</u>
Net position, end of year	<u>\$ 17,655,500</u>	<u>\$ (60,968)</u>	<u>\$ 17,594,532</u>

Town of Wake Forest
Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013

	Electric Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 17,970,661	\$ -	\$ 17,970,661
Cash paid for goods and services	(14,069,320)	-	(14,069,320)
Cash paid to employees for services	(2,326,005)	-	(2,326,005)
Customer deposits received	64,220	-	64,220
Customer deposits returned	(62,950)	-	(62,950)
Net cash provided by operating activities	<u>1,576,606</u>	<u>-</u>	<u>1,576,606</u>
Cash flows from noncapital financing activities:			
Repayment of interfund loan	(72,210)	-	(72,210)
Interfund transfer	-	(1,460)	(1,460)
Net cash used by noncapital financing activities	<u>(72,210)</u>	<u>(1,460)</u>	<u>(73,670)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(815,542)	-	(815,542)
Proceeds of sale of capital assets	33,723	-	33,723
Principal paid on bond maturities and equipment notes	(246,822)	(594,727)	(841,549)
Interest paid on bond maturities and equipment notes	(68,240)	(79,133)	(147,373)
Collections for the City of Raleigh, pursuant to merger agreement	-	4,654,809	4,654,809
Transfer of funds to City of Raleigh, pursuant to merger agreement	-	(4,557,925)	(4,557,925)
Transfer of funds from City of Raleigh, pursuant to merger agreement	-	698,455	698,455
Net cash used by capital and related financing activities	<u>(1,096,881)</u>	<u>121,479</u>	<u>(975,402)</u>
Cash flows from investing activities:			
Interest on investments	<u>3,836</u>	<u>79,133</u>	<u>82,969</u>
Net increase in cash and cash equivalents	411,351	199,152	610,503
Cash and cash equivalents:			
Beginning of year	2,588,107	1,074,857	3,662,964
End of year	<u>\$ 2,999,458</u>	<u>\$ 1,274,009</u>	<u>\$ 4,273,467</u>

Town of Wake Forest
Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013

	Electric Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 567,277	\$ -	\$ 567,277
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	932,018	-	932,018
Changes in assets and liabilities:			
Increase in accounts receivable	(17,011)	-	(17,011)
Increase in inventory	(59,295)	-	(59,295)
Increase in accounts payable and accrued liabilities	18,369	-	18,369
Increase in customer deposits	1,270	-	1,270
Increase in accrued vacation pay	30,651	-	30,651
Increase in other postemployment benefits	103,327	-	103,327
Total adjustments	1,009,329	-	1,009,329
Net cash provided by operating activities	\$ 1,576,606	\$ -	\$ 1,576,606

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Wake Forest have been prepared in conformity with generally accepted accounting principles as applied to government units. The following is a summary of the more significant accounting policies:

(a) Reporting Entity

The Town, a political subdivision of Wake County, is a municipal corporation governed by an elected mayor and a five member Town Board. There are no component units which are required to be included in these financial statements.

(b) Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the Town. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The government reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services. Additionally, the Town has legally adopted a Downtown District Special Tax Fund and a Police Department Special Fund. Under GASB 54 guidance these two funds are consolidated in the General Fund. The budgetary comparisons for the Downtown District Special Tax Fund and the Police Department Special Fund have been included in the supplemental information.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective July 1, 2005; however these funds remain open to collect availability fees and other fees on behalf of the City of Raleigh and to pay long term debt and interest on long term debt as it becomes due.

Electric Fund – The Electric Fund is used to account for electric operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Electric Fund is composed of two sub-funds: Electric Operations and Electric Capital Reserve, which are consolidated for financial reporting purposes.

The Town reports the following nonmajor governmental funds:

Special Revenue Funds – Special Revenue funds are used to account for resources set aside for specific purposes. The Town has one special revenue fund: the Futures Fund which is used to account for resources set aside for economic development.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds). The Town has seven (7) non-major capital project funds: Recreation Capital Reserve, Cemetery Capital Reserve, General Capital Reserve, Dunn Creek Greenway, Greenway Transportation Pedestrian Access (GTP), Street Improvements and Police Station Renovations.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wake County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County including the Town of Wake Forest. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the Town's Electric Fund and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(d) Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. Annual budget ordinances are adopted for the general, special revenue and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances, which may cover more than one year, are adopted for the capital project and capital reserve funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions. Supplemental appropriations that amend the total expenditures of any fund require an ordinance of the Board of Commissioners. The Town Manager is authorized by the budget ordinance to transfer appropriations between objects of expenditure within a

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NOTES TO THE FINANCIAL STATEMENTS

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functional area without limitation and without a report being required and may transfer appropriations up to \$25,000 between functional areas within a fund with an official reporting of such transfers to the Board. Any interfund transfer not included in the original budget or any appropriation from a contingency account must be approved by the Board of Commissioners. During the year several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

(e) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

(1) Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate as an official depository any bank or savings and loan whose principal office is located in North Carolina. The Town may also establish time deposits in the form of NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT cash portfolio, a SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price.

(2) Cash and Cash Equivalents

The Town pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) Restricted Assets

The unexpended debt proceeds of the Street Improvements Capital Project Fund issued by the Town are classified as restricted assets for the Street Improvements Capital Project Fund because their use is completely restricted to the purpose for which the debt was originally issued. Money in the Downtown District Special Tax Fund and the Police Department Special Fund is classified as restricted assets because its use is restricted to the Downtown District Special Tax Fund and the Police Department Special Fund per N.C. G.S. Chapter 159, Article 3, Part 2.

(4) Ad Valorem Taxes Receivable

In accordance with North Carolina General Statutes (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due September 1st (lien date); however interest does not accrue until the following January 6th. These taxes are based on the assessed values as of the previous January 1.

(5) Allowances for Doubtful Accounts

An allowance for doubtful accounts is maintained on the ad valorem taxes receivable and customer accounts receivable for electric operations. The allowance for ad valorem taxes receivable is estimated by analyzing the percentage of receivables that are written off in prior years. The allowance for customer accounts receivable for electric operations is estimated at the amount of accounts receivable that have not been written off that exceeds 120 days. The direct write-off method is used by the Town on all other types of receivables.

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Under this method, all accounts considered uncollectible at June 30, 2013 have been charged against operations.

(6) Inventories

Inventories are maintained for general and enterprise fund supplies. They are at cost (weighted average), which approximates market. The inventories of the Town's General and Enterprise Funds consist of materials and supplies for consumption. In each case the cost is recorded as an expense when the inventory is consumed.

(7) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated on a straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 years
Equipment and vehicles	3-10 years
Water and sewer systems	30-40 years
Buildings and improvements	10-30 years
Land improvements	10 to 40 years
Furniture and fixtures	5 to 8 years

(8) Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meet the criterion for this category - prepaid taxes.

(9) Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amounts of debt issuances are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while

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discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

(10) Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned, except that police officers may accumulate thirty (30) regular days and twenty-two (22) holidays for a total of fifty-two (52) vested vacation days. The Town's policy for compensatory pay is to pay for unused compensatory time for those employees qualifying for such time in accordance with the Fair Labor Standards Act up to a maximum of 240 hours at a rate of one and one-half hours per hour overtime worked, except that police officers may accumulate a maximum of 480 hours.

For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement purposes. Since the Town has no obligation for the sick leave until it is actually taken, no provision has been made in the accompanying financial statements.

(11) Net position/Fund Balances

Net position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance

This classification includes amounts of fund balance restricted by or subject to externally enforceable legal restrictions, including, but not limited to creditors, grantors, contributors, or other governments through enabling legislation.

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Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Downtown District - portion of fund balance that is restricted by revenue source for certain downtown district expenditures.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Committed Fund Balance

This classification includes amounts of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Wake Forest's Board of Commissioners, the highest level of decision making authority. Any changes or removal of specific purpose requires majority action by the Board. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation with funds up to \$25,000.

Committed for street improvements – portion of fund balance committed by the Board for street capital improvements.

Committed for economic development – portion of fund balance committed by the Board for future economic development projects.

Assigned Fund Balance

This classification includes amounts of fund balance that reflect a government's intended use of resources through authority delegated by the Wake Forest's Board of Commissioners to some other body or official.

Assigned for subsequent year's expenditures - portion of total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Assigned for recreation improvements - portion of fund balance that has been budgeted by the Board for recreation improvements.

Assigned for cemetery improvements - portion of fund balance that has been budgeted by the Board for cemetery improvements.

Unassigned Fund Balance

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

The Town's fund balance policy adopted in September 2004 requires that the Town maintain an available

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(unreserved/undesignated) fund balance of 35% of general fund expenditures. Amounts in excess of this minimum may be used for construction projects or major capital outlay when the Town wishes to avoid the issuance of debt, purchase of real property, emergency work after disasters or for maintaining a stable tax rate when economically dependent revenues (i.e. sales taxes) are less than budgeted amounts.

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amount in the Environmental Protection Department due to not making a budget ordinance amendment. The amount is not considered material. The Town intends to review the financial statements for needed budget ordinance amendments in future years.

Note 3 – DEPOSITS AND INVESTMENTS

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

At June 30, 2013, the carrying amount of the Town’s deposits was \$7,729,857 and the bank balance was \$8,282,832. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$6,782,832 was covered under the Pooling Method. At June 30, 2013, the Town had \$1,350 of petty cash on hand.

Investments – At June 30, 2013, the Town had \$11,714,905 invested with the North Carolina Capital Management Trust’s Cash Portfolio which carried a credit rating of AAAM by Standard and Poor’s. The Town’s investment policy states that investment securities purchased by the Town shall be held in third-party safekeeping by an institution designated as primary agent.

Interest Rate Risk – The Town’s policy states that all investments shall have maturities not to exceed eighteen (18) months as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – The Town’s investment policy states that investment securities purchased by the Town shall be held in third-party safekeeping by an institution designated as primary agent. Generally the

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Town invests available cash in North Carolina Capital Management Trust's Cash Portfolio or other interest generating account as allowed by North Carolina law. The Town's investment in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013.

Note 4 – RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amounts presented in the Statement of Net Position are net of allowance for doubtful accounts in the following amounts:

General Fund	Allowance for uncollectible property taxes receivable	\$	53,802
Electric Fund	Allowance for uncollectible customer receivables		296,999

Note 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 33,887,121	\$ 712,236	\$ -	\$ 34,599,357
Construction in progress	6,771,716	3,034,463	5,999,987	3,806,192
	<u>40,658,837</u>	<u>3,746,699</u>	<u>5,999,987</u>	<u>38,405,549</u>
Capital assets being depreciated:				
Buildings	20,669,628	2,031,446	-	22,701,074
Other improvements	103,450,594	7,862,396	-	111,312,990
Equipment and furniture	4,122,440	231,256	10,400	4,343,296
Vehicles and motorized equipment	4,347,762	1,057,208	175,507	5,229,463
	<u>132,590,424</u>	<u>11,182,306</u>	<u>185,907</u>	<u>143,586,823</u>
Less accumulated depreciation for:				
Building	3,754,056	707,492	-	4,461,548
Other improvements	25,648,789	2,860,671	-	28,509,460
Equipment and furniture	2,329,076	329,744	9,967	2,648,853
Vehicles and motorized equipment	2,951,630	387,901	165,293	3,174,238
	<u>34,683,551</u>	<u>4,285,808</u>	<u>175,260</u>	<u>38,794,099</u>
Total capital assets being deprec, net	<u>97,906,873</u>			<u>104,792,724</u>
Capital assets, net	<u>\$ 138,565,710</u>			<u>\$ 143,198,273</u>

Depreciation expense was charged to Functions/programs as follows:

General government	\$	743,351
Public safety		390,140
Public works		2,334,792
Environmental protection		66,193
Cultural and recreational		751,332
Total	\$	<u>4,285,808</u>

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ELECTRIC FUND	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 510,605	\$ -	\$ -	510,605
Construction in progress	-	-	-	-
	510,605	-	-	510,605
Capital assets being depreciated:				
Utility improvements	22,893,708	640,969	-	23,534,677
Equipment and furniture	1,555,205	8,046	34,617	1,528,634
Vehicles and motorized equipment	1,270,029	166,526	21,479	1,415,076
	25,718,942	815,541	56,096	26,478,387
Less accumulated depreciation for:				
Utility improvements	8,815,362	724,212	-	9,539,574
Equipment and furniture	900,751	137,167	34,617	1,003,301
Vehicles and motorized equipment	990,500	70,639	21,479	1,039,660
	10,706,613	\$ 932,018	\$ 56,096	11,582,535
Total capital assets being depreciated, net	15,012,329			14,895,852
Capital assets, net	\$ 15,522,934			\$ 15,406,457

Construction commitments

At June 30, 2013, the Town had contracted commitments as follows:

Project	Spent-to-Date	Remaining Commitment
Capital Project Fund – Greenway Transportation Pedestrian Access Projects	\$ 1,681,221	\$ 492,493

Note 6– PENSION PLAN OBLIGATIONS

(a) Local Government Employees’ Retirement System

Plan Description

The Town of Wake Forest contributes to the statewide Local Governmental Employees’ Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employee’s Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF WAKE FOREST, NORTH CAROLINA

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Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Wake Forest are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 and were \$770,777, \$746,798, and \$689,007, respectively. The contributions made by the Town equaled the required contributions for each year.

(b) Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Wake Forest administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>57</u>
Total	<u><u>57</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting: The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method and the level percent of pay closed amortization method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses over a remaining amortization period of 18 years) and (b) projected salary increases

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of 4.25 – 7.85% per year. The inflation component was 3.00%. The assumptions do not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation

The Town’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 114,951
Interest on net pension obligation	25,766
Adjustment to annual required contribution	<u>(32,069)</u>
Annual pension cost	108,648
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	108,648
Net pension obligation – Beginning of year	<u>515,315</u>
Net pension obligation – End of year	<u><u>\$ 623,963</u></u>

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/13	\$ 108,648	0.00%	\$ 623,963
06/30/12	103,703	31.35%	515,315
06/30/11	113,608	28.62%	444,124

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$960,167. The covered payroll (annual payroll of active employees covered by the plan) was \$3,486,457, and the ratio of the UAAL to the covered payroll was 27.54 percent.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(c) Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension

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trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy

Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$214,419, which consisted of \$175,353 from the Town and \$39,066 from the law enforcement officers.

(d) Supplemental Retirement Income Plan for all Other Employees

1. Plan Description

All other employees of the Town (excluding Law Enforcement Officers) are members of the Town’s 401(k) plan, a defined contribution pension plan as described above.

2. Funding Policy

The Town contributes each month an amount equal to 5% of eligible employee’s salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$502,350, which consisted of \$368,566 from the Town and \$133,784 from employees.

(e) Other Postemployment Benefit (OPEB) – Healthcare Benefits

Plan Description

Under a Town resolution July 1, 2008, the Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees’ Retirement System (System) and have met certain service requirements with the Town. Employees hired after April 15, 2003 who have 20 or more years of continuous creditable service with the Town at the time of their retirement will receive full benefits; those with 15-19 years of continuous creditable service with the Town will receive one-half of the benefits. Employees hired prior to April 15, 2003 who have 15 or more years of service at retirement will receive full benefits; those with 5-14 years of service will receive one-half of the benefits. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	21	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	137	57
Total	158	59

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Funding Policy

The Board of Commissioners established the contribution requirements of plan members and this may be amended by the Board. Employees pay \$360 per month for dependent coverage and \$814 per month for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.79% of annual covered payroll. For the current year, the Town contributed \$158,828 or 1.42% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented .86% and .48% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$171,516. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 991,006
Interest on OPEB obligation	140,315
Adjustment to annual required contribution	(134,044)
Annual OPEB cost	<u>997,277</u>
Contributions made	<u>158,828</u>
Increase in net OPEB obligation	838,449
Net OPEB obligation beginning of year	<u>3,507,868</u>
Net OPEB obligation end of year	<u>\$ 4,346,317</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation as of June 30, 2013 were as follows:

For Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 997,277	15.93%	\$ 4,346,317
6/30/12	965,878	11.69%	3,507,868
6/30/11	897,018	10.45%	2,654,934

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,504,056. The covered payroll (annual payroll of active employees covered by the plan) was \$11,159,640 and the ratio of the UAAL to the covered payroll was 85.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for the financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.5 to 5.0 percent annually. The investment rate included a 3.00% inflation assumption. The actuarial value, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

(f) Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's twelve (12) highest months salary in a row during the twenty-four (24) months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. Due to a surplus, a decision was made to temporarily stop employer contributions to the Death Benefit Plan beginning July 1, 2012 for a period of three years. Thus, the Town's required contributions for employees not engaged in law

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

enforcement and for law enforcement officers represented 0.0% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Note 7 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources at year-end is comprised of following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>	<u>Total</u>
General Fund			
Prepaid taxes not yet earned	\$ -	\$ 35,787	\$ 35,787
Taxes receivable (net)	294,377	-	294,377
Vehicle licenses receivable	93,073	-	93,073
Sanitation receivables	16,801	-	16,801
Prepaid other	-	15,657	15,657
Total general fund	<u>404,251</u>	<u>51,444</u>	<u>455,695</u>
Special Revenue Fund			
Taxes receivable (net)	30,883	191	31,074
Total	<u>\$ 435,134</u>	<u>\$ 51,635</u>	<u>\$ 486,769</u>

Note 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town participates in two (2) self-funded risk financing pools administered by the North Carolina League of Municipalities (NCLM). Through these pools, the Town obtains general liability coverage in the amount of \$3,000,000 per occurrence, auto liability coverage in the amount of \$2,000,000 combined single limit, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to the statutory limits. The Town contracts with a preferred provider organization (PPO) to provide employee health insurance coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$1,000,000. The pools are reinsured through commercial companies for single occurrence claims against property in excess of \$500,000 and statutory limits for workers' compensation in excess of \$1,000,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three (3) fiscal years. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

In accordance with G.S. 159-29, Town's employees with access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial fidelity bond with limits of \$100,000. The Finance Director and the tax collector are individually bonded for \$100,000 each. Government crime coverage provides \$5,000 per occurrence for theft of money and securities inside or outside the premises.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 9 – CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

During fiscal year ended June 30, 2007, the Town issued bonds in the amount of \$9,200,000 that are subject to arbitrage rebate in accordance with Internal Revenue Code Section 148. Arbitrage restrictions limit the ability of governmental units to profit from the investment of tax-exempt bond proceeds. Excess earnings resulting from arbitrage must be rebated to the federal government and is calculated and rebated at the end of each five-year period that tax-exempt debt is outstanding and at maturity. There are certain exceptions allowed by the Internal Revenue Service whereby the arbitrage rebate does not have to be paid. Management believes that the Town will not be subject to arbitrage rebate and accordingly, no provision has been made for potential arbitrage rebate in these financial statements.

Note 10 – LONG-TERM DEBT

(a) General Obligation Bonds

The Town's general obligation bonds serviced by the governmental funds were issued for the acquisition of parks and recreation facilities and street improvements. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water, sewer and electric systems and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund and the Electric Fund. In addition, general obligation bonds have been issued to refund general obligation bonds. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2013 are comprised of the following individual issues:

Serviced by the General Fund:

\$7,300,000 Series 2009A Public Improvement Bonds with annual installments of \$365,000 due annually on February 1 through February 1, 2030 plus interest from 2.0 to 4.0 percent	\$ 6,205,000
\$1,705,000 Series 2009B Refunding Bonds with annual installments of \$100,000 to \$190,000 due annually on February 1 through February 1, 2020 plus interest from 2.5 to 4.0 percent	1,115,000
\$9,200,000 Series 2006 Public Improvement Bonds with annual installments of \$460,000 due annually on April 1 through April 1, 2027 plus interest from 3.6 to 5.0 percent	<u>6,440,000</u>
Total	<u>\$ 13,760,000</u>

At June 30, 2013, the Town of Wake Forest had a legal debt margin of \$284,343,069.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Annual debt service requirements to maturity for general obligation bonds at June 30, 2013 are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2014	\$ 1,005,000	\$ 516,988
2015	1,000,000	475,375
2016	995,000	433,000
2017	990,000	388,525
2018	990,000	353,400
2019-2023	4,385,000	1,289,437
2024-2028	3,665,000	531,795
2029-2033	730,000	43,800
Total	<u>\$ 13,760,000</u>	<u>\$ 4,032,320</u>

(b) Revenue Bonds

\$2,300,000 Electric Revenue Bonds, Series 2007, issued for acquiring, constructing and equipping an electric substation. Principal installments are due semiannually on August 15 and February 15 of \$119,820 through 2019 which includes interest at 3.74%.

\$ 1,277,315

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Electric System Revenue Bond, Series 2007. Section 5.02 (a) requires the debt service coverage ratio to be no less than 120%. The debt service coverage ratio calculation for the year ended June 30, 2013, is as follows:

Operating revenues	\$ 17,987,671
Operating and non-operating expense	<u>16,488,376</u>
Net revenues available for debt service	<u>\$ 1,499,295</u>
Debt service, principal and interest paid (revenue bond only)	<u>239,640</u>
Debt Service Coverage Ratio	<u>626%</u>

The Town has pledged future electric revenues, net of specified operating expenses, to repay \$2,300,000 in electric revenue bonds issued in February 2007. Proceeds from the bonds provided financing for an electric substation. The bonds are payable solely from electric customer net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 626 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,437,842. Principal and interest paid for the current year and total customer net revenues were \$239,640 and \$1,499,295, respectively.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Annual debt service requirements to maturity for revenue bonds at June 30, 2013 are as follows:

Year Ending June 30:	Principal	Interest
2014	\$ 193,663	\$ 45,978
2015	200,973	38,667
2016	208,560	31,080
2017	216,433	23,207
2018	224,603	15,037
2019	233,083	6,558
Total	\$ 1,277,315	\$ 160,527

(c) Installment Notes

The Town's installment notes outstanding at June 30, 2013 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$9,800,000 installment obligation to BB&T for the New Town Hall issued July 23, 2008; semi-annual payments of \$326,667, plus interest at 3.72%, secured by a building. <i>(Rate reduced to 2.70% - April 2012)</i>	\$ 6,859,997	\$ -
\$321,060 installment obligation to RBC Bank for vehicles and equipment issued May 31, 2011; quarterly payments of \$27,518 which includes interest at 1.74%, secured by vehicles and equipment.	108,419	-
\$850,000 installment obligation to BB&T Bank for the renovation of the existing police department issued October 17, 2012; semi-annual payments of \$85,000 plus interest at 1.53%, secured by real estate.	765,000	-
\$4,000,000 installment obligation to RBC Bank for street improvements issued September 20, 2011; semi-annual payments of varying amounts from \$252,725 to \$293,600 which includes interest at 2.18% .	3,250,000	-
\$753,825 installment obligation to PNC Bank for vehicles and equipment issued June 10, 2013; quarterly payments of \$63,958 which includes interest at 1.11%, secured by vehicles and equipment.	753,825	-
\$2,300,000 installment obligation to BB&T for street improvements issued May 16, 2012; semi-annual payments of varying amounts from \$165,797 to \$185,446 which includes interest at 1.84%.	1,971,429	-
\$550,155 installment obligation to PNC Bank for vehicles and equipment issued June 29, 2012; quarterly payments of \$46,956 which includes interest at 1.48%, secured by vehicles and equipment.	369,515	-

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

\$3,100,000 installment obligation to BB&T for land and land improvements issued May 31, 2002; quarterly payments of \$51,667 plus interest at 4.79%, secured by land and land improvements. (Rate reduced to 1.96% - April 2012)

	_____ - _____	826,667
Total	<u>\$ 14,078,185</u>	<u>\$ 826,667</u>

Annual debt service requirements to maturity for installment notes at June 30, 2013 are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,192,655	\$ 307,728	\$ 206,667	\$ 14,684
2015	2,089,271	263,855	206,667	10,633
2016	1,905,971	222,143	206,667	6,582
2017	1,736,905	183,843	206,666	2,532
2018	1,481,905	145,355	-	-
2019-2023	4,344,811	307,534	-	-
2024-2028	326,667	4,410	-	-
Total	<u>\$ 14,078,185</u>	<u>\$ 1,434,868</u>	<u>\$ 826,667</u>	<u>\$ 34,431</u>

(d) North Carolina Water Pollution Control Revolving Fund Loan and Revolving Bond Fund

The Town has \$6,450,000 and \$1,300,105 in promissory notes issued by the North Carolina Department of Environment, Health, and Natural Resources for the construction of additional capacity at the Town's Wastewater Treatment Plant. Future revenues of the sanitary sewer system collateralize the notes. This debt is recorded as long-term debt in the proprietary fund with principal and interest requirements appropriated when due.

For the \$6,450,000 promissory note, interest is due semi-annually at 3.035% with principal payable in 20 annual installments beginning May 1, 1998 of \$322,500 plus interest. At June 30, 2013 the outstanding balance on this note totaled \$1,290,000. For the \$1,300,105 total promissory note, \$211,105 is a separate note with an interest rate of 5.85%, due semi-annually with principal payable in 20 annual installments beginning May 1, 1998 of \$11,111 plus interest. The balance of the promissory note of \$1,089,000 has an interest rate of 5.30% due semi-annually with principal payable in not more than 20 annual installments beginning May 1, 1998 of \$54,450 plus interest. At June 30, 2013 the remaining balance on these notes totaled \$33,332 and \$217,800, respectively.

Annual debt service requirements to maturity are as follows:

Year Ending June 30:	Principal	Interest
2014	\$ 388,061	\$ 48,572
2015	388,061	36,266
2016	388,061	23,961
2017	376,949	11,656
Total	<u>\$ 1,541,132</u>	<u>\$ 120,455</u>

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities					
General obligation bonds	\$ 14,765,000	\$ -	\$ 1,005,000	\$ 13,760,000	\$ 1,005,000
Premiums on issuance	221,256	-	16,783	204,473	16,783
Total bonds payable	14,986,256	-	1,021,783	13,964,473	1,021,783
Installment notes	14,431,762	1,603,825	1,957,402	14,078,185	2,192,655
Compensated absences	659,053	663,533	642,347	680,239	662,995
Net pension obligation	515,315	108,648	-	623,963	-
Other post employment benefits	3,084,271	887,577	152,455	3,819,393	-
Total governmental activity long-term liabilities	\$33,676,657	\$ 3,263,583	\$ 3,773,987	\$ 33,166,253	\$ 3,877,433
Business-type activities					
Revenue bonds	\$ 1,463,932	\$ -	\$ 186,617	\$ 1,277,315	\$ 193,663
Installment notes	3,022,731	-	654,932	2,367,799	594,728
Compensated absences	74,495	114,220	83,570	105,145	105,145
Other post employment benefits	423,597	109,700	6,373	526,924	-
Total business-type activity long-term liabilities	\$ 4,984,755	\$ 223,920	\$ 931,492	\$ 4,277,183	\$ 893,536

Compensated absences for governmental activities typically have been liquidated in the General Fund.

Note 11 – FUND BALANCE

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 11,928,767
Less:	
Inventories	(17,169)
Stabilization by State Statute	(2,757,473)
Downtown District	(224,269)
Public Safety	(267,904)
Assigned for subsequent year's expenditures	(935,130)
Remaining fund balance	\$ <u>7,726,822</u>

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances - General Fund \$ 99,753

Note 12 – INTERFUND BALANCES AND TRANSFERS

A summary of interfund transfers follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Capital Reserve Fund	General Fund	\$ 44,483	Fire Station
Recreation Capital Reserve Fund	Dunn Creek Greenway Capital Projects Fund	114,374	Fund capital outlay
Downtown District Special Tax Fund	General Fund	74,500	White Street Design
Water and Sewer Fund	General Fund	1,460	Legal Fees
General Fund	Police Station Renovations Capital Projects Fund	84,580	Fund capital outlay
Recreation Capital Reserve	Greenway Transportation Capital Projects Fund	<u>1,133,950</u>	Fund capital outlay
	Total transfers	<u>\$1,453,347</u>	

Balances due to/from other funds at June 30, 2013, consist of the following:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 511,160

The amounts payable to the General Fund relate to working capital loans made to the Electric Fund. This loan to the Electric Fund is for the construction of the Electric Substation. The Electric Fund will make payments over the next six (6) years plus interest at 2.5% or it may prepay the loan in full within the six year period.

Note 13 – JOINTLY GOVERNED ORGANIZATION

The Town is a member of the North Carolina Eastern Municipal Power Agency (the “Agency”). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities through the Agency. The Town receives power from the Agency and is contractually allocated a .7262% interest in the Agency, with the balance being shared by the thirty-two (32) other local governments. Each participating government appoints one commissioner to the Agency’s governing board. The Town is obligated to purchase all of its power supply requirements from the Agency. Except for the power supply purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town’s gross purchases of power for the fiscal year ended June 30, 2013 were \$12,888,551.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures of grant monies by the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 15 – MERGER OF WATER AND SEWER SYSTEM WITH THE CITY OF RALEIGH

The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective July 1, 2005. Under the terms of the agreement, Raleigh assumed full responsibility for the provision of water and sewer services in Wake Forest, including responsibility for Wake Forest's water and sewer utility systems and related equipment and property rights. Upon the transfer, Raleigh assumed immediate and sole duty and responsibility for financing, operating, maintaining, improving and expanding the water and sewer systems serving Wake Forest's existing and future corporate limits and Urban Services Area. The Town transferred ownership of all facilities, property, land, equipment, financial assets, information and data subject to the agreement with Raleigh.

The accompanying statement of net position shows total notes receivable of \$2,367,794 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$594,727 due within one year and \$1,773,067 due in more than one year. The City of Raleigh will also pay interest on this balance based on the Town of Wake Forest's interest rates on the associated long term debt. The financial statements include a current account payable amount to the City of Raleigh of \$1,325,606 related to the merger.

Note 16 –NOTE RECEIVABLE

The Town entered into an agreement with the Wireless Research Center of North Carolina whereby the Town would advance loan funds to the Wireless Research Center up to \$975,000 for the purpose of economic development. The loan funds are for the purpose of covering operating expenses during the start up period. As of June 30, 2013, the Town had advanced funding in the amount of \$948,950. Under the terms of the loan, interest at the rate of 2.5% per annum began July 1, 2011 with interest only payments beginning January 1, 2012 and continuing on the first day of each calendar month thereafter until December 31, 2016 at such time the entire outstanding principal balance is due. Accordingly the amounts advanced at June 30, 2013 have been recorded as noncurrent assets in the government-wide financial statements.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2013, the Town determined that \$196,845 in overpayments related to a new greenway trail project administered by the City of Raleigh had been made in error. The effect of this resulted in an overstatement in construction in progress and accounts payable in the prior period by the same amount in the government-wide full accrual statements. Therefore, an adjustment to beginning fund balance of the Greenway Transportation Pedestrian Access Capital Projects Fund has been recorded to account for this error, the net effect of which decreased accounts payable and increased fund balance by \$196,845. Since there was only a decrease in accounts payable and corresponding decrease in construction in progress of \$196,845 in the government-wide financial statements, there was no effect on beginning net position on full accrual basis.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

During the fiscal year ended June 30, 2013, the Town determined that lease revenue received from a cellular service provider for the utilizing the Town's water tower should have been passed-through to the City of Raleigh pursuant to the merger effective July 1, 2005 whereby all property rights were transferred from the Town to the City of Raleigh. Lease payments in the amount of \$154,332 collected from July 1, 2005 through June 30, 2012 were recorded as revenue to the General Fund. A prior period adjustment was made in the General Fund, the net effect of which increased accounts payable and decreased beginning fund balance by \$154,332.

Note 18 – SUBSEQUENT EVENTS

Subsequent to June 30, 2013 and prior to the issuance of these financial statements the Town entered into an agreement to borrow \$1,181,000 from PNC Bank National Association to finance the acquisition of 405, 407 and 409 Brooks Street located in Renaissance Plaza. These properties are now known as the Wake Forest Renaissance Centre. The loan requires semiannual payments of \$65,611 for four and a half years plus interest and carries an interest rate of 1.34%. The loan is secured by the buildings.

Note 19 - CHANGE IN ACCOUNTING PRINCIPLES

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

Town of Wake Forest, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Ten years ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2003	\$ -	\$ 237,986	\$237,986	0.00%	\$ 1,515,180	15.71 %
12/31/2004	-	263,188	263,188	0.00%	1,656,800	15.89 %
12/31/2005	-	242,453	242,453	0.00%	1,946,655	12.45 %
12/31/2006	-	266,027	266,027	0.00%	2,063,352	12.89 %
12/31/2007	-	344,645	344,645	0.00%	2,519,495	13.68 %
12/31/2008	-	435,525	435,525	0.00%	2,988,072	14.58 %
12/31/2009	-	789,979	789,979	0.00%	3,419,561	23.10 %
12/31/2010	-	755,126	755,126	0.00%	3,362,329	22.46 %
12/31/2011	-	800,445	800,445	0.00%	3,366,249	23.78 %
12/31/2012	-	960,167	960,167	0.00%	3,486,457	27.54 %

Town of Wake Forest, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Ten years ended June 30, 2013

Year Ended June 30	Annual Required Contribution	Percentage Contribution
2004	\$ 32,588	0.00%
2005	38,152	0.00%
2006	40,003	0.00%
2007	38,720	0.00%
2008	42,174	4.89%
2009	52,771	7.41%
2010	66,638	26.50%
2011	114,892	28.30%
2012	107,991	30.10%
2013	114,951	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

Town of Wake Forest, North Carolina

**Retirement Health Care Plan
Required Supplemental Information
Schedule of Funding Progress**

Five years ended December 31, 2012

Actual Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2008	\$ -	\$ 8,900,833	\$ 8,909,431	0.00%	\$ 9,427,483	94.50%
2009	-	8,005,686	8,005,686	0.00%	10,405,650	76.94%
2010	-	9,078,267	9,078,267	0.00%	10,473,071	86.68%
2011	-	9,402,161	9,402,161	0.00%	10,771,362	87.29%
2012	-	9,504,056	9,504,056	0.00%	11,159,640	85.16%

Town of Wake Forest, North Carolina

Retirement Health Plan
Required Supplementary Information
Schedule of Employer Contributions

Four years ended June 30, 2013

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 991,402	8.88%
2011	893,708	10.49%
2012	961,132	11.75%
2013	991,006	16.03%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical Cost Trend Rate	
Pre-Medicare cost trend rate	8.50 - 5.00%
Post-Medicare cost trend rate	6.25 - 5.00%
Year of Ultimate Trend Rate	2018
Includes inflation at	3.00%

Town of Wake Forest, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes:				
Current year taxes	\$ 19,760,075	\$ 19,760,773	\$ 698	\$ 19,007,309
Prior years taxes	179,900	175,916	(3,984)	175,497
Penalties and interest	55,000	51,590	(3,410)	57,387
Total	<u>19,994,975</u>	<u>19,988,279</u>	<u>(6,696)</u>	<u>19,240,193</u>
Other taxes and licenses:				
Gross receipts tax on short-term rental property	35,000	38,731	3,731	31,791
Privilege licenses	53,305	53,616	311	55,704
Total	<u>88,305</u>	<u>92,347</u>	<u>4,042</u>	<u>87,495</u>
Unrestricted intergovernmental:				
Local option sales taxes	5,207,360	5,285,774	78,414	4,991,298
Beer and wine tax	126,385	125,512	(873)	131,394
Utility franchise tax	1,600,275	1,581,534	(18,741)	1,528,114
Other unrestricted intergovernmental	68,600	77,595	8,995	20,753
Total	<u>7,002,620</u>	<u>7,070,415</u>	<u>67,795</u>	<u>6,671,559</u>
Restricted intergovernmental:				
Powell Bill allocation	770,700	770,703	3	738,982
County grants	75,680	79,704	4,024	240,706
Federal grants	15,045	57,268	42,223	342,982
Total	<u>861,425</u>	<u>907,675</u>	<u>46,250</u>	<u>1,322,670</u>
Permits and fees:				
Building permits	1,249,450	1,316,712	67,262	760,378
Fire inspection and prevention	19,950	20,792	842	21,209
Utility and street inspection fees	37,000	36,873	(127)	73,334
Vehicle licenses	317,000	324,888	7,888	219,629
Other permits and fees	150,700	154,426	3,726	129,712
Total	<u>1,774,100</u>	<u>1,853,691</u>	<u>79,591</u>	<u>1,204,262</u>
Sales and services:				
Solid waste fees	169,000	172,869	3,869	215,536
Recreation fees	555,755	424,779	(130,976)	396,219
Cemetery	18,700	19,750	1,050	16,175
Other sales and services	98,745	92,633	(6,112)	130,963
Total	<u>842,200</u>	<u>710,031</u>	<u>(132,169)</u>	<u>758,893</u>
Miscellaneous:				
ABC revenue	100,000	111,851	11,851	98,856
Miscellaneous revenue	265,550	250,185	(15,365)	299,276
Total	<u>365,550</u>	<u>362,036</u>	<u>(3,514)</u>	<u>398,132</u>
Investment earnings				
	<u>55,000</u>	<u>34,181</u>	<u>(20,819)</u>	<u>53,960</u>
Total revenues	<u>30,984,175</u>	<u>31,018,655</u>	<u>34,480</u>	<u>29,737,164</u>

Town of Wake Forest, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
EXPENDITURES:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 187,920	\$ 157,605	\$ 30,315	\$ 170,927
Professional services	240,000	230,291	9,709	346,727
Contributions	154,250	146,477	7,773	340,225
Operating expenditures	90,580	72,166	18,414	80,928
Total	<u>672,750</u>	<u>606,539</u>	<u>66,211</u>	<u>938,807</u>
Administration:				
Salaries and employee benefits	413,275	404,890	8,385	429,621
Professional services	9,240	9,240	-	-
Operating expenditures	57,465	52,496	4,969	29,070
Total	<u>479,980</u>	<u>466,626</u>	<u>13,354</u>	<u>458,691</u>
Communications:				
Salaries and employee benefits	178,355	176,468	1,887	169,288
Operating expenditures	184,100	169,935	14,165	113,249
Total	<u>362,455</u>	<u>346,403</u>	<u>16,052</u>	<u>282,537</u>
Human Resources:				
Salaries and employee benefits	362,385	346,880	15,505	370,143
Professional services	15,500	15,376	124	400
Operating expenditures	69,650	57,790	11,860	53,780
Total	<u>447,535</u>	<u>420,046</u>	<u>27,489</u>	<u>424,323</u>
Finance:				
Salaries and employee benefits	841,170	830,020	11,150	1,010,387
Professional services	68,900	68,100	800	47,334
Operating expenditures	286,715	258,766	27,949	261,428
Capital outlay	66,885	66,408	477	66,104
Total	<u>1,263,670</u>	<u>1,223,294</u>	<u>40,376</u>	<u>1,385,253</u>
Management Information Systems:				
Salaries and employee benefits	428,425	393,037	35,388	323,312
Operating expenditures	271,500	239,128	32,372	251,253
Capital outlay	45,000	43,900	1,100	18,840
Total	<u>744,925</u>	<u>676,065</u>	<u>68,860</u>	<u>593,405</u>
Inspections:				
Salaries and employee benefits	991,095	990,009	1,086	943,406
Operating expenditures	85,625	60,539	25,086	71,301
Capital outlay	17,250	17,242	8	24,720
Total	<u>1,093,970</u>	<u>1,067,790</u>	<u>26,180</u>	<u>1,039,427</u>
Planning:				
Salaries and employee benefits	654,815	632,222	22,593	616,134
Professional services	70,000	59,694	10,306	90,325
Operating expenditures	109,400	92,053	17,347	83,363
Capital outlay	-	-	-	10,047
Total	<u>834,215</u>	<u>783,969</u>	<u>50,246</u>	<u>799,869</u>

Town of Wake Forest, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Public buildings:				
Salaries and employee benefits	\$ 100,190	\$ 93,360	\$ 6,830	\$ 70,736
Operating expenditures	901,285	837,452	63,833	968,872
Professional services	135,000	75,767	59,233	68,808
Capital outlay	614,375	610,308	4,067	1,011,210
Total	<u>1,750,850</u>	<u>1,616,887</u>	<u>133,963</u>	<u>2,119,626</u>
Engineering:				
Salaries and employee benefits	724,275	723,265	1,010	694,938
Professional services	78,550	73,274	5,276	1,253
Operating expenditures	323,645	315,196	8,449	319,104
Capital outlay	2,000	2,000	-	34,929
Total	<u>1,128,470</u>	<u>1,113,735</u>	<u>14,735</u>	<u>1,050,224</u>
Public Works Administration:				
Salaries and employee benefits	300,970	304,253	(3,283)	262,773
Operating expenditures	35,000	34,029	971	31,634
Total	<u>335,970</u>	<u>338,282</u>	<u>(2,312)</u>	<u>294,407</u>
Fleet Maintenance:				
Salaries and employee benefits	331,985	324,955	7,030	329,699
Operating expenditures	99,795	76,713	23,082	81,779
Capital outlay	19,800	19,772	28	-
Total	<u>451,580</u>	<u>421,440</u>	<u>30,140</u>	<u>411,478</u>
Total general government	<u>9,566,370</u>	<u>9,081,076</u>	<u>485,294</u>	<u>9,798,047</u>
Public safety:				
Police:				
Salaries and employee benefits	5,531,695	5,461,282	70,413	5,216,637
Operating expenditures	1,299,000	1,111,855	187,145	1,079,058
Capital outlay	432,250	418,094	14,156	421,927
Total	<u>7,262,945</u>	<u>6,991,231</u>	<u>271,714</u>	<u>6,717,622</u>
Fire:				
Contributions to:				
Fire Department	3,831,570	3,831,565	5	3,590,569
Hazmat	14,400	13,422	978	13,097
Total	<u>3,845,970</u>	<u>3,844,987</u>	<u>983</u>	<u>3,603,666</u>
Total public safety	<u>11,108,915</u>	<u>10,836,218</u>	<u>272,697</u>	<u>10,321,288</u>
Transportation:				
Streets:				
Salaries and employee benefits	943,475	894,612	48,863	957,001
Professional services	26,500	23,834	2,666	98,436
Operating expenditures	866,240	815,611	50,629	755,594
Capital outlay	637,435	609,435	28,000	490,492
Total transportation	<u>2,473,650</u>	<u>2,343,492</u>	<u>130,158</u>	<u>2,301,523</u>

Town of Wake Forest, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ 406,615	\$ 403,010	\$ 3,605	\$ 363,738
Contracted services	1,915,875	1,941,239	(25,364)	1,854,787
Operating expenditures	241,075	233,510	7,565	243,456
Capital outlay	363,225	363,134	91	6,995
Total environmental protection	<u>2,926,790</u>	<u>2,940,893</u>	<u>(14,103)</u>	<u>2,468,976</u>
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	1,157,045	1,133,442	23,603	1,048,558
Professional services	47,000	45,058	1,942	360
Operating expenditures	913,340	825,392	87,948	694,077
Capital outlay	429,520	186,449	243,071	93,630
Total cultural and recreational	<u>2,546,905</u>	<u>2,190,341</u>	<u>356,564</u>	<u>1,836,625</u>
Debt service:				
Bond principal	1,005,000	1,005,000	-	1,010,000
Bond interest	542,190	542,188	2	572,513
Installment note principal	2,073,265	1,957,402	115,863	1,238,404
Installment note interest	271,840	361,021	(89,181)	372,133
Total debt service	<u>3,892,295</u>	<u>3,865,611</u>	<u>26,684</u>	<u>3,193,050</u>
Total expenditures	<u>32,514,925</u>	<u>31,257,631</u>	<u>1,257,294</u>	<u>29,919,509</u>
Revenues under expenditures	<u>(1,530,750)</u>	<u>(238,976)</u>	<u>1,291,774</u>	<u>(182,345)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out):				
Downtown District Special Tax	85,000	74,500	(10,500)	73,225
Town Hall Capital Project Fund	-	-	-	(818,964)
Police Station Renovations Capital Project Fund	(84,585)	(84,580)	5	-
General Capital Reserve Fund	202,985	44,483	(158,502)	-
Police Department Special Revenue Fund	27,230	-	(27,230)	20,000
Street & Sidewalk Improvements Capital Projects Fund	10,500	-	(10,500)	2,070,167
Water and Sewer Fund	-	1,460	1,460	-
Futures Fund	-	-	-	(2,205,470)
Installment note issuance	753,825	753,825	-	550,155
Appropriated fund balance	535,795	-	(535,795)	-
Total other financing sources (uses)	<u>1,530,750</u>	<u>789,688</u>	<u>(741,062)</u>	<u>(310,887)</u>
Net change in fund balance	<u>\$ -</u>	<u>550,712</u>	<u>\$ 550,712</u>	<u>(493,232)</u>
FUND BALANCE - Beginning of year (as originally stated)		10,885,882		11,533,446
Adjustment to beginning fund balance		-		(154,332)
FUND BALANCE - Beginning of year (as restated)		<u>10,885,882</u>		<u>11,379,114</u>
FUND BALANCE - End of year		<u>\$ 11,436,594</u>		<u>\$ 10,885,882</u>

Town of Wake Forest, North Carolina
Special Revenue Fund
Downtown District Special Tax
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
 For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes	\$ 83,500	\$ 74,514	\$ (8,986)	\$ 74,046
Pentalties and interest	1,000	-	(1,000)	-
Miscellaneous	-	1,414	1,414	(1,363)
Investment earnings	500	341	(159)	256
Total revenues	<u>85,000</u>	<u>76,269</u>	<u>(8,731)</u>	<u>72,939</u>
OTHER FINANCING USES:				
Transfers out:				
General Fund	<u>(85,000)</u>	<u>(74,500)</u>	<u>10,500</u>	<u>(73,225)</u>
Net change in fund balance	<u>\$ -</u>	1,769	<u>\$ 1,769</u>	(286)
Fund balances:				
Beginning of year		<u>222,500</u>		<u>222,786</u>
End of year		<u>\$ 224,269</u>		<u>\$ 222,500</u>

Town of Wake Forest, North Carolina
Special Revenue Fund
Police Department Special Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
REVENUES:				
Donations	\$ 9,000	\$ 18,663	\$ 9,663	\$ 10,435
Forfeited currency	34,400	32,614	(1,786)	16,919
Investment earnings	225	309	84	208
Miscellaneous	17,600	8,060	(9,540)	15,705
Total revenues	61,225	59,646	(1,579)	43,267
OTHER FINANCING USES:				
Transfers out:				
General Fund	(61,225)	-	61,225	(20,000)
Net change in fund balance	\$ -	59,646	\$ 59,646	23,267
Fund balances:				
Beginning of year		208,258		184,991
End of year		\$ 267,904		\$ 208,258

Town of Wake Forest, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
 June 30, 2013

	Capital Project Funds					Special Revenue Funds	Total Nonmajor Governmental Funds
	Recreation Capital Reserve	Cemetery Capital Reserve	General Capital Reserve	Dunn Creek Greenway	Greenway Transportation Projects	Futures Fund	
Assets							
Cash and cash equivalents	\$ 530,342	\$ 104,330	\$ 1,830,896	\$ 176,872	\$ -	\$ 874,375	\$ 4,485,922
Accounts receivable	-	-	-	-	297,419	25,678	347,948
Total assets	\$ 530,342	\$ 104,330	\$ 1,830,896	\$ 176,872	\$ 297,419	\$ 900,053	\$ 4,833,870
Liabilities and fund balances							
Accounts payable	\$ -	\$ -	\$ -	\$ 176,872	\$ 100,881	\$ -	\$ 374,359
Fund balances:							
Committed:							
Street improvements	-	-	-	-	-	-	897,352
Economic development	-	-	-	-	-	900,053	900,053
Assigned:							
Subsequent years expenditures	-	-	1,830,896	-	-	-	1,830,896
Recreation improvements	530,342	-	-	-	196,538	-	726,880
Cemetery improvements	-	104,330	-	-	-	-	104,330
Total fund balances	530,342	104,330	1,830,896	-	196,538	900,053	4,459,511
Total liabilities and fund balances	\$ 530,342	\$ 104,330	\$ 1,830,896	\$ 176,872	\$ 297,419	\$ 900,053	\$ 4,833,870

Town of Wake Forest, North Carolina
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2013

	Recreation Capital Reserve	Cemetery Capital Reserve	General Capital Reserve	Capital Project Funds				Police Station Renovations	Special Revenue Fund	Total Nonmajor Governmental Funds
				Dunn Creek Greenway	Greenway Transportation Pedestrian Access	Street Improvements	Futures Fund			
Revenues:										
Investment earnings	\$ 1,877	\$ 128	\$ 2,008	\$ 99	\$ -	\$ 2,634	\$ 145	\$ 20,297	\$ 27,188	
Federal grant	-	-	-	-	213,978	-	-	-	213,978	
Impact fees	695,024	-	603,208	-	-	-	-	-	1,298,232	
Miscellaneous	-	9	78,696	-	-	86,331	-	-	165,036	
Total revenues	<u>696,901</u>	<u>137</u>	<u>683,912</u>	<u>99</u>	<u>213,978</u>	<u>88,965</u>	<u>145</u>	<u>20,297</u>	<u>1,704,434</u>	
Expenditures:										
Professional services	-	-	-	-	-	-	-	84,545	84,545	
Contracted services	-	-	-	-	-	-	-	299,500	299,500	
Capital outlay	-	-	-	112,436	282,373	1,704,931	934,725	-	3,034,465	
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,436</u>	<u>282,373</u>	<u>1,704,931</u>	<u>934,725</u>	<u>384,045</u>	<u>3,418,510</u>	
Revenues over (under) expenditures	696,901	137	683,912	(112,337)	(68,395)	(1,615,966)	(934,580)	(363,748)	(1,714,076)	
Other financing sources (uses):										
Transfers in	-	-	-	114,374	1,133,950	-	84,580	-	1,332,904	
Transfers out	(1,248,324)	-	(44,483)	-	-	-	-	-	(1,292,807)	
Installment note issuance	-	-	-	-	-	-	850,000	-	850,000	
Total other financing sources (uses)	<u>(1,248,324)</u>	<u>-</u>	<u>(44,483)</u>	<u>114,374</u>	<u>1,133,950</u>	<u>-</u>	<u>934,580</u>	<u>-</u>	<u>890,097</u>	
Net change in fund balances	(551,423)	137	639,429	2,037	1,065,555	(1,615,966)	-	(363,748)	(823,979)	
Fund balances:										
Beginning of year (as previously stated)	1,081,765	104,193	1,191,467	(2,037)	(1,065,862)	2,513,318	-	1,263,801	5,086,645	
Adjustment to beginning fund balance	-	-	-	-	196,845	-	-	-	196,845	
Beginning of year (as restated)	<u>1,081,765</u>	<u>104,193</u>	<u>1,191,467</u>	<u>(2,037)</u>	<u>(869,017)</u>	<u>2,513,318</u>	<u>-</u>	<u>1,263,801</u>	<u>5,283,490</u>	
End of year	<u>\$ 530,342</u>	<u>\$ 104,330</u>	<u>\$ 1,830,896</u>	<u>\$ -</u>	<u>\$ 196,538</u>	<u>\$ 897,352</u>	<u>\$ -</u>	<u>\$ 900,053</u>	<u>\$ 4,459,511</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Recreation Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Payments in lieu	\$ 318,212	\$ 318,211	\$ -	\$ 318,211
Impact fees	3,139,600	2,496,560	695,024	3,191,584
Investment earnings	330,000	321,856	1,877	323,733
Miscellaneous	1,000	932	-	932
Donations	31,100	30,973	-	30,973
Total revenues	<u>3,819,912</u>	<u>3,168,532</u>	<u>696,901</u>	<u>3,865,433</u>
Other financing sources (uses)				
Transfers in (out):				
General Fund	551,632	525,578	-	525,578
General Fund	(1,083,544)	(589,857)	-	(589,857)
Capital Project Fund	<u>(3,288,000)</u>	<u>(2,022,488)</u>	<u>(1,248,324)</u>	<u>(3,270,812)</u>
Total other financing sources (uses)	<u>(3,819,912)</u>	<u>(2,086,767)</u>	<u>(1,248,324)</u>	<u>(3,335,091)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,081,765</u>	(551,423)	<u>\$ 530,342</u>
Fund balances:				
Beginning of year			1,081,765	
End of year			<u>\$ 530,342</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Cemetery Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Donations	\$ 150,000	\$ 143,490	\$ -	\$ 143,490
Investment earnings	115,000	111,795	128	111,923
Miscellaneous	-	-	9	9
Total revenues	<u>265,000</u>	<u>255,285</u>	<u>137</u>	<u>255,422</u>
Other financing uses				
Transfer out:				
General Fund	<u>(265,000)</u>	<u>(151,092)</u>	<u>-</u>	<u>(151,092)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 104,193</u>	137	<u>\$ 104,330</u>
Fund balances:				
Beginning of year			<u>104,193</u>	
End of year			<u>\$ 104,330</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
General Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author- ization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Payments in lieu	\$ 218,220	\$ 159,523	\$ 58,695	\$ 218,218
Greenway fees	20,690	692	20,000	20,692
Fire Impact Fees	1,985,000	1,386,751	603,209	1,989,960
Investment earnings	160,000	151,101	2,008	153,109
Donations	205,000	204,930	-	204,930
Development proceeds	61,560	61,560	-	61,560
Total revenues	<u>2,650,470</u>	<u>1,964,557</u>	<u>683,912</u>	<u>2,648,469</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	49,309	11,715	-	11,715
General Fund	(2,475,904)	(784,805)	(44,483)	(829,288)
Capital Projects Fund	(223,875)	-	-	-
Total other financing sources (uses)	<u>(2,650,470)</u>	<u>(773,090)</u>	<u>(44,483)</u>	<u>(817,573)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,191,467</u>	639,429	<u>\$ 1,830,896</u>
Fund balances:				
Beginning of year			<u>1,191,467</u>	
End of year			<u>\$ 1,830,896</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Dunn Creek Greenway
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Sales tax refund	\$ 15,550	\$ 15,549	\$ -	\$ 15,549
Investment earnings	1,000	893	99	992
Grant proceeds	450,000	450,000	-	450,000
Total revenues	<u>466,550</u>	<u>466,442</u>	<u>99</u>	<u>466,541</u>
Expenditures:				
Capital outlay:				
Professional services	250,655	238,203	12,450	250,653
Capital outlay - construction	630,295	630,276	99,986	730,262
Total expenditures	<u>880,950</u>	<u>868,479</u>	<u>112,436</u>	<u>980,915</u>
Revenues under expenditures	(414,400)	(402,037)	(112,337)	(514,374)
Other financing sources				
Transfers in:				
Recreation Capital Reserve Fund	414,400	400,000	114,374	514,374
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,037)</u>	2,037	<u>\$ -</u>
Fund balances:				
Beginning of year			<u>(2,037)</u>	
End of year			<u>\$ -</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Greenway Transportation Pedestrian Access
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Federal grants	\$ 1,090,000	\$ 119,831	\$ 213,978	\$ 333,809
Total revenues	<u>1,090,000</u>	<u>119,831</u>	<u>213,978</u>	<u>333,809</u>
Expenditures:				
Capital outlay:				
Neuse River Greenway	1,600,000	1,249,059	-	1,249,059
NC 98 Bypass Pedestrian Culvert	535,000	-	-	-
Smith Creek/Sanford Creek Greenway	495,000	-	-	-
Other improvements	520,000	149,789	282,373	432,162
Sub-total expenditures	<u>3,150,000</u>	<u>1,398,848</u>	<u>282,373</u>	<u>1,681,221</u>
Less closed projects	<u>1,600,000</u>	<u>1,249,060</u>	-	<u>1,249,060</u>
Total expenditures	<u>1,550,000</u>	<u>149,788</u>	<u>282,373</u>	<u>432,161</u>
Revenues under expenditures	<u>(460,000)</u>	<u>(29,957)</u>	<u>(68,395)</u>	<u>(98,352)</u>
Other financing sources:				
Transfers in:				
General Capital Reserve Fund	910,000	410,000	1,133,950	1,543,950
General Fund	<u>1,150,000</u>	-	-	-
Sub-total other financing sources	<u>2,060,000</u>	<u>410,000</u>	<u>1,133,950</u>	<u>1,543,950</u>
Less closed projects	<u>1,600,000</u>	<u>410,000</u>	<u>839,060</u>	<u>1,249,060</u>
Total other financing sources	<u>460,000</u>	<u>-</u>	<u>294,890</u>	<u>294,890</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (29,957)</u>	226,495	<u>\$ 196,538</u>
Fund balances:				
Beginning of year			(29,957)	
End of year			<u>\$ 196,538</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Street Improvements
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Sales tax refund	\$ 22,500	\$ 18,315	\$ 24,851	\$ 43,166
Investment earnings	3,800	1,151	2,634	3,785
Miscellaneous revenue	86,500	-	86,331	86,331
Sub-total revenues	112,800	19,466	113,816	133,282
Less closed projects	-	18,315	12,855	31,170
Total revenues	112,800	1,151	100,961	102,112
Expenditures:				
Capital outlay:				
Professional services	100,000	14,823	34,026	48,849
Contingency	250,000	-	-	-
Capital outlay-land	4,000	3,070	-	3,070
Capital outlay-improvements	6,208,800	3,788,255	1,695,756	5,484,011
Sub-total expenditures	6,562,800	3,806,148	1,729,782	5,535,930
Less closed projects	2,908,800	771,177	1,428,745	2,199,922
Total expenditures	3,654,000	3,034,971	301,037	3,336,008
Revenues under expenditures	(3,541,200)	(3,033,820)	(200,076)	(3,233,896)
Other financing sources:				
Transfer in:				
General Fund	200,000	-	-	-
Installment note issuance	6,300,000	6,300,000	-	6,300,000
Sub-total other financing sources	6,500,000	6,300,000	-	6,300,000
Less closed projects	2,958,800	2,168,752	-	2,168,752
Total other financing sources	3,541,200	4,131,248	-	4,131,248
Net change in fund balance	\$ -	\$ 1,097,428	(200,076)	\$ 897,352
Fund balances:				
Beginning of year			1,097,428	
End of year			\$ 897,352	

Town of Wake Forest, North Carolina
Capital Projects Fund
Police Station Renovations
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ 145	\$ -	\$ 145	\$ 145
Expenditures:				
Capital outlay:				
Professional services	1,250	-	1,250	1,250
Capital outlay-construction	434,585	-	434,585	434,585
Capital outlay-equipment	498,890	-	498,890	498,890
Total expenditures	<u>934,725</u>	<u>-</u>	<u>934,725</u>	<u>934,725</u>
Revenues under expenditures	<u>(934,580)</u>	<u>-</u>	<u>(934,580)</u>	<u>(934,580)</u>
Other financing sources:				
Transfer in:				
General Fund	84,580	-	84,580	84,580
Installment note issuance	850,000	-	850,000	850,000
Total other financing sources	<u>934,580</u>	<u>-</u>	<u>934,580</u>	<u>934,580</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Wake Forest, North Carolina
Special Revenue Fund
Futures Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ 20,000	\$ 20,297	\$ 297	\$ 8,380
Expenditures:				
Professional services	85,500	84,545	955	4,000
Contracted services	299,500	299,500	-	619,450
Total expenditures	385,000	384,045	955	623,450
Revenues over (under) expenditures	(365,000)	(363,748)	1,252	(615,070)
Other financing sources (uses):				
Transfer in:				
General Fund	-	-	-	2,205,470
Appropriated Fund Balance	365,000	-	(365,000)	-
Total other financing sources	365,000	-	(365,000)	2,205,470
Net change in fund balance	\$ -	(363,748)	\$ (363,748)	1,590,400
Fund balances:				
Beginning of year		1,263,801		(326,599)
End of year		\$ 900,053		\$ 1,263,801

Town of Wake Forest
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2013
With comparative actual amounts for the year ended June 30, 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Revenues:	\$ 2,145,000	\$ -	\$ (2,145,000)	\$ 31
Expenditures:				
Debt service:				
Principal retirement	594,745	594,727	18	594,727
Interest and fees	118,735	79,133	39,602	129,875
Total debt service	<u>713,480</u>	<u>673,860</u>	<u>39,620</u>	<u>724,602</u>
Revenues over (under) expenditures	<u>1,431,520</u>	<u>(673,860)</u>	<u>(2,105,380)</u>	<u>(724,571)</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	-	(1,460)	(1,460)	-
City of Raleigh	-	673,860	673,860	724,602
City of Raleigh	(1,431,520)	-	1,431,520	-
Total other financing sources (uses)	<u>(1,431,520)</u>	<u>672,400</u>	<u>2,103,920</u>	<u>724,602</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>(1,460)</u>	<u>\$ (1,460)</u>	<u>31</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Principal retirement		594,727		594,727
Decrease in accrued interest		4,824		2,880
Principal payments of note receivable from City of Raleigh		(594,727)		(594,727)
Total reconciling items		<u>4,824</u>		<u>2,880</u>
Net income		<u>\$ 3,364</u>		<u>\$ 2,911</u>

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2013
With comparative actual amounts for the year ended June 30, 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 17,617,015	\$ 16,999,717	\$ (617,298)	\$ 16,371,305
Other operating revenues				
Sales tax	527,565	532,589	5,024	502,915
Reconnect charges	125,000	112,761	(12,239)	111,297
Miscellaneous	287,690	342,604	54,914	48,116
Total operating revenues	<u>18,557,270</u>	<u>17,987,671</u>	<u>(569,599)</u>	<u>17,033,633</u>
Nonoperating revenues:				
Investment earnings	3,300	3,506	206	2,365
Sale of assets	33,750	33,723	(27)	33,876
Total nonoperating revenues	<u>37,050</u>	<u>37,229</u>	<u>179</u>	<u>36,241</u>
Total revenues	<u>18,594,320</u>	<u>18,024,900</u>	<u>(569,420)</u>	<u>17,069,874</u>
Expenditures:				
Electric operations:				
Salaries and employee benefits	2,388,485	2,327,890	60,595	1,810,840
Power purchases for resale	13,480,985	12,888,551	592,434	12,741,328
Utility sales tax	405,090	379,340	25,750	374,093
Repairs and maintenance	210,365	123,715	86,650	230,489
Other operating expenditures	805,510	694,198	111,312	632,090
Total electric operations	<u>17,290,435</u>	<u>16,413,694</u>	<u>876,741</u>	<u>15,788,840</u>
Debt service:				
Principal retirement	220,610	246,822	(26,212)	212,957
Interest and fees	68,295	68,240	55	94,202
Total debt service	<u>288,905</u>	<u>315,062</u>	<u>(26,157)</u>	<u>307,159</u>
Capital outlay	889,980	815,542	74,438	418,309
Total expenditures	<u>18,469,320</u>	<u>17,544,298</u>	<u>925,022</u>	<u>16,514,308</u>
Revenues over expenditures	125,000	480,602	355,602	555,566

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2013
With comparative actual amounts for the year ended June 30, 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Other financing uses:				
Transfer out:				
Electric Capital Reserve Fund	\$ (125,000)	\$ (125,000)	\$ -	\$ (76,165)
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>355,602</u>	<u>\$ 355,602</u>	<u>479,401</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Depreciation		(932,018)		(928,462)
Capital outlay		815,542		418,309
Interfund transfers		125,000		76,165
Principal retirement		246,822		212,957
Book value of disposed asset		-		(28,927)
Increase in inventory		59,295		9,365
Decrease in accrued interest		2,617		2,522
Increase in accrued vacation pay		(30,650)		(2,644)
Increase in accrued other postemployment benefits		(103,327)		(106,247)
Electric Capital Reserve Fund				
Investment earnings		329		169
Total reconciling items		<u>183,610</u>		<u>(346,793)</u>
Net income		<u>\$ 539,212</u>		<u>\$ 132,608</u>

Town of Wake Forest
Electric Capital Projects Fund
Capital Reserve
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Investment earnings	\$ 170,000	\$ 169,399	\$ 329	\$ 169,728
Other financing sources (uses):				
Transfers in (out)				
Electric Fund	830,000	577,144	125,000	702,144
Electric Fund	(1,000,000)	(496,500)	-	(496,500)
Total other financing sources (uses)	(170,000)	80,644	125,000	205,644
Revenues and other financing sources over other financing uses	\$ -	\$ 250,043	\$ 125,329	\$ 375,372

Town of Wake Forest, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 19,955,115	\$ 19,760,773	\$ 194,342
2011-2012	196,735	-	155,998	40,737
2010-2011	44,306	-	13,355	30,951
2009-2010	10,544	-	7,441	3,103
2008-2009	24,801	-	2,616	22,185
2007-2008	20,379	-	2,449	17,930
2006-2007	15,491	-	1,242	14,249
2005-2006	13,448	-	838	12,610
2004-2005	7,947	-	645	7,302
2003-2004	5,352	-	583	4,769
2002-2003	7,483	-	7,483	-
	<u>\$ 346,486</u>	<u>\$ 19,955,115</u>	<u>\$ 19,953,423</u>	348,178
				Less allowance for uncollectible ad valorem taxes receivable
				<u>53,802</u>
				Ad valorem taxes receivable - net
				<u>\$ 294,376</u>

Revenue reconciliation:

Ad valorem taxes - General Fund	\$ 19,988,279
Add (deduct):	
Releases allowed	9,251
Taxes written off	7,483
Penalties and interest	<u>(51,590)</u>
Total collections and credits	<u>\$ 19,953,423</u>

Town of Wake Forest, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the fiscal year ended June 30, 2013

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,911,815,294	0.51	\$ 19,950,258	\$18,501,981	\$ 1,448,277
Penalties	-		8,144	8,144	-
Total	<u>3,911,815,294</u>		<u>19,958,402</u>	<u>18,510,125</u>	<u>1,448,277</u>
Discoveries:					
Prior year taxes	-		47,682	24,727	22,955
Less: abatements	<u>(9,993,922)</u>	0.51	<u>(50,969)</u>	<u>(25,261)</u>	<u>(25,708)</u>
Total property valuation	<u>\$ 3,901,821,372</u>				
Net levy			19,955,115	18,509,591	1,445,524
Less: uncollected taxes at June 30, 2013			<u>194,342</u>	<u>54,827</u>	<u>139,515</u>
Current year's taxes collected			<u>\$ 19,760,773</u>	<u>\$18,454,764</u>	<u>\$ 1,306,009</u>
Current levy collection percentage			<u>99.03%</u>	<u>99.70%</u>	<u>90.35%</u>

Town of Wake Forest, North Carolina
General Obligation Debt Service Requirements and Maturity Schedule
 June 30, 2013

Fiscal Year	Governmental Funds	
	Principal	Principal & interest
2013-2014	\$ 1,005,000	\$ 1,516,987
2014-2015	1,000,000	1,475,375
2015-2016	995,000	1,433,000
2016-2017	990,000	1,388,525
2017-2018	990,000	1,353,400
2018-2019	985,000	1,309,625
2019-2020	925,000	1,212,065
2020-2021	825,000	1,079,642
2021-2022	825,000	1,051,220
2022-2023	825,000	1,021,885
2023-2024	825,000	992,320
2024-2025	825,000	962,526
2025-2026	825,000	932,500
2026-2027	825,000	900,650
2027-2028	365,000	408,800
2028-2029	365,000	394,200
2029-2030	365,000	379,600
Total	<u>\$ 13,760,000</u>	<u>\$ 17,812,320</u>



TOWN *of*
WAKE FOREST



TOWN *of*
WAKE FOREST

TOWN OF WAKE FOREST, NORTH CAROLINA

Net Position By Category

Last Ten Fiscal Years

(accrual basis of accounting)

June 30, 2013

	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 42,937,877	\$ 49,400,842	\$ 59,573,601	\$ 62,558,549
Restricted for:				
Streets	-	-	-	-
Stabilization by State Statute	-	-	-	-
Downtown District	-	-	-	-
Public Safety	-	-	-	-
Unrestricted	9,204,232	10,712,444	10,580,086	19,654,914
Subtotal governmental activities net position	<u>52,142,109</u>	<u>60,113,286</u>	<u>70,153,687</u>	<u>82,213,463</u>
Business-type activities				
Net investment in capital assets	40,864,847	43,067,952	11,072,201	12,189,177
Unrestricted	10,566,979	12,689,129	2,140,802	909,821
Subtotal business-type activities net position	<u>51,431,826</u>	<u>55,757,081</u>	<u>13,213,003</u>	<u>13,098,998</u>
Primary Government				
Net investment in capital assets	83,802,724	92,468,794	70,645,802	74,747,726
Restricted for:				
Streets	-	-	-	-
Stabilization by State Statute	-	-	-	-
Downtown District	-	-	-	-
Public Safety	-	-	-	-
Unrestricted	19,771,211	23,401,573	12,720,888	20,564,735
Total primary government net position	<u>\$ 103,573,935</u>	<u>\$ 115,870,367</u>	<u>\$ 83,366,690</u>	<u>\$ 95,312,461</u>

Table 1

2008	2009	2010	2011	2012	2013
\$ 87,439,825	\$ 109,374,788	\$ 110,101,600	\$ 112,448,969	\$ 112,059,645	\$ 115,919,685
261,802	185,777	-	-	-	-
-	-	-	5,424,734	3,753,434	2,757,473
-	-	-	-	222,608	224,269
-	-	-	-	208,258	267,904
18,522,494	12,613,374	12,534,616	4,887,874	6,352,719	8,353,849
106,224,121	122,173,939	122,636,216	122,761,577	122,596,664	127,523,180
12,711,174	13,606,123	13,938,763	14,324,918	13,998,797	14,129,141
1,017,401	680,804	1,801,040	2,591,519	3,053,159	3,465,391
13,728,575	14,286,927	15,739,803	16,916,437	17,051,956	17,594,532
100,150,999	122,980,911	124,040,363	126,773,887	\$ 126,058,442	\$ 130,048,826
261,802	185,777	-	-	-	-
-	-	-	5,424,734	3,753,434	2,757,473
-	-	-	-	222,608	224,269
-	-	-	-	208,258	267,904
19,539,895	13,294,178	14,335,656	7,479,393	9,405,878	11,819,240
\$ 119,952,696	\$ 136,460,866	\$ 138,376,019	\$ 139,678,014	\$ 139,648,620	\$ 145,117,712

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
June 30, 2013

	2004	2005	2006
Expenses			
Governmental activities:			
General Government	\$ 3,264,577	\$ 3,579,532	\$ 5,078,512
Public Safety	4,330,589	4,919,342	5,656,444
Transportation	1,790,537	2,074,901	2,220,905
Environmental Protection	1,264,596	1,364,786	2,110,057
Cultural and Recreational	975,811	1,100,051	1,216,086
Interest on long-term debt	258,942	221,154	190,793
Subtotal governmental activities expense	<u>11,885,052</u>	<u>13,259,766</u>	<u>16,472,797</u>
Business-type activities:			
Water and sewer	7,128,256	7,754,258	280,588
Electric	10,301,962	11,567,024	14,278,166
Subtotal business-type activities expenses	<u>17,430,218</u>	<u>19,321,282</u>	<u>14,558,754</u>
Total primary government expenses	<u><u>29,315,270</u></u>	<u><u>32,581,048</u></u>	<u><u>31,031,551</u></u>
Program Revenues			
Governmental activities:			
Charges for Services			
General Governmental	1,319,858	1,338,727	1,762,151
Public Safety	34,815	63,147	31,849
Transportation	231,134	225,280	321,999
Environmental Protection	1,086,851	1,204,045	1,338,077
Cultural and Recreational	166,978	199,105	237,976
Operating Grants and Contributions			
General Governmental	35,266	10,000	-
Public Safety	243,618	37,913	94,028
Transportation	377,355	481,947	490,467
Environmental Protection	-	-	-
Cultural and Recreational	-	-	1,181,244
Capital Grants and Contributions			
Public Safety	-	-	76,597
Transportation	1,482,162	5,160,675	4,610,306
Environmental Protection	582,032	-	-
Cultural and Recreational	366,052	-	18,881
Subtotal governmental activities program revenues	<u>5,926,121</u>	<u>8,720,839</u>	<u>10,163,575</u>

Table 2

2007	2008	2009	2010	2011	2012	2013
\$ 6,122,587	\$ 7,613,303	\$ 8,618,506	\$ 8,682,965	\$ 9,814,820	\$ 9,629,543	\$ 9,524,312
6,366,631	7,445,480	9,447,725	10,253,680	10,478,094	10,697,935	11,228,188
2,605,715	2,795,746	3,604,053	4,299,079	4,370,908	4,052,075	4,119,839
1,797,390	1,976,526	2,272,165	2,397,576	2,520,645	2,554,192	2,666,922
1,354,940	1,519,941	1,798,042	2,024,989	2,502,178	2,644,989	2,819,826
443,086	489,404	784,454	902,986	909,477	932,318	995,852
18,690,349	21,840,400	26,524,945	28,561,275	30,596,122	30,511,052	31,354,939
(3,877)	34,441	195,625	170,850	147,731	126,995	74,309
14,565,448	14,228,087	16,048,282	16,097,214	17,327,845	16,908,508	17,486,017
14,561,571	14,262,528	16,243,907	16,268,064	17,475,576	17,035,503	17,560,326
33,251,920	36,102,928	42,768,852	44,829,339	48,071,698	47,546,555	48,915,265
1,941,342	1,825,345	1,071,361	1,101,020	1,206,061	1,240,682	1,901,453
29,063	181,975	376,472	417,136	298,319	272,903	624,000
515,279	28,311	70,698	52,628	73,665	73,334	36,873
1,455,622	1,566,112	256,014	266,524	267,115	210,471	191,383
323,983	561,482	415,745	471,331	625,252	566,154	1,119,803
-	-	-	-	144,937	342,982	-
111,463	106,447	55,286	56,655	116,649	75,676	82,944
321,471	680,220	708,220	656,839	686,375	738,982	770,703
-	-	5,460	396	3,057	-	54,028
-	-	56,482	-	-	-	-
100,937	-	-	21,454	62,117	-	16,960
7,578,376	20,637,263	12,395,415	700,731	1,487,487	-	3,612,138
-	-	-	210,394	46,999	-	-
905,155	242,000	750,000	158,479	291,521	284,861	142,693
13,282,691	25,829,155	16,161,153	4,113,587	5,309,554	3,806,045	8,552,978

Continued on next page

TOWN OF WAKE FOREST, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

June 30, 2013

	2004	2005	2006
Business-type activities:			
Charges for Services - Water and sewer	\$ 8,551,662	\$ 9,473,396	\$ -
Charges for Services - Electric	11,552,691	12,271,899	13,819,974
Operating Grants and Contributions -Water and sewer	5,527	-	-
Capital Grants and Contributions - Water and sewer	1,467,324	1,079,690	-
Capital Grants and Contributions - Electric	15,903	23,804	89,532
Subtotal business-type activities program revenues	<u>21,593,107</u>	<u>22,848,789</u>	<u>13,909,506</u>
Total primary government program revenues	<u>27,519,228</u>	<u>31,569,628</u>	<u>24,073,081</u>
Net (Expense) Revenue			
Governmental activities	(5,958,931)	(4,538,927)	(6,309,222)
Business-type activities:			
Water and sewer	2,896,257	2,798,828	(280,588)
Electric	1,266,632	728,679	(368,660)
Total primary government net expense	<u>(1,796,042)</u>	<u>(1,011,420)</u>	<u>(6,958,470)</u>
General Revenues and Other Changes in Net Position			
Governmental activities:			
Property taxes, levied for general purpose	6,792,219	7,866,320	9,469,105
Other taxes and licenses	38,937	39,234	59,050
Unrestricted intergovernmental	3,033,438	3,681,220	4,078,480
Unrestricted investment earnings	71,661	211,950	395,979
Miscellaneous	580,712	911,615	2,122,009
Extraordinary item-Contribution from IDC	-	-	-
Transfers	(210,522)	(200,235)	225,000
Subtotal governmental activities	<u>10,306,445</u>	<u>12,510,104</u>	<u>16,349,623</u>
Business type activities:			
Unrestricted investment earnings	75,037	208,616	369,920
Miscellaneous	5,606	-	37,116
Transfers and Special items	210,522	200,235	(42,301,866)
Subtotal business-type activities	<u>291,165</u>	<u>408,851</u>	<u>(41,894,830)</u>
Total primary government	<u>10,597,610</u>	<u>12,918,955</u>	<u>(25,545,207)</u>
Change in Net Position			
Governmental activities	4,347,514	7,971,177	10,040,401
Business-type activities	4,454,054	3,936,358	(42,544,078)
Total primary Government	<u>\$ 8,801,568</u>	<u>\$ 11,907,535</u>	<u>\$ (32,503,677)</u>

Table 2

2007	2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,348,899	14,827,940	16,483,781	17,520,430	18,453,796	17,033,633	17,987,671
-	-	-	-	311	31	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,348,899	14,827,940	16,483,781	17,520,430	18,454,107	17,033,664	17,987,671
27,631,590	40,657,095	32,644,934	21,634,017	23,763,661	20,839,709	26,540,649
(5,407,658)	3,988,755	(10,363,792)	(24,447,688)	(25,286,568)	(26,705,007)	(22,801,961)
3,877	(34,441)	(195,625)	(170,850)	(147,420)	(126,964)	(74,309)
(216,549)	599,853	435,499	1,423,216	1,125,951	125,125	501,654
(5,620,330)	4,554,167	(10,123,918)	(23,195,322)	(24,308,037)	(26,706,846)	(22,374,616)
10,918,755	12,712,109	17,276,890	18,229,078	18,590,117	19,271,260	20,062,610
63,925	73,320	71,784	83,634	86,027	113,292	92,347
5,028,295	5,834,891	5,937,573	5,789,968	6,254,703	6,671,559	7,070,415
1,129,731	825,169	358,825	85,946	67,390	68,575	139,553
326,728	576,414	463,068	327,018	402,927	415,408	516,424
-	-	2,205,470	-	-	-	-
-	-	-	1,423	10,765	-	1,460
17,467,434	20,021,903	26,313,610	24,517,067	25,411,929	26,540,094	27,882,809
89,731	44,161	201,099	174,934	152,522	132,409	82,968
-	20,004	117,379	26,999	56,346	4,949	33,723
8,936	-	-	(1,423)	(10,765)	-	(1,460)
98,667	64,165	318,478	200,510	198,103	137,358	115,231
17,566,101	20,086,068	26,632,088	24,717,577	25,610,032	26,677,452	27,998,040
12,059,776	24,010,658	15,949,818	69,379	125,361	(164,913)	5,080,848
(114,005)	629,577	558,352	1,452,876	1,176,634	135,519	542,576
\$ 11,945,771	\$ 24,640,235	\$ 16,508,170	\$ 1,522,255	\$ 1,301,995	\$ (29,394)	\$ 5,623,424

TOWN OF WAKE FOREST, NORTH CAROLINA
Fund Balances, Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 June 30, 2013

	2004	2005	2006	2007	2008
General Fund					
Reserved for:					
Encumbrances	\$ 246,620	\$ 242,697	\$ 340,579	\$ 165,290	\$ 461,515
State statute	1,110,064	1,529,667	4,025,734	2,251,538	2,385,676
Inventories and prepaid items	2,704	54,921	10,812	5,919	3,256
Streets	-	-	54,515	174,529	261,802
Unreserved:					
Designated for subsequent year's expenditures	929,840	671,050	643,835	1,009,730	1,259,375
Undesignated	5,216,938	6,490,869	4,300,747	6,337,710	7,865,860
Non Spendable					
Inventories	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-
Restricted:					
Stabilization by State Statute	-	-	-	-	-
Downtown District	-	-	-	-	-
Public Safety	-	-	-	-	-
Assigned:					
Subsequent years expenditures	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 7,506,166</u>	<u>\$ 8,989,204</u>	<u>\$ 9,376,222</u>	<u>\$ 9,944,716</u>	<u>\$ 12,237,484</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	33,115	25,524	35,264	64,286	85,609
Capital projects funds	1,219,037	1,780,588	1,880,442	1,405,156	9,947,674
Committed:					
Economic Development	-	-	-	-	-
Street improvements	-	-	-	-	-
Recreation improvements	-	-	-	-	-
Assigned:					
Subsequent years expenditures	-	-	-	-	-
Recreation improvements	-	-	-	-	-
Cemetery improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 1,252,152</u>	<u>\$ 1,806,112</u>	<u>\$ 1,915,706</u>	<u>\$ 1,469,442</u>	<u>\$ 10,033,283</u>

Table 3

2009	2010	2011	2012	2013
\$ 42,046	\$ 254,500	\$ -	\$ -	\$ -
6,872,108	2,669,931	-	-	-
39,694	62,904	-	-	-
185,777	-	-	-	-
2,090,000	2,108,755	-	-	-
4,683,978	7,383,752	-	-	-
-	-	16,327	16,327	17,169
-	-	535	-	-
-	-	5,424,734	3,753,434	2,757,473
-	-	-	222,608	224,269
-	-	-	208,258	267,904
-	-	1,660,745	921,000	935,130
-	-	4,838,882	6,349,345	7,726,822
<u>\$ 13,913,603</u>	<u>\$ 12,479,842</u>	<u>\$ 11,941,223</u>	<u>\$ 11,470,972</u>	<u>\$ 11,928,767</u>
\$ -	\$ -	\$ -	\$ -	\$ -
168,677	314,410	-	-	-
7,304,335	4,217,030	-	-	-
-	-	-	-	900,053
-	-	2,068,159	2,513,318	897,352
-	-	113,239	-	-
-	-	611,431	2,455,268	1,830,896
-	-	1,320,649	1,081,765	726,880
-	-	104,092	104,193	104,330
-	-	(799,734)	(1,067,899)	-
<u>\$ 7,473,012</u>	<u>\$ 4,531,440</u>	<u>\$ 3,417,836</u>	<u>\$ 5,086,645</u>	<u>\$ 4,459,511</u>

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes In Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 June 30, 2013

	2004	2005	2006	2007
Revenues				
Ad Valorem Taxes	\$ 6,824,156	\$ 7,859,275	\$ 9,445,404	\$ 10,855,959
Other Taxes	36,551	36,766	54,076	61,853
Unrestricted Intergovernmental	3,033,438	3,681,220	4,078,480	5,028,295
Restricted Intergovernmental	1,604,323	679,860	1,842,336	1,723,523
Permits and Fees	1,523,494	1,537,172	1,911,058	2,385,764
Sales and Services	1,353,592	1,502,272	1,765,177	1,812,357
Miscellaneous	583,055	912,625	2,185,890	330,105
Investment Earnings	71,661	211,950	395,979	1,129,731
Total revenues	<u>15,030,270</u>	<u>16,421,140</u>	<u>21,678,400</u>	<u>23,327,587</u>
Expenditures				
General Government	3,167,683	3,446,786	4,922,324	5,960,379
Public Safety	4,098,211	4,656,043	5,347,091	6,019,806
Transportation	706,566	916,970	907,520	1,165,719
Environmental Protection	1,233,448	1,335,465	2,081,078	1,749,208
Cultural and Recreational	809,334	922,605	1,021,001	1,162,726
Capital outlay	1,495,274	2,045,196	6,783,198	5,670,476
Debt service:				
Bond Principal	557,768	195,000	193,875	193,875
Bond Interest	182,020	140,480	130,994	305,559
Installment note principal	693,534	1,199,828	1,113,169	1,116,743
Installment note interest	82,051	84,385	65,271	50,761
Total expenditures	<u>13,025,889</u>	<u>14,942,758</u>	<u>22,565,521</u>	<u>23,395,252</u>
Excess of revenues over (under) expenditures	2,004,381	1,478,382	(887,121)	(67,665)
Other Financing Sources (Uses)				
Operating transfers in	827,887	1,015,094	989,822	1,408,765
Operating transfers (out)	(1,038,409)	(1,215,329)	(764,822)	(1,408,765)
Contribution from Industrial Development Corp	-	-	-	-
Installment note proceeds	273,575	314,485	602,875	-
Bond issuance costs	-	-	-	-
Bond issuance	-	-	-	9,200,000
Total other financing sources (uses)	<u>63,053</u>	<u>114,250</u>	<u>827,875</u>	<u>9,200,000</u>
Net changes in fund balances	<u>2,067,434</u>	<u>1,592,632</u>	<u>(59,246)</u>	<u>9,132,335</u>
Fund balance-Beginning of year (as previously reported)	7,074,178	9,312,278	10,904,910	10,845,664
Adjustments to beginning fund balance	170,666	-	-	-
Fund balance - Beginning of Year (as restated)	<u>7,244,844</u>	<u>9,312,278</u>	<u>10,904,910</u>	<u>10,845,664</u>
Fund balance - End of Year	<u>\$ 9,312,278</u>	<u>\$ 10,904,910</u>	<u>\$ 10,845,664</u>	<u>\$ 19,977,999</u>
Debt service as as percentage of noncapital expenditures	<u>13.14%</u>	<u>12.56%</u>	<u>9.53%</u>	<u>9.40%</u>

Table 4

2008	2009	2010	2011	2012	2013
\$ 12,673,146	\$ 17,150,242	\$ 18,218,142	\$ 18,655,904	\$ 19,314,239	\$ 20,062,793
70,206	69,073	81,990	84,844	87,495	92,347
5,834,891	5,937,573	5,789,968	6,254,703	6,671,559	7,070,415
1,049,167	1,575,448	1,110,921	1,339,445	1,442,501	1,121,653
2,066,232	1,440,169	1,547,973	1,679,309	1,625,891	3,151,923
2,126,403	870,538	760,666	796,759	758,893	710,031
599,293	398,427	327,018	465,688	440,520	527,072
825,169	358,825	340,767	67,390	68,575	122,770
<u>25,244,507</u>	<u>27,800,295</u>	<u>28,177,445</u>	<u>29,344,042</u>	<u>30,409,673</u>	<u>32,859,004</u>
7,375,668	8,010,553	8,145,908	8,821,715	9,255,647	8,705,491
7,082,614	8,715,513	9,449,953	9,679,055	9,899,361	10,418,124
1,236,454	1,552,320	2,071,754	2,162,019	1,811,031	1,734,057
1,908,344	2,174,599	2,289,181	2,420,516	2,461,981	2,577,759
1,332,289	1,537,097	1,558,458	1,605,629	1,742,995	2,003,892
4,976,321	19,836,119	9,456,702	3,782,821	7,697,205	5,371,207
652,750	651,625	2,365,250	1,015,000	1,010,000	1,005,000
480,254	452,364	452,588	628,763	572,513	542,188
447,854	573,026	753,022	877,659	1,238,404	1,957,402
19,462	187,930	352,835	334,913	372,133	361,021
<u>25,512,010</u>	<u>43,691,146</u>	<u>36,895,651</u>	<u>31,328,090</u>	<u>36,061,270</u>	<u>34,676,141</u>
(267,503)	(15,890,851)	(8,718,206)	(1,984,048)	(5,651,597)	(1,817,137)
310,607	1,172,719	3,525,538	913,836	5,597,826	1,453,347
(310,607)	(1,172,719)	(3,524,115)	(903,071)	(5,597,826)	(1,451,887)
-	2,205,470	-	-	-	-
-	10,048,795	407,504	321,060	6,850,155	1,603,825
-	-	(151,247)	-	-	-
-	-	9,005,000	-	-	-
<u>-</u>	<u>12,254,265</u>	<u>9,262,680</u>	<u>331,825</u>	<u>6,850,155</u>	<u>1,605,285</u>
(267,503)	(3,636,586)	544,474	(1,652,223)	1,198,558	(211,852)
19,977,999	19,710,496	16,392,452	17,011,282	15,359,059	16,557,617
-	-	74,356	-	-	42,513
<u>19,977,999</u>	<u>19,710,496</u>	<u>16,466,808</u>	<u>17,011,282</u>	<u>15,359,059</u>	<u>16,600,130</u>
<u>\$ 19,710,496</u>	<u>\$ 16,073,910</u>	<u>\$ 17,011,282</u>	<u>\$ 15,359,059</u>	<u>\$ 16,557,617</u>	<u>\$ 16,388,278</u>
<u>7.79%</u>	<u>7.82%</u>	<u>14.30%</u>	<u>10.37%</u>	<u>11.26%</u>	<u>13.19%</u>

TOWN OF WAKE FOREST, NORTH CAROLINA

Government-wide Revenues

Last Ten Fiscal Years

June 30, 2013

PROGRAM REVENUES

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2004	\$ 22,943,989	\$ 661,766	\$ 3,913,473
2005	24,775,599	529,860	6,264,169
2006	17,512,026	1,765,739	4,795,316
2007	18,614,188	432,934	8,584,468
2008	18,991,165	786,667	20,879,263
2009	18,674,071	825,448	13,145,415
2010	19,829,069	713,890	1,091,058
2011	20,924,208	951,329	1,888,124
2012	19,397,177	1,157,671	284,861
2013	21,861,183	907,675	3,771,791

* Miscellaneous for June 30, 2009 includes an extraordinary item of \$2,205,470 which is a one time contribution from the Industrial Development Corporation.

Table 5

GENERAL REVENUES

Taxes	Unrestricted Intergovernmental	Unrestricted Investment Earnings	Miscellaneous	Total
\$ 6,831,156	\$ 3,033,438	\$ 146,698	\$ 586,318	\$ 38,116,838
7,905,554	3,681,220	420,566	911,615	44,488,583
9,469,105	4,078,480	765,899	2,159,125	40,545,690
10,982,680	5,028,295	1,219,462	335,664	45,197,691
12,785,429	5,834,891	869,330	596,418	60,743,163
17,348,674	5,937,573	559,924	2,785,917 *	59,277,022
18,312,712	5,789,968	260,880	354,017	46,351,594
18,676,144	6,254,703	219,912	459,273	49,373,693
19,384,552	6,671,559	200,984	420,357	47,517,161
20,154,957	7,070,415	222,521	550,147	54,538,689

TOWN OF WAKE FOREST, NORTH CAROLINA
General Governmental Revenues by Sources (1)
 Last Ten Fiscal Years
 June 30, 2013

Table 6

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Miscellaneous Revenues</u>	<u>Total</u>
2004	\$ 9,298,847	\$ 1,293,002	\$ 1,523,494	\$ 1,353,592	\$ 59,272	\$ 227,806	\$ 13,756,013
2005	11,577,261	679,860	1,537,172	1,502,272	173,509	306,688	15,776,762
2006	13,577,960	1,842,336	1,911,058	1,765,177	300,716	439,353	19,836,600
2007	15,934,125	799,046	2,037,784	1,812,357	471,535	324,265	21,379,112
2008	18,578,243	800,648	1,687,009	2,126,403	382,854	534,301	24,109,458
2009	23,156,889	838,658	1,046,138	870,538	167,293	385,190	26,464,706
2010	24,000,426	952,442	1,057,807	760,666	140,826	274,260	27,186,427
2011	24,995,451	1,117,009	1,114,255	796,759	58,183	307,744	28,389,401
2012	26,073,293	1,339,589	1,204,262	758,893	54,424	422,909	29,853,370
2013	27,225,555	907,675	1,853,691	710,031	34,831	422,787	31,154,570

Notes:

- (1) Includes general and special revenue funds.

TOWN OF WAKE FOREST, NORTH CAROLINA
General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years
 June 30, 2013

Table 7

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Environmental Protection</u>	<u>Cultural and Recreational</u>	<u>Debt Service</u>	<u>Fiscal Year Total</u>
2004	\$ 3,290,668	\$ 4,342,049	\$ 955,724	\$ 1,315,658	\$ 1,009,653	\$ 1,515,373	\$ 12,429,125
2005	3,619,907	4,916,934	1,473,403	1,335,465	1,096,895	1,619,693	14,062,297
2006	5,413,924	5,789,425	1,286,788	2,190,290	3,525,721	1,503,309	19,709,457
2007	6,772,894	6,338,522	1,388,137	2,027,196	1,198,163	1,666,938	19,391,850
2008	7,696,482	7,411,281	1,298,470	1,933,999	1,491,413	1,600,320	21,431,965
2009	9,672,294	9,432,078	1,784,221	2,313,596	1,506,851	1,864,945	26,573,985
2010	9,064,236	9,682,515	2,668,418	2,389,591	1,523,354	3,923,695	29,251,809
2011	10,130,934	10,147,037	2,377,888	2,420,516	1,871,215	2,856,335	29,803,925
2012	10,421,497	10,321,288	2,301,523	2,468,976	1,836,625	3,193,050	30,542,959
2013	9,081,076	10,836,218	2,343,492	2,940,893	2,190,341	3,865,611	31,257,631

Notes:

- (1) Includes general and special revenue funds.

TOWN OF WAKE FOREST, NORTH CAROLINA
Government-wide Expenses by Function
 Last Ten Fiscal Years
 June 30, 2013

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Environmental Protection</u>
2004	\$ 3,264,577	\$ 4,330,589	\$ 1,790,537	\$ 1,264,596
2005	3,579,532	4,919,342	2,074,901	1,364,786
2006	5,078,512	5,656,444	2,220,905	2,110,057
2007	6,122,587	6,366,631	2,605,715	1,797,390
2008	7,613,303	7,445,480	2,795,746	1,976,526
2009	8,618,506	9,447,725	3,604,053	2,272,165
2010	8,682,965	10,253,680	4,299,079	2,397,576
2011	9,814,820	10,478,094	4,370,908	2,520,645
2012	9,629,543	10,697,935	4,052,075	2,554,192
2013	9,524,312	11,228,188	4,119,839	2,666,922

Table 8

<u>Cultural and Recreation</u>	<u>Interest on Long-term Debt</u>	<u>Wate and Sewer</u>	<u>Electric</u>	<u>Total</u>
\$ 975,811	\$ 258,942	\$ 7,128,256	\$ 10,301,962	\$ 29,315,270
1,100,051	221,154	7,754,258	11,567,024	32,581,048
1,216,086	190,793	280,588	14,278,166	31,031,551
1,354,940	443,086	(3,877)	14,565,448	33,251,920
1,519,941	489,404	34,441	14,228,087	36,102,928
1,798,042	784,454	195,625	16,048,282	42,768,852
2,024,989	902,986	170,850	16,097,214	44,829,339
2,502,178	909,477	147,731	17,327,845	48,071,698
2,644,989	932,318	126,995	16,908,508	47,546,555
2,819,826	995,852	74,309	17,486,017	48,915,265

TOWN OF WAKE FOREST, NORTH CAROLINA
Assessed Values of Taxable Property (1)
 Last Ten Fiscal Years
 June 30, 2013

Table 9

Fiscal Year	Tax Year Ended December 31	Real Property	Personal Property	Public Service Company	Total Assessed Value	Total Direct Tax Rate	Ratio of Assessed Value to Estimated Actual Value
2004	2003	\$ 1,014,153,784	\$ 191,867,989	\$ 18,798,560	\$ 1,224,820,333	0.530	100 %
2005	2004	1,233,395,263	203,855,525	19,324,889	1,456,575,677	0.540	100 %
2006	2005	1,441,248,082	274,455,628	22,472,114	1,738,175,824	0.540	100 %
2007	2006	1,698,886,624	287,999,416	24,473,936	2,011,359,976	0.540	100 %
2008	2007	1,943,616,102	327,762,406	22,349,063	2,293,727,571	0.550	100 %
2009	2008 (2)	2,991,210,274	325,185,573	29,041,493	3,345,437,340	0.510	100 %
2010	2009	3,205,505,756	266,540,456	31,382,089	3,503,428,301	0.510	100 %
2011	2010	3,221,774,225	345,392,571	30,995,165	3,598,161,961	0.510	100 %
2012	2011	3,373,651,564	348,998,438	30,021,371	3,752,671,373	0.510	100 %
2013	2012	3,454,767,428	413,935,518	33,118,426	3,901,821,372	0.510	100 %

Notes:

- (1) Assessed value is established by Wake County Tax Department at 100% estimated market value.
- (2) A revaluation of all property is required every eight (8) years by State Statute. The last revaluation occurred as of December 31, 2008.

TOWN OF WAKE FOREST, NORTH CAROLINA

Table 10

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

June 30, 2013

<u>Fiscal Year</u>	<u>Town of Wake Forest</u>	<u>Wake County</u>	<u>Combined Tax Rate Per \$100 of Assessed Value</u>
2004	\$ 0.530	\$ 0.604	\$ 1.134
2005	0.540	0.604	1.144
2006	0.540	0.604	1.144
2007	0.540	0.634	1.174
2008	0.550	0.678	1.228
2009	0.510	0.534	1.044
2010	0.510	0.534	1.044
2011	0.510	0.534	1.044
2012	0.510	0.534	1.044
2013	0.510	0.534	1.044

Notes:

*A revaluation of real property is required by N. C. General Statutes at least every eight years. Revaluation was completed for tax years 2000 (fiscal year 2001) and 2008 (fiscal year 2009).

TOWN OF WAKE FOREST, NORTH CAROLINA
Principal Property Taxpayers
 Current Year and Nine Years Ago
 June 30, 2013

Table 11

Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Crossroads Holdings LLC	\$ 25,253,308	1	0.65%	-	-	-
WMCI Raleigh IV LLC	22,765,335	2	0.58%	-	-	-
Caveness Partners LLC	21,105,703	3	0.54%	-	-	-
Gateway Forest LLC	20,102,241	4	0.52%	-	-	-
Factory LLC	19,677,441	5	0.50%	-	-	-
Lowes Home Center Inc	17,329,929	6	0.44%	-	-	-
Wake Electric Membership CORP.	15,997,061	7	0.41%	-	-	-
Walmart	14,901,721	8	0.38%	-	-	-
MLC Automotive LLC	14,682,581	9	0.38%	\$ 7,619,089	7	0.62%
Target Corporation	12,852,082	10	0.33%	9,603,724	5	0.78%
Heritage Wake Forest Inc	10,158,594	17	-	17,877,099	2	1.46%
KF US-1, LLC	-	-	-	16,439,700	3	1.34%
Weavexx	-	-	-	19,831,723	1	1.62%
Granite Properties & Management, I	-	-	-	11,534,174	4	0.94%
Wake Forest Partners	10,252,112	16	-	7,020,046	8	0.57%
Carolina Telephone	6,364,799	31	-	6,537,240	9	0.53%
Kahn Famil LLC	-	-	-	8,568,717	6	0.70%
Franklin Village LLC	5,968,660	36	-	6,382,133	10	0.52%
Total	\$ 217,411,567		5.57%	\$ 111,413,645		9.10%
Total Assessed Value	\$ 3,901,821,372			\$ 1,224,820,333		

Source: Wake County Revenue Department

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Expenditures**

Last Ten Fiscal Years

June 30, 2013

Fiscal Year	Principal	Interest (1)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004	\$ 200,625	\$ 150,162	\$ 350,787	\$ 12,429,125	2.8%
2005	195,000	140,480	335,480	14,062,297	2.4%
2006	193,875	130,994	324,869	19,709,457	1.6%
2007	193,875	305,559	499,434	19,391,850	2.6%
2008	652,750	480,254	1,133,004	21,427,516	5.3%
2009	651,625	452,364	1,103,989	26,573,985	4.2%
2010	2,365,250	452,588	2,817,838	29,251,809	9.6%
2011	1,015,000	628,763	1,643,763	29,477,326	5.6%
2012	1,010,000	572,513	1,582,513	29,919,509	5.3%
2013	1,005,000	542,188	1,547,188	31,257,631	4.9%

(1) Excludes bond issuance and other costs.

TOWN OF WAKE FOREST, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years

June 30, 2013

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy	
				Amount	Percentage of Original Levy
2004	\$ 6,748,352	\$ (47,134)	\$ 6,701,218	\$ 6,629,494	98.93%
2005	7,892,505	(14,298)	7,878,207	7,769,111	98.62%
2006	9,445,391	(8,992)	9,436,399	9,302,649	98.58%
2007	10,896,415	(10,621)	10,885,794	10,706,862	98.36%
2008	12,678,816	(11,001)	12,667,815	12,469,062	98.43%
2009	17,243,590	(23,407)	17,220,183	16,928,984	98.31%
2010	18,185,036	(26,445)	18,158,591	17,886,169	98.50%
2011	18,576,563	-	18,576,563	18,353,347	98.80%
2012	19,204,045	-	19,204,045	19,007,310	98.98%
2013	19,955,115	-	19,955,115	19,760,773	99.03%

Table 13

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
\$ 66,556	\$ 6,696,050	99.92%
100,517	7,869,628	99.89%
120,805	9,423,454	99.86%
163,572	10,870,434	99.86%
177,462	12,646,524	99.83%
268,216	17,197,200	99.87%
250,872	18,137,041	99.88%
190,738	18,544,085	99.83%
155,998	19,163,308	99.79%
-	19,760,773	99.03%

Demographic Statistics

Last Ten Fiscal Years

June 30, 2013

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) Median Age</u>	<u>(4) Wake County School Enrollment</u>	<u>(5) Wake County Unemployment Rate</u>	<u>(6) Wake Forest Unemployment Rate</u>
2004	17,607	\$ 34,615	34.4	108,970	4.8%	3.5%
2005	20,300	35,624	34.3	114,068	4.5%	5.8%
2006	22,784	37,221	34.7	120,504	3.9%	4.3%
2007	24,970	39,373	34.9	134,002	3.8%	2.9%
2008	26,634	37,602	34.9	138,000	4.9%	3.7%
2009	27,217	37,849	34.9	137,706	8.6%	6.3%
2010	28,542	**	34.5	139,599	8.8%	6.2%
2011	30,329	29,723	32.9	143,289	8.7%	6.6%
2012	31,774	41,440	34.2	146,687	7.9%	5.9%
2013	33,703	32,060	35.0	149,528	7.3%	5.4%

Sources:

- (1) Town of Wake Forest - Planning Department
- (2) North Carolina Department of Commerce - Information is calculated on the county level. Information is not maintained at the City level.
- (3) North Carolina Department of Commerce - Information is calculated on the county level. Information is not maintained at the City level.
- (4) Wake County Public School System
- (5) North Carolina State Employment Security Commission for Wake County.
- (6) North Carolina State Employment Security Commission for Town of Wake Forest.
- ** Information not available.

TOWN OF WAKE FOREST, NORTH CAROLINA
Legal Debt Margin Information
 Last Ten Fiscal Years
 June 30, 2013

Table 15

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Less: Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</u>
2004	\$ 97,985,627	\$ 5,806,396	\$ 92,179,231	5.93%
2005	116,526,054	4,202,902	112,323,152	3.61%
2006	139,054,066	4,110,956	134,943,110	2.96%
2007	160,908,798	12,148,838	148,759,960	7.55%
2008	183,498,206	10,900,984	172,597,222	5.94%
2009	267,634,987	19,852,128	247,782,859	7.42%
2010	280,274,264	24,531,725	255,742,539	8.75%
2011	287,852,957	24,595,011	263,257,946	8.54%
2012	300,213,710	29,196,762	271,016,948	9.73%
2013	312,145,710	27,802,641	284,343,069	8.91%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	<u>\$3,901,821,373</u>
Debt Limit (8% of total assessed value)	312,145,710
Debt applicable to limit	<u>27,802,641</u>
Legal debt margin	<u>\$284,343,069</u>
Percentage of debt to debt limit	<u>8.91%</u>

TOWN OF WAKE FOREST, NORTH CAROLINA
Ratio of Net General Bonded Debt
To Assessed Value And Net Bonded Debt Per Capita
 Last Ten Fiscal Years
 June 30, 2013

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Debt Payable From Enterprise Revenues</u>
2004	16,553	\$ 1,224,820,333	\$ 3,655,000	\$ 817,625
2005	20,300	1,456,575,677	3,305,000	662,625
2006	22,784	1,738,175,824	2,960,000	511,500
2007	24,970	2,011,359,976	11,815,000	360,375
2008	26,634	2,293,727,571	11,015,000	213,125
2009	27,217	3,345,437,340	10,220,000	69,750
2010	28,542	3,503,428,301	16,790,000	-
2011	30,329	3,598,161,961	15,775,000	-
2012	31,774	3,752,671,373	14,765,000	-
2013	33,703	3,901,821,373	13,760,000	-

(1) Compiled by the Town of Wake Forest Planning Department

Table 16

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>	<u>Gross Bonded Debt per Capita</u>
\$ 2,837,375	0.23%	\$ 171	\$ 221
2,642,375	0.18%	130	163
2,448,500	0.14%	107	130
11,454,625	0.57%	459	473
10,801,875	0.47%	406	414
10,150,250	0.30%	373	376
16,790,000	0.48%	588	588
15,775,000	0.44%	520	520
14,765,000	0.39%	465	465
13,760,000	0.35%	408	408

TOWN OF WAKE FOREST, NORTH CAROLINA
Direct And Overlapping Governmental Activities Debt
 June 30, 2013

Table 17

<u>Jurisdiction</u>	<u>Bonded Debt</u>	<u>Percentage Applicable to Town (2)</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Wake Forest	\$27,838,185 (1)	100.00%	\$27,838,185
Overlapping: (3)			
Wake County	\$1,801,325,000 (4)	3.19%	<u>\$57,462,268</u>
		Total	<u><u>\$ 85,300,453</u></u>

(1) Includes all governmental activities debt.

(2) Based on total assessed values.

(3) Overlapping debt does not include the debt of the Special Airport District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of Airport revenues.

(4) Wake County Revenue Department

TOWN OF WAKE FOREST, NORTH CAROLINA
Commerical Activity
 Last Ten Fiscal Years
 June 30, 2013

Table 18

Fiscal Year	Commercial		Residential		Total	
	Number	Value	Number	Value	Number	Value
2004	21	\$ 27,982,010	783	\$ 123,955,498	804	\$ 151,937,508
2005	20	15,378,373	711	118,683,258	731	134,061,631
2006	18	13,649,705	1,107	222,378,036	1,125	236,027,741
2007	20	23,243,271	728	156,284,719	748	179,527,990
2008	27	38,034,721	509	120,685,563	536	158,720,284
2009	31	36,982,166	153	28,544,355	184	65,526,521
2010	59	26,595,248	316	57,137,983	375	83,733,231
2011	47	6,122,922	415	68,864,397	462	74,987,319
2012	67	10,282,212	585	70,591,023	652	80,873,235
2013	94	27,164,939	501	100,873,993	595	128,038,932

(1) Compiled by the Town of Wake Forest Planning and Inspections Department

TOWN OF WAKE FOREST, NORTH CAROLINA
Employee Position Authorization by Department (1)
 Last Ten Fiscal Years
 June 30, 2013

<u>Fiscal Year</u>	<u>Admin</u>	<u>Comm</u>	<u>Finance</u>	Human		Planning		<u>Engineering</u>	<u>Pub Works</u>
				<u>Resources</u>	<u>MIS</u>	<u>and</u>	<u>Public</u>		
						<u>Inspections</u>	<u>Safety</u>		<u>Admin</u>
2004	5.0	0.0	17.0	0.0	0.0	15.0	45.0	6.0	0.0
2005	6.0	0.0	17.0	0.0	1.0	17.0	49.0	8.0	0.0
2006	4.0	0.0	17.0	3.0	1.0	18.0	50.5	7.0	0.0
2007	4.0	0.0	17.0	3.0	2.0	20.5	58.0	7.0	0.0
2008	3.0	1.0	17.0	4.0	2.0	24.0	63.0	7.0	3.0
2009	3.0	1.0	17.0	4.0	3.0	23.0	65.0	7.0	3.0
2010	3.0	2.0	17.0	4.0	3.0	23.0	65.0	7.0	3.0
2011	3.0	2.0	17.0	4.0	4.0	22.0	67.0	7.0	3.0
2012	3.0	2.0	18.0	4.0	4.0	21.0	70.0	7.0	3.0
2013	4.0	2.0	18.0	4.0	5.0	21.0	75.0	7.0	3.0

- (1) Permanent full time and part time positions employees only as of June 30th. Excludes temporary, part-time and seasonal employees.
- (2) All Water and Sewer employees transferred to the City of Raleigh effective July 1, 2005.

Table 19

(2)

<u>Fleet</u>	<u>Streets</u>	<u>Sanitation</u>	<u>Parks & Recreation</u>	<u>Public Facilities</u>	<u>Cemetery</u>	<u>Water & Wastewater</u>	<u>Electric</u>	<u>Tree Trimming</u>	<u>Year Total</u>
4.0	8.0	4.0	8.0	0.0	2.0	25.0	18.0	0.0	157.0
4.0	13.0	4.0	10.0	0.0	0.0	29.0	22.0	0.0	180.0
4.0	14.0	7.0	10.0	0.0	0.0	0.0	22.0	0.0	157.5
4.0	14.0	7.0	11.0	0.0	0.0	0.0	25.0	0.0	172.5
4.0	15.0	7.0	11.0	0.0	0.0	0.0	22.0	0.0	183.0
5.0	18.0	9.0	15.0	0.0	0.0	0.0	22.0	0.0	195.0
5.0	18.0	9.0	15.0	0.0	0.0	0.0	22.0	0.0	196.0
5.0	17.0	9.0	15.0	1.0	0.0	0.0	22.0	0.0	198.0
5.0	17.0	9.0	15.0	1.0	0.0	0.0	22.0	0.0	201.0
5.0	17.0	9.0	15.0	2.0	0.0	0.0	19.0	3.0	209.0

TOWN OF WAKE FOREST, NORTH CAROLINA
Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 June 30, 2013

Fiscal Year	Property Tax	Sales Tax	Franchise Tax
2004	\$ 6,794,962	\$ 2,438,140	\$ 480,921
2005	7,829,955	2,936,686	636,362
2006	9,403,482	3,256,103	711,491
2007	10,826,918	3,926,315	955,747
2008	12,614,652	4,480,256	1,208,734
2009	17,150,242	4,328,578	1,445,212
2010	18,128,468	4,257,327	1,468,603
2011	18,579,520	4,559,143	1,550,178
2012	19,240,193	4,991,298	1,528,114
2013	19,988,279	5,285,774	1,581,534

Table 20

<u>Motor Vehicle Licenses</u>	<u>Rental Vehicle Tax</u>	<u>Beer & Wine Tax</u>	<u>Total</u>
\$ 56,256	\$ 17,602	\$ 61,058	\$ 9,848,939
63,504	22,554	73,265	11,562,326
72,181	24,448	76,123	13,543,828
82,650	27,074	89,435	15,908,139
90,310	33,636	104,240	18,531,828
95,221	31,388	115,568	23,166,209
96,886	32,994	39,216	24,023,494
99,371	36,920	125,782	24,950,914
219,629	31,791	131,394	26,142,419
324,888	38,731	125,512	27,344,718

TOWN OF WAKE FOREST, NORTH CAROLINA
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 June 30, 2013

Table 21

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	(1) Debt Per Capita
	General Obligation Bonds	Installment Financings	General Obligation Bonds	Installment Financings	Revenue Bonds		
2004	\$ 2,837,375	\$ 3,206,392	\$ 817,625	\$ 10,519,880	\$ -	\$ 17,381,272	\$ 1,050
2005	2,642,375	2,321,030	662,625	8,125,676	-	13,751,706	677
2006	2,448,500	1,810,956	511,500	7,290,948	-	12,061,904	529
2007	11,454,625	694,213	360,375	6,606,700	2,300,000	21,415,913	858
2008	10,801,875	246,359	213,125	5,762,177	2,144,943	19,168,479	720
2009	10,150,250	9,722,128	69,750	4,881,023	1,984,034	26,807,185	985
2010	16,790,000	9,376,610	-	4,315,594	1,817,049	32,299,253	1,132
2011	15,775,000	8,820,011	-	3,650,588	1,643,761	29,889,360	986
2012	14,765,000	14,431,762	-	3,022,730	1,463,932	33,683,424	1,060
2013	13,760,000	14,078,185	-	2,367,799	1,277,315	31,483,299	934

Notes:

(1) See Table 14 for population data.

(2) Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Miscellaneous Statistics

June 30, 2013

Date of Incorporation	February 20, 1909	
Form of Government	Council-Manager	
Miles of City-owned Streets	86.43	
Fire Protection (Combination: Paid/Volunteer)		
Number of Stations	3	
Number of Uniformed Officers	75	
Police Protection		
Number of Stations	3	
Number of Full-time Sworn Officers	55	
Utility System: Electric		
Number of Customers	6,300	
Residential Rates:	Basic Customer Charge	\$9.89
	Energy Charge	\$0.120802 per kwh
Community Facilities:		
Parks		10 Public
Pools	6 Private	1 Public
Tennis Courts	7 Private	4 Public
Golf Courses	1 Semi-private	1 Public
Country Clubs	1 Semi-private	
Cultural Activities:		
Wake Forest Birthplace Museum		
Wake Forest Historic District		
Wake Forest Arts		
Wake Forest Biennial Historical Homes Tour		
Wake Forest Historical Association bi-monthly programs		
"Six Sundays in Spring" concert series		
Concerts in the Park (in addition to the Six Sundays Series)		
Movies in the Park		
"Meet in the Street" - Spring arts and music festival		
Arbor Day Celebration		
Fourth of July Fireworks Spectacular		
Art-in-the-Park & Games-in-the-Park		
Public Power Week		
"Good Neighbor Day" community music, art, and food festival		
Annual Lighting of Wake Forest and Christmas Parade		
"Art After Hours" monthly events in Downtown Wake Forest		
"Neck of the Woods" - regular theater and music performances downtown		
Art Galleries in Downtown Wake Forest		

	<u>2013</u>		<u>2004</u>	
	Approximate Number of Employees	Rank	Approximate Number of Employees	Rank
<u>Principal Employers*:</u>				
Wake County Schools	803	1	514	1
Southeastern Baptist Theological Seminary	380	2	254	3
Wal-mart Super Center	350	3	-	-
CenturyLink (formerly named EmBarq and Sprint)	350	3	429	2
Super Target	250	4	201	4
The Body Shop	225	5	233	5
Town of Wake Forest	196	6	158	7
Lowes Foods	186	7	99	9
Hillside Nursing Center	167	8	-	-
Lowes Home Improvement	165	9	140	-
Rex Healthcare (Wakefield)	160	10	-	-
Chris Leith	-	-	143	6
The Home Depot	-	-	110	8
Wake Electric Membership Corporation	-	-	124	10

* Source - Wake Forest Economic Development



TOWN *of*
WAKE FOREST

104 Brady Court, Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

Report on Internal Control over Financial Reporting and Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wake Forest, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprises the Town of Wake Forest's basic financial statements and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wake Forest's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wake Forest's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as Item 2013 - 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wake Forest's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Town of Wake Forest, in a separate letter dated November 22, 2013.

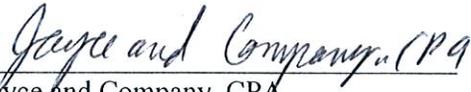
Town of Wake Forest's Response to Findings

The Town of Wake Forest's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 22, 2013


Joyce and Company, CPA
Cary, North Carolina

104 Brady Court, Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

Report on Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and
the State Single Audit Implementation Act

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

Report on Compliance for the Major State Program

We have audited the Town of Wake Forest, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on the Town of Wake Forest's major state program for the year ended June 30, 2013. The Town of Wake Forest's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Wake Forest's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A 133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A 133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Wake Forest's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Town of Wake Forest's compliance.

Opinion on the Major State Program

In our opinion, the Town of Wake Forest complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2013.

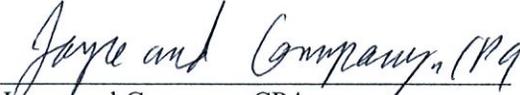
Report on Internal Control Over Compliance

Management of the Town of Wake Forest is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Wake Forest's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Joyce and Company, CPA
Cary, North Carolina

November 22, 2013

Town of Wake Forest, North Carolina
Schedule of Findings, Questioned Costs and Management Responses

For the year ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> X </u> yes	_____ none reported
Noncompliance material to financial statement noted	_____ yes	<u> X </u> no

Federal Award

The Town of Wake Forest has no major federal programs.

State Award

Internal control over major state program:		
• Material weakness(es) identified?	_____ Yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	_____ yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major state program: Unqualified

Identification of major state program: Powell Bill

Section II. Financial Statement Findings

Item 2013-1 Purchase Orders and Grant Reimbursement Requests

Criteria The Town has a formal purchasing policy to provide reasonable assurance that purchase orders, payment requisitions and purchase approval are handled appropriately.

Condition Invoices and/or delivery dates of goods/services received by the Town related to various grant funded projects were dated prior to purchase orders, an improper account code was documented on the payment requisition and purchase orders were prepared that did not indicate the correct amount of remaining encumbered funds subsequent to previous payments. Grant reimbursement requests have been submitted to granting agencies in arrears, up to nine months after grant expenditures were incurred.

Effect Financial statements could be materially misstated and not be detected and corrected.

Cause There is a lack of proper training and dedicated staff time on grant funded projects.

Recommendation We recommend that the Town develop a process whereby purchase orders are prepared and approved prior to services being provided in conjunction with grant projects and steps are taken to timely file for grant reimbursement.

Section III. Views of Responsible Officials and Planned Corrective Actions.

Item 2013-1 Purchase Orders and Grant Reimbursement Requests
Significant Deficiency

Contact Person – Aileen Staples, Finance Director

Management's Response –Due to the number of grants the Town has received for transportation projects, there is a tremendous amount of paperwork involved. Finance staff will assist Planning staff with regard to getting the purchase order issued prior to work commencing. Furthermore, Finance will take the lead in obtaining the reimbursements for respective grant monies going forward. The Town will be in a better position to pursue more grant opportunities with additional staff to provide assistance with grant administration. Management will consider with the fiscal year 2014-2015 budget.

Proposed Completion Date – December 15, 2013

Section IV. Federal Award Findings and Questioned Costs.

None.

Section V. State Award Findings and Questioned Costs.

None.

Town of Wake Forest, North Carolina
Summary Schedule of Prior Audit Findings

For the year ended June 30, 2013

Item 2010-1

The Town is not meeting statutorily imposed deadlines for several of its financial reporting requirements

Status: Corrected

Item 2010-2

Purchasing cards were not reconciled and journal entries related to this were not recorded throughout the year

Status: Corrected

Item 2010-3

Grant revenues are not being recorded in the proper accounting periods in some circumstances

Status: Corrected

Item 2011-1

The Town is not meeting statutorily imposed deadlines for several of its financial reporting requirements

Status: Corrected

Town of Wake Forest, North Carolina
Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass- Through Grantor/Program Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS:					
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Transportation:					
<i>Highway Planning & Construction</i>	20.205-1	WBS 40924.1.14	\$ 5,000	\$ -	\$ -
<i>Highway Planning & Construction</i>	20.205-1	WBS 41821.1.13	2,364		1,646
<i>Highway Planning & Construction</i>	20.205-1	WBS 41821.1.38	27,485		6,871
<i>Highway Planning & Construction</i>	20.205-1	WBS 41821.1.41	12,477		3,119
<i>Highway Planning & Construction</i>	20.205-1	WBS 42379.1.3	36,436		9,109
<i>Highway Planning & Construction</i>	20.205-7	WBS 46229.1.1	130,216	-	32,554
Total			<u>213,978</u>	<u>-</u>	<u>53,299</u>
<u>U.S. Department of Justice</u>					
Passed through N.C. Department of Public Safety:					
	16.803	-	<u>7,268</u>	<u>-</u>	<u>-</u>
<u>Environmental Protection Agency</u>					
Passed through N.C. Department of Environment and Natural Resources:					
Total assistance - federal programs	66.460	-	<u>50,000</u>	<u>-</u>	<u>15,384</u>
			<u>271,246</u>	<u>-</u>	<u>68,683</u>
STATE GRANT:					
<u>N.C. Department of Transportation</u>					
<i>Powell Bill Fund</i>	N/A	N/A	<u>-</u>	<u>770,703</u>	<u>-</u>
Total assistance			<u>\$ 271,246</u>	<u>\$ 770,703</u>	<u>\$ 68,683</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation - The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Wake Forest and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



TOWN *of*
WAKE FOREST