

TOWN OF WAKE FOREST, NORTH CAROLINA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2007

Board of Commissioners

Vivian A. Jones, Mayor
Stephen Barrington, Mayor Pro-tem
Velma Boyd-Lawson
Frank Drake
David Camacho
Margaret Stinnett

**Prepared by:
Finance
Department**

TOWN OF WAKE FOREST STAFF

Mark S. Williams
Town Manager

Joyce W. Wilson, MMC
Town Clerk

Eric Vernon
Town Attorney

Tammy R. Moody
Human Resources Director

Greg Harrington
Police Chief

Aileen J. Staples
Finance Director

Roe O'Donnell
Deputy Town Manager – Operations

Roger A. Russell
Planning Director

Susan Simpson
Parks and Recreation Director

Eric Keravuori
Director of Engineering

Mike Barton
Public Works Director

Tom Labarge
Information Technology Director

ADVISORY BOARDS AND COMMISSIONS

Planning and Zoning Board
Bob Hill, Chairperson

Cemetery Advisory Board
John Mills, Chairperson

Board of Adjustment
Tom Littleton, Chairperson

Recreation Advisory Board
Thomas Hodge, Chairperson

Historic Preservation Commission
Louise Howard, Chairperson

Tree Board
Hugh Nourse, Chairperson

Human Relations Council
Mitch Lawson, Chairperson

Senior Center Advisory Board
Hope Newsom, Chairperson

Greenway Advisory Board
Joe Seiglar

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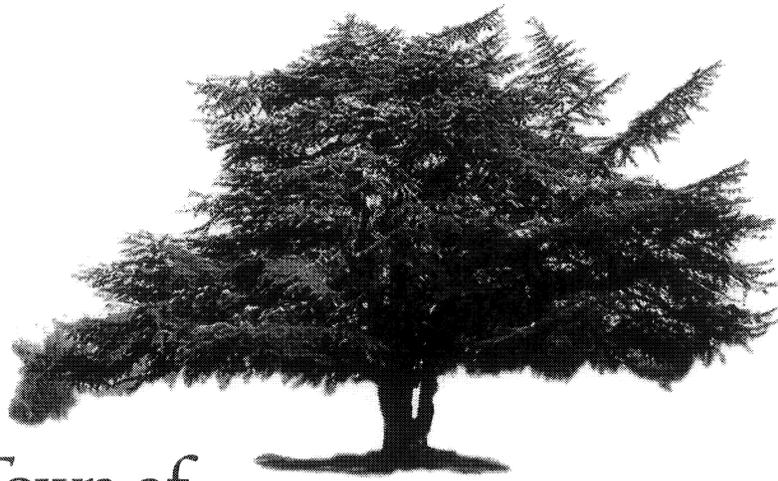
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Town of
Wake Forest
North Carolina



November 26, 2007

**Honorable Mayor, 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, 2007 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, 2007, 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.

The 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

The Town of Wake Forest is located in Northern Wake County and is contiguous to the City of Raleigh. The Town is positioned in the north central section of the Piedmont area of the State and is considered a part of the Research Triangle area. The growth and development of the Research Triangle, which encompasses Wake, Durham and Orange counties has led to the growth of the economic base in recent years. Educational opportunities, recreational and cultural amenities, a strong economic base and a highly rated quality of life continue to attract an ever-growing number of newcomers to this area.

Incorporated in 1909, Wake Forest continues its emergence as a major player in the phenomenal growth and activity witnessed throughout the Triangle. Wake Forest maintains its small town character, however, by captivating newcomers and long-time residents alike with its incomparable warmth and charm.

The Town's estimated population at June 30, 2007 was 24,970 which is an increase of 9.6% over the previous fiscal year. Total growth has been approximately 168% since 1998. Regional employment opportunities and easy access to the airport make Wake Forest a desirable place to work and live. Over the last several years there has been a shift in commercial establishments from industry to retail institutions.

Economic Condition and Outlook

Wake Forest's tax base has grown from \$406.3 million in 1998 to \$2.0 billion in 2007. The Town's tax base is approximately 20 percent commercial/industrial and 80 percent residential.

Heritage Wake Forest 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) new public schools, an industrial and business park, shopping and commercial opportunities, neighborhood business and office opportunities and over 2,250 residential homes.

In May 2007, a plan for a 256-acre tract of land referred to as Holding Village was approved. This development will include 1,200 single family units and will ultimately connect Heritage Wake Forest with the downtown area. Construction is expected to start in 2008.

The development of several small subdivisions is underway contributing to the Town's continued growth. Austin Creek located on Highway 98 East and Stonegate at St. Andrews located on Forestville Road are two larger developments under construction. Each will have over 400 single family units and over 200 town home units.

The Town's retail community currently includes The Factory, Capital Plaza, Wake Pointe Shopping Center, Wake Forest Crossings and Market of Wake Forest and five more retail centers are in varying stages of approval or construction (Shoppes of Caveness, Wake Forest Towne Center, Purnell Place, Quail Crossing Shopping Center and Gateway Commons Shopping Center). Other commercial projects underway or in review include Heritage Medical Center, La Scala – Phase I, Ligon Mill – Phase III and North Park – Phase II. Several new restaurants around town opened during the past year including Chili's, Old Chicago Pizza, Carolina Ale House, Red Robin, Texas Roadhouse and Steak 'n Shake.

In fiscal year 2007 the Town issued 748 building permits. Commercial development accounted for 20 of the total permits issued while residential development accounted for 728.

Southeastern Baptist Theological Seminary currently enjoys an enrollment of over 2,500 students and employs approximately 245 persons. Enrollment has increased over 85% in the past eight years and is expected to reach over 3,500 by 2010.

Major Initiatives

Town staff has been involved in several projects during the year as directed by the Town's governing board and Town Manager. These initiatives reflect the Town's continued commitment to quality of life while maintaining its unique personality.

Several plans have been adopted and/or are underway that will significantly enhance and shape the future of the Town of Wake Forest. Some of those plans are as follows:

- *Northeast Neighborhood Plan* – provides direction and guidance for future developments and improvements in the Northeast Quadrant of Town. Furthermore, it addresses the neighborhood's economic development needs and suggests actions for expanding local services and jobs. The Plan was developed through an inclusive process of local input.

- *Downtown Renaissance Plan* – provides a new vision to revitalize historic downtown Wake Forest. The plan is the culmination of an intensive community input process designed to provide a foundation to revitalize the historic downtown core as well as the future development of areas surrounding the historic Central Business District. In the future, several road enhancements, various landscaping improvements, and the new Town Hall have been identified as key components of this strategic plan. The Downtown Streetscape Plan design is currently underway. The Town plans to invest over \$18.2 million in these projects within the next several years.
- *Pedestrian Plan* – identifies needed pedestrian infrastructure improvements and provides guidance on the design of future pedestrian corridors. The Plan includes a list of prioritized pedestrian corridor projects to be undertaken by the Town.
- *Community Plan* - intended to assist the Town in making the difficult decisions on how to manage growth and how to allocate resources to deal with growth related issues. The primary purposes of this Plan are guidance for Town decisions, source of information and public participation and input. When finalized, the Plan will consist of growth factors analysis, vision statements, policy statements, growth strategy map and implementation actions.

Staff continued to work with the architectural firm, Little Diversified, on the design and layout of the New Town Hall project. Little presented the site plan to the Planning Board in November 2007. It is anticipated that construction will commence in April 2008 with the building completed and occupied in September 2009. Projected costs at this time are approximately \$12.8 million with funding coming from cash reserves coupled with installment financing.

Efforts continued to improve telecommunications and technology during fiscal year 2006-2007. The Communications Specialist introduced several new and innovative tools to keep our citizens informed about programs, services and special events in Wake Forest. He hosts “Focus on Wake Forest,” a monthly television show that provides news and information to our Community Channel 10 subscribers in the Wake Forest viewing area. A bi-monthly newsletter, “Our Town”, is published for our residents providing information about current events, new services and programs. Also, he produced a comprehensive handbook, “Guide to Wake Forest” which offers useful information for anyone interested in Wake Forest, North Carolina. The Guide features a complete listing of Town services, utility information, important contact numbers, favorite local attractions, churches and civic groups. It also includes information about the Town's history, area schools and popular annual events, as well as the Town's Board of Commissioners, advisory boards and local officials.

Significant investments were made with the acquisition of enterprise solutions software. This “.NET” platform is considered among the more advanced technology in the public sector and will enable the Town to have all applications completely integrated. It will take approximately 18 months to two years to complete the implementation.

The 2009 Wake Forest Centennial Celebration Planning Committee was formed during the year to plan the Town's 2009 Centennial Celebration. Several community events will be held through the year to commemorate this historic occasion culminating with the grand opening of the New Town Hall and Christmas Gala in December 2009.

The Town issued \$9.2 million in G.O. bonds in September 2006. Projects completed or underway with the proceeds are as follows:

- *Flaherty Park – Phase III:* Construction of a Dog Park, additional Tennis Courts and new playground system.

- *Joyner Park – Phase I:* Design work underway with construction expected to commence in January 2008.
- *Franklin Street:* Right of way acquisition and design with construction underway in Fall 2007.

For the past nine years, the Board has conducted a planning retreat in the early part of the year to discuss current issues and long range goals for the Town. Each year during the annual Budget process, those goals become a reality and are incorporated into a spending plan. Continued growth has affected the needs for personnel, capital expenditures and adequate fire services.

In keeping with the goals set at the planning retreat, the 2007-2008 Budget addresses the personnel, operating and capital needs caused by the continued rapid rate of growth the Town is experiencing. Ten (10) new positions were added and \$3.5 million was included for capital spending. The Capital Improvements Plan (CIP) was used as the source of prioritizing the capital needs. The Town continues its aggressive pay as you go financing utilizing current revenues and capital reserves.

The Town plans to issue debt over the next two (2) years as follows:

- 2008: \$7 - \$9 million Installment Purchase Agreement for Town Hall Construction with additional funding coming from capital reserves and fund balance.
- 2009: \$7.3 million in G.O. bonds for remaining Street projects and Park projects.

Within five to 10 years, the Town expects to hold another Bond referendum to continue with transportation improvements identified in the Transportation Implementation Plan that was presented to the Board in 2003 by Wilbur Smith Associates.

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.

Cash Management

The Town follows an adopted cash management policy as well as an investment policy with the objective of maximizing the use of public monies in the interest of the public. Cash that was temporarily idle during the year was invested in the North Carolina Capital Management Trust, a SEC registered money market mutual fund and other acceptable money market funds. All deposits were either insured by federal depository insurance or fully collateralized according to North Carolina General Statute 159-31.

The Town realized investment earnings on all funds of \$1,219,462 for the fiscal year ended June 30, 2007, as compared to \$714,079 for the fiscal year ended June 30, 2006. Interest rates continued to rise during the past fiscal year. This factor along with the Town’s growth in cash position attributed to the significant increase in investment earnings. The average rate earned in FY 2007 was 6.3% as compared to 3.74% in 2006 and 2.07% in 2005.

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, 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 generally accepted 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, 2006. This was the 17th 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. 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

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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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 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 in 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, Communications Specialist and Town Clerk.

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 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 Tree 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, assorted school facilities, and the operation of a swimming pool. The Parks and Recreation Director provides staff support to the Recreation Advisory Board.

Public Buildings

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

Cemetery Division Responsible for the maintenance and repair of the town's three cemeteries located on North White Street, North Taylor Street and East Walnut Avenue. Public Works employees also maintain the roadways in the cemetery on an as-needed basis.

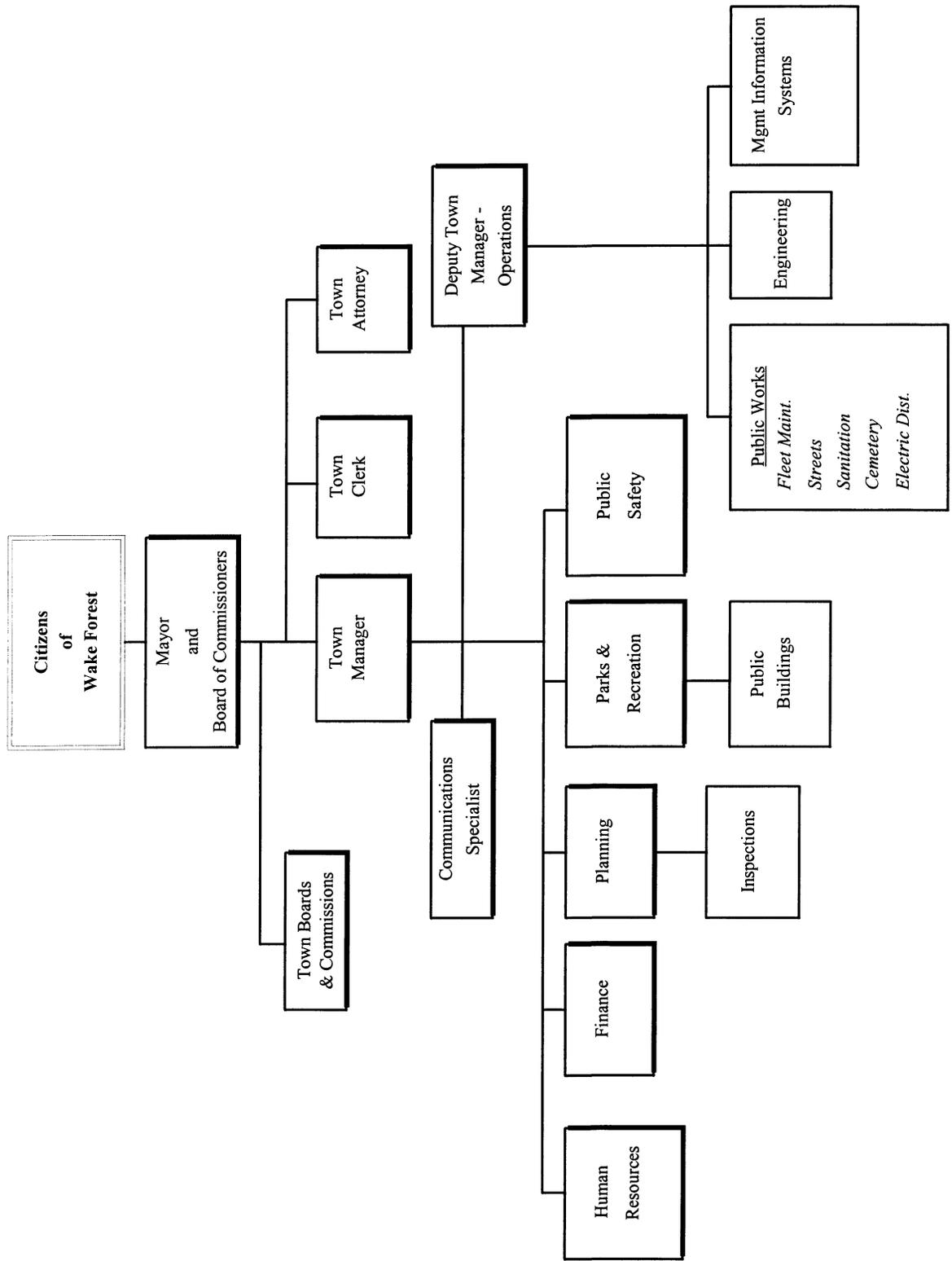
Electric Operations Division This division is charged with constructing, operating and maintaining the town's electric distribution system, including power lines, substations and other equipment. Division is also responsible for tree trimming, system additions and conversions.

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 town streets.

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

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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wake Forest, North Carolina's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the 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, at June 30, 2007 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2007 on our consideration of the Town of Wake Forest's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Wake Forest, North Carolina. The introductory information, combining, and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, 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 nonmajor fund financial statements and schedules and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

Joyce and Company, CPA
JOYCE AND COMPANY, CPA

November 26, 2007

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 for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this narrative.

Financial Highlights

- The Town received upgrades from three major credit rating agencies in conjunction with the issuance of \$9.2 million in General Obligation Bonds in September 2006. The upgrades are as follows:

Moody's	A2 increased to Aa3
Standard & Poor's	AA- increased to AA
N.C. Municipal Council	80 increased to 84

These increases were a direct result of continued growth within the economic and tax bases, continued conservative fiscal management including formal policies in place, favorable overall debt position and the Town's status as a residential community benefiting from being economically tied to the Research Triangle Park.

- The assets of the Town of Wake Forest exceeded its liabilities at the close of the fiscal year by \$95.3 million. Of this amount, \$20.5 million unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$11.9 million, with approximately \$.1 million of the decrease coming from business-type activities and a \$12.0 million increase coming from governmental activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$19.9 million. Approximately 32% of the total governmental funds fund balance, or \$6.3 million, is available for spending at the Town's discretion (unreserved fund balance). Just over \$6.9 million of the total represents unspent bond proceeds in the Street & Sidewalk Improvements and Park Development Capital Projects Funds.
- The Town of Wake Forest's total debt increased \$11.8 million during the past fiscal year. New debt issued includes the above mentioned bonds which consisted of \$5.7 million for street and sidewalk improvements and \$3.5 million for park and recreation facilities. In February 2007, \$2.3 million revenue bonds were issued for the construction of the Electric Substation on Highway 98 By-pass. Two bucket trucks were acquired through an installment purchase agreement for \$270,000 in December 2006. The Town retired approximately \$2.4 million in debt in FY 2006-2007.

Overview of the Financial Statements

This discussion and analysis is 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 (3) components: 1) entity-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 entity-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.

Basic Financial Statements

The first two (2) statements (Exhibits 1 and 2) in the basic financial statements are the Entity-wide Financial Statements. The next statements (Exhibit 3 through 8) are Fund Financial Statements. The next section of the basic financial statements is the Notes to the Financial Statements. The notes explain in detail some of the data contained in those statements. The Required Supplemental Information contains additional information required by generally accepted accounting principles. After the notes and the required supplementary information, additional Supplemental Information is provided. The other supplemental information shows details about the Town's individual funds, including budgetary information required by North Carolina General Statutes.

Entity-wide Financial Statements

The entity-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The entity-wide statements provide short and long-term information about the Town's financial status as a whole.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, environmental protection, and cultural and recreational. The business-type activities of the Town are utility system services, specifically electricity along with water and sewer.

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 entity-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, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate 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 the Town can be divided into three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term financing decisions. Both the governmental fund balance sheet (Exhibit 3) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit 4) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

During the past fiscal year, the Town of Wake Forest maintained eight (8) individual governmental funds: the General Fund, one special revenue fund (to account for revenues which are restricted to a specific purpose), five capital projects funds (to account for construction projects spanning more than one annual budget year), and one capital reserve fund (to account for funding future capital expenditures beyond one annual budget year). The General Fund, the Street and Sidewalk Improvements Fund, Park Development Fund and the General Capital Reserve Fund are all considered to be major funds. The remaining governmental funds are all non-major funds and information is presented in the aggregate.

The Town of Wake Forest adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This budgetary statement includes both original and final amended budgets.

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 entity-wide and fund financial statements. The notes to the financial statements are on pages 34-52 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 on pages 53-54 of this report.

Entity-Wide Financial Analysis

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

The Town of Wake Forest Net Assets

(All dollar amounts shown in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$21.6	\$12.1	\$11.9	\$12.5	\$33.5	\$24.6
Capital Assets	74.7	63.8	13.1	12.1	87.8	75.9
Total Assets	96.3	75.9	\$25.0	24.6	\$121.3	100.5
Long-Term Liabilities						
Outstanding	2.8	3.2	3.9	4.7	6.7	7.9
Other Liabilities	11.3	2.5	8.0	6.7	19.3	9.2
Total Liabilities	14.1	5.7	11.9	11.4	26.0	17.1
Net Assets:						
Invested in Capital Assets, net						
Of Related Debt	62.5	59.6	12.2	11.1	74.7	70.7
Unrestricted	19.7	10.6	0.9	2.1	20.6	12.7
Total Net Assets	\$82.2	\$70.2	\$13.1	\$13.2	\$95.3	\$83.4

The Town's net assets increased by \$11.9 million for the fiscal year ended June 30, 2007. Net assets of our business-type assets *decreased* by \$.1 million and total net assets of our governmental activities *increased* \$12.0 million. The Town's assets exceeded liabilities by \$95.3 million as of June 30, 2007. However, the largest portion reflects the Town's 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 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 assets (\$20.6 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town of Wake Forest Changes in Net Assets
(All dollar amounts shown in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$4.3	\$3.7	\$14.3	\$13.8	\$18.6	\$17.5
Operating Grants & Contributions	0.4	1.8	-	-	0.4	1.8
Capital Grants and Contributions	8.6	4.7	-	0.1	8.6	4.8
General Revenues:						
Property Taxes	10.9	9.5	-	-	10.9	9.5
Investment Earnings	1.1	0.4	0.1	0.4	1.2	0.8
Other	5.4	6.3	0.1	-	5.5	6.3
Total Revenues	30.7	26.4	14.5	14.3	45.2	40.7
Expenses:						
General Government	6.1	5.1	-	-	6.1	5.1
Public Safety	6.4	5.7	-	-	6.4	5.7
Transportation	2.6	2.2	-	-	2.6	2.2
Environmental Protection	1.8	2.1	-	-	1.8	2.1
Cultural and Recreation	1.4	1.2	-	-	1.4	1.2
Interest on Long-Term Debt	.4	0.2	-	-	.4	0.2
Water and Sewer	-	-	-	0.3	-	0.3
Electric	-	-	14.6	14.3	14.6	14.3
Total Expenses	18.7	16.5	14.6	14.6	33.3	31.1
Change in Net Assets Before Transfers and Special Items	12.0	9.9	(0.1)	(0.3)	11.9	9.6
Special Item – Transfer to the City of Raleigh	-	-	-	(42.1)	-	(42.1)
Transfers	-	0.2	-	(0.2)	-	-
Increase (Decrease) in Net Assets	12.0	10.1	(0.1)	(42.6)	11.9	(32.5)
NET ASSETS - Beginning of the Year	70.2	60.1	13.2	55.8	83.4	115.9
NET ASSETS - End of the Year	\$82.2	\$70.2	\$13.1	\$13.2	\$95.3	\$83.4

Governmental activities: Governmental activities increased the Town's net assets by \$12.0 million. Items relating to governmental activities are listed below:

Revenue Governmental Activities:

- Ad valorem taxes make up 36% of governmental activity revenue and have traditionally been a significant revenue source for funding local government operations.
- Property tax collections increased 15% this fiscal year as Wake Forest continues to develop at a rapid pace. The Town's tax rate was \$.54 and the tax base had an assessed value of \$2,011,359,976. This represents an increase in tax base of 13.5% from 2006.

- Unrestricted intergovernmental revenues are the Town's governmental activity revenue's second largest revenue source accounting for 16.3% of total governmental revenues. Included in this category is Local Option Sales Tax which increased 20.6% from the previous fiscal year.
- Permit and fee revenue increased 6.6% this year due to the continued development and number of permits issued during 2007.
- Investment earnings increased 185.3% in 2007. This increase is due to the amount available to invest along with an increase in the interest rate yield average for the year of 6.3% as compared to 3.74% in 2006.

Expenses Governmental Activities:

- The primary expenses are divided into different categories: General Government, Public Safety, Transportation, Environmental Protection, Cultural and Recreational, and Debt Service.
- General government increased by 20.6% from 2006 which is attributed to additional staffing and capital outlay spending during 2007. The Town spent \$361,000 in capital related to new financial software. This included hardware acquisitions along with down payments on the actual software.
- Public Safety increased 12.6% over the past year. Additional staffing and capital spending attributed to this increase as well. The Town's contract with Wake Forest Fire Department to provide fire services is based on the assessed value which resulted in an additional \$269,000 (16.3%) they received during 2006.
- Transportation is responsible for street maintenance, streetlights, sidewalks, Powell Bill and storm drainage. They experienced an increase of 17.3% from the previous year.
- Environmental Protection which encompasses Sanitation and Cemetery experienced a decrease of \$313,000 (-14.8%) during 2007. This was attributed to the one time up front costs of the roll out recycling and garbage carts of \$596,000 that was incurred in 2005-2006.

Business-type activities: Business-type activities decreased the Town of Wake Forest's net assets by \$.1 million. Items relating to business-type activities are listed below:

Revenues-Business-Type Activities:

- Charges for services from the Sale of Power increased \$.7 million (5.4%) from fiscal year 2006.
- Total operating revenues increased 3.8% from the previous fiscal year.

Expenses-Business-Type Activities:

- Power purchases for resale increased \$.5 million (4.7%) from fiscal year 2006.
- Total operating expenses increased slightly at 1.8% from the previous fiscal year.

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. Specifically, unreserved fund balance can be a useful measure of the Town's net resources available for spending at the end of the fiscal year.

A portion of this unreserved fund balance is designated for specific purposes with the balance remaining as unreserved and undesignated.

The General Fund is the chief operating fund of the Town of Wake Forest. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$6.3 million, while total fund balance reached \$9.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved/undesignated and total fund balance to total general fund expenditures. Unreserved and undesignated fund balance represents 32.7% of the total General Fund expenditures, while total fund balance represents 51.3% of that same amount.

In September 2004, the Town increased its requirement to maintain 35% of expenditures in unreserved/undesignated fund balance. Furthermore, the policy amendment states that any funds available over and beyond the targeted amount may be transferred to Capital Reserve Funds or Capital Projects Funds at the Board of Commissioners discretion. During FY 2006-2007, the Town transferred funds from the General Fund to the following Capital Projects:

▪ New Town Hall	\$.9 million
▪ Stream Buffers (Greenways)	.4 million
▪ Streets & Sidewalks	<u>.1 million</u>
Total	\$ 1.4 million

At June 30, 2007, the governmental funds of Town of Wake Forest reported a combined fund balance of \$19.9 million. The General Fund, special revenue fund, capital project funds, and capital reserve fund are included in this combined amount.

General Fund Budgetary Highlights: During the fiscal year ended June 30, 2007, the Town revised the budget on a few occasions. Generally, budget amendments are made to recognize new funding amounts from external sources, such as federal and state grants or to increase appropriations that become necessary to maintain or expand services. The primary differences between the original budget and the final amended budget are as follows:

- Ad Valorem taxes increased \$1.5 million (16.7%) due to growth in the Town's tax base.
- Unrestricted intergovernmental revenue increased \$.5 million (13.1%) due to increased collections in local options sales tax and utility franchise tax.
- Installment note issuance was not needed to finance the Police fleet as additional general revenues were used to pay cash for these vehicles.
- The transfer from Electric Fund (\$225,000) was eliminated during 2006-2007.

As in years past, another major highlight of the General Fund was the projection of utilizing over \$1.0 million in fund balance, however due to continued conservative budgeting; total general fund balance increased \$568,000 for FY 2006-2007.

Proprietary Funds: The Town of Wake Forest's proprietary fund financial statements provide the same type of information found in the entity-wide statements but in more detail. Unrestricted net assets of the Electric Fund at the end of the fiscal year amount to \$.9 million and the total ending net assets were \$13.1 million.

The Electric Fund had an essentially flat year on both the revenue and expense side which resulted in a *decrease* in net assets of \$100,000 for FY 2006-2007. Aside from energy rider additions on the rates, the Town has held electric rates constant since 1992. Furthermore, the Town has invested

substantial amounts in pay as you go financing from 1992 until 2006. Although, the numbers are down a bit the last two fiscal years, the key points to focus on are as follows for the Electric Fund:

- Reinvestments in the system have been made – not for profit operation – to the benefit of our customers.
- Ultimately, it is about the customers and providing the most reliable service at the lowest cost possible.

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

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, 2007, totaled \$87.8 million (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment including vehicles, park facilities and electric system. Major capital asset transactions during the year include the following:

- Equipment and vehicles for the General Fund of \$1.3 million.
- Bucket trucks, generators and equipment for the Electric Fund of \$440,000.
- Construction in progress increased \$3.6 million (30.7%) in 2006-2007 due to the various ongoing projects including: New Town Hall project (land acquisition & architectural fees); Streets & Sidewalks (design fees & right of way acquisition); Park Development project (Flaherty Park – Phase III & Joyner Park design fees); Stream Buffers/Greenway Construction (purchase of 68.12 acres property for future greenway development) and the construction of the Electric Substation.

Town of Wake Forest Capital Assets (All dollar amounts shown in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$14.1	\$11.2	\$0.2	\$0.1	\$14.3	\$11.3
Construction in Progress	14.7	11.3	0.6	0.4	15.3	11.7
Total Non-Depreciable Assets	28.8	22.5	0.8	0.5	29.6	23.0
Buildings	5.3	5.1	-	-	5.3	5.1
Other improvements	54.7	49.5	16.8	15.8	71.5	65.3
Equipment	2.3	1.7	1.3	1.2	3.6	2.9
Vehicles and motorized Equipment	3.5	2.9	1.2	.9	4.7	3.8
Total Depreciable	65.8	59.2	19.3	17.9	85.1	77.1
Accumulated Depreciation	(19.9)	(17.9)	(7.0)	(6.3)	(26.9)	(24.2)
Total Depreciable Assets, Net	45.9	41.3	12.3	11.6	58.2	52.9
Total	\$74.7	\$63.8	\$13.1	\$12.1	\$87.8	\$75.9

Additional information on the Town's capital assets can be found in Note 4 of the Basic Financial Statements.

Town of Wake Forest Outstanding Debt
General Obligation Bonds and Installment Purchase
 (All dollar amounts shown in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$11.5	\$2.5	\$0.3	\$0.5	\$11.8	\$3.0
Revenue Bonds	-	-	2.3	-	2.3	-
N. C. Water Pollution Control Revolving Loan and Bond Fund	-	-	3.9	4.2	3.9	4.2
Installment Purchase	0.7	1.8	2.7	3.0	3.4	4.8
Total	\$12.2	\$4.3	\$9.2	\$7.7	\$21.4	\$12.0

Long-term Debt: As of June 30, 2007, the Town of Wake Forest had total general obligation bonded debt outstanding of \$11.8 million, and installment purchase related debt of \$3.4 million. Of the general obligation bonds, \$0.3 million is being repaid from utility system revenues, although it is backed by the full faith and credit of the Town. \$11.5 million of the bonds and \$0.7 million of the installment purchase debt is being repaid from the General Fund. The outstanding revenue bond debt is \$2.3 million at June 30, 2007. The remaining \$2.7 million in installment purchase debt along with \$3.9 million 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.

The Town of Wake Forest's total debt increased \$11.8 million during the past fiscal year. The Town issued \$9.2 million in General Obligation Bonds on September 26, 2006. Of the bonds issued, \$5.7 million was designated to finance street and sidewalk improvements, while \$3.5 million was assigned for parks and recreation facilities. An installment note was issued for \$270,000 to fund the purchase of two (2) bucket trucks in the Electric Fund. A revenue bond was issued for \$2.3 million for the Electric Substation in February 2007.

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 Town's boundaries. The legal debt margin for the Town of Wake Forest is \$148.8 million. Practically, these statutory limits exceed the Town's realistic debt capacity. As of June 30, 2007 the Town has \$7.3 million in authorized and unissued bonds remaining from the May 2005 bond referendum.

Additional information regarding the Town of Wake Forest's long-term debt can be found in Note 9 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: The Town's tax rate was set at \$.55 for the coming fiscal year. This equates to a breakdown of \$.44 for town operations and debt service and \$.11 for fire services. The final budget for the General Fund totaled \$22.8 million and appropriated \$1,009,730 of available fund balance.

Business-type Activities: Utility rates were unchanged in the Electric Fund. The total budget was \$15.8 million for the Electric Fund. Water and Sewer rates did not change however there is not an Operating Budget for Water and Sewer. 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, 401 Elm Avenue, Wake Forest, North Carolina 27587; (919) 554-6105 or astaples@wakeforestnc.gov.

Exhibit 1

Town of Wake Forest, North Carolina
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,505,667	\$ 1,261,337	\$ 16,767,004
Taxes receivables (net)	257,660	-	257,660
Accounts receivable (net)	1,797,358	7,877,591	9,674,949
Due from other governments	1,762,966	-	1,762,966
Prepaid expenses	3,215	-	3,215
Inventories	2,704	1,041,044	1,043,748
Restricted cash and cash equivalents	2,336,610	1,708,659	4,045,269
Capital assets			-
Land, improvements, and construction in progress	28,782,063	751,180	29,533,243
Other capital assets, net of depreciation	45,925,324	12,317,784	58,243,108
Total assets	<u>96,373,567</u>	<u>24,957,595</u>	<u>121,331,162</u>
LIABILITIES			
Accounts payable	1,036,010	2,294,380	3,330,390
Unearned revenue	62,451	-	62,451
Accrued interest payable	141,357	63,993	205,350
Customer deposits	-	132,300	132,300
Due within one year			
Compensated absences	373,301	100,129	473,430
Bonds and notes payable	1,100,616	1,282,023	2,382,639
Accounts payable from restricted assets	81,960	720	82,680
Due in more than one year			
Compensated absences	99,220	-	99,220
Net pension obligation	216,967	-	216,967
Bonds and notes payable	11,048,222	7,985,052	19,033,274
Total liabilities	<u>14,160,104</u>	<u>11,858,597</u>	<u>26,018,701</u>
NET ASSETS			
Invested in capital assets, net of related debt	62,558,549	12,189,177	74,747,726
Unrestricted	19,654,914	909,821	20,564,735
Total net assets	<u>\$ 82,213,463</u>	<u>\$ 13,098,998</u>	<u>\$ 95,312,461</u>

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

Town of Wake Forest, North Carolina
Statement of Activities
 For the Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 6,122,587	\$ 1,941,342	\$ -	\$ -	\$ (4,181,245)	-	\$ (4,181,245)
Public safety	6,366,631	29,063	111,463	100,937	(6,125,168)	-	(6,125,168)
Transportation	2,605,715	515,279	321,471	7,578,376	5,809,411	-	5,809,411
Environmental protection	1,797,390	1,455,622	-	-	(341,768)	-	(341,768)
Cultural and recreation	1,354,940	323,983	-	905,155	(125,802)	-	(125,802)
Interest on long-term debt	443,086	-	-	-	(443,086)	-	(443,086)
Total governmental activities	18,690,349	4,265,289	432,934	8,584,468	(5,407,658)	-	(5,407,658)
Business-type activities:							
Water and sewer	(3,877)	-	-	-	-	3,877	3,877
Electric	14,565,448	14,348,899	-	-	-	(216,549)	(216,549)
Total business-type activities	14,561,571	14,348,899	-	-	-	(212,672)	(212,672)
Total	\$ 33,251,920	\$ 18,614,188	\$ 432,934	\$ 8,584,468	(5,407,658)	(212,672)	(5,620,330)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					10,918,755	-	10,918,755
Other taxes and licenses					63,925	-	63,925
Unrestricted intergovernmental					5,028,295	-	5,028,295
Unrestricted investment earnings					1,129,731	89,731	1,219,462
Miscellaneous					326,728	8,936	335,664
Total general revenues					17,467,434	98,667	17,566,101
Change in net assets					12,059,776	(114,005)	11,945,771
Net assets-beginning					70,153,687	13,213,003	83,366,690
Net assets-ending					\$ 82,213,463	\$ 13,098,998	\$ 95,312,461

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

Town of Wake Forest, North Carolina
Balance Sheet
Governmental Funds
June 30, 2007

	Major				Nonmajor	Total Governmental Funds
	General	Street & Sidewalk Improvements	Park Development	General Capital Reserve	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 8,440,586	\$ 1,225,822	\$ 2,605,730	\$ 2,331,358	\$ 902,171	\$ 15,505,667
Receivables, net						
Taxes	253,280	-	-	-	4,380	257,660
Accounts	689,458	1,107,900	-	-	-	1,797,358
Due from other governments	1,290,779	125	11,982	-	460,080	1,762,966
Due from other funds	521,400	-	-	-	-	521,400
Prepaid items	3,215	-	-	-	-	3,215
Inventories	2,704	-	-	-	-	2,704
Restricted cash and cash equivalents	-	2,319,477	17,133	-	-	2,336,610
Total assets	<u>\$ 11,201,422</u>	<u>\$ 4,653,324</u>	<u>\$ 2,634,845</u>	<u>\$ 2,331,358</u>	<u>\$ 1,366,631</u>	<u>\$ 22,187,580</u>
Liabilities and fund balances						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 692,162	\$ -	\$ 221,516	\$ -	\$ 122,332	\$ 1,036,010
Due to other funds	-	-	-	-	521,400	521,400
Deferred revenues	503,379	-	-	-	4,381	507,760
Unearned revenues	61,165	-	-	-	1,286	62,451
Accounts payable from restricted assets	-	64,827	17,133	-	-	81,960
Total liabilities	<u>1,256,706</u>	<u>64,827</u>	<u>238,649</u>	<u>-</u>	<u>649,399</u>	<u>2,209,581</u>
Fund balances						
Reserved for encumbrances	165,290	-	-	-	-	165,290
Reserved for inventories and prepaid items	5,919	-	-	-	-	5,919
Reserved by state statute	2,251,538	-	-	-	-	2,251,538
Reserved for streets	174,529	-	-	-	-	174,529
Unreserved, reported in:						
General Fund	6,337,710	-	-	-	-	6,337,710
Designated for subsequent year's expenditures	1,009,730	-	-	-	-	1,009,730
Special revenue fund	-	-	-	-	85,609	85,609
Capital projects funds	-	4,588,497	2,396,196	2,331,358	631,623	9,947,674
Total fund balances	<u>9,944,716</u>	<u>4,588,497</u>	<u>2,396,196</u>	<u>2,331,358</u>	<u>717,232</u>	<u>19,977,999</u>
Total liabilities and fund balances	<u>\$ 11,201,422</u>	<u>\$ 4,653,324</u>	<u>\$ 2,634,845</u>	<u>\$ 2,331,358</u>	<u>\$ 1,366,631</u>	<u>\$ 22,187,580</u>

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

Exhibit 3

Town of Wake Forest, North Carolina
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2007

Fund balances-total governmental funds		\$ 19,977,999
<p>Amounts reported for governmental activities in the statement of net assets are different because;</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 94,609,671	
Less accumulated depreciation	<u>(19,902,284)</u>	74,707,387
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Government bonds and notes payable	(12,148,838)	
Compensated absences	(472,521)	
Net pension obligation	<u>(216,967)</u>	(12,838,326)
<p>Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.</p>		
Deferred revenue		507,760
<p>Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued expenses payable		<u>(141,357)</u>
Net assets of governmental activities		<u><u>\$ 82,213,463</u></u>

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

Town of Wake Forest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	Major			Nonmajor		Total Governmental Funds
	General	Street and Sidewalk Improvements	Park Development	General Capital Reserve	Other Governmental Funds	
Revenues:						
Ad valorem taxes	\$ 10,826,918	\$ -	\$ -	\$ -	\$ 29,041	\$ 10,855,959
Other taxes	61,853	-	-	-	-	61,853
Unrestricted intergovernmental	5,016,313	-	11,982	-	-	5,028,295
Restricted intergovernmental	799,046	64,472	-	-	860,005	1,723,523
Permits and fees	2,037,784	-	-	347,980	-	2,385,764
Sales and services	1,812,357	-	-	-	-	1,812,357
Miscellaneous	324,265	-	-	-	5,840	330,105
Investment earnings	467,933	332,009	202,440	98,318	29,031	1,129,731
Total revenues	<u>21,346,469</u>	<u>396,481</u>	<u>214,422</u>	<u>446,298</u>	<u>923,917</u>	<u>23,327,587</u>
Expenditures:						
Current:						
General government	5,960,379	-	-	-	-	5,960,379
Public safety	6,019,806	-	-	-	-	6,019,806
Transportation	1,165,719	-	-	-	-	1,165,719
Environmental protection	1,749,208	-	-	-	-	1,749,208
Cultural and recreation	1,162,726	-	-	-	-	1,162,726
Capital outlay	1,667,074	694,323	1,056,663	-	2,252,416	5,670,476
Debt service:						
Bond principal	193,875	-	-	-	-	193,875
Bond interest	305,559	-	-	-	-	305,559
Installment note principal	1,116,743	-	-	-	-	1,116,743
Installment note interest	50,761	-	-	-	-	50,761
Total expenditures	<u>19,391,850</u>	<u>694,323</u>	<u>1,056,663</u>	<u>-</u>	<u>2,252,416</u>	<u>23,395,252</u>
Revenues over (under) expenditures	<u>1,954,619</u>	<u>(297,842)</u>	<u>(842,241)</u>	<u>446,298</u>	<u>(1,328,499)</u>	<u>(67,665)</u>
Other financing sources (uses):						
Transfers in	11,320	110,000	-	-	1,287,445	1,408,765
Transfers out	(1,397,445)	-	-	-	(11,320)	(1,408,765)
Bond issuance	-	5,700,000	3,500,000	-	-	9,200,000
Total other financing sources (uses)	<u>(1,386,125)</u>	<u>5,810,000</u>	<u>3,500,000</u>	<u>-</u>	<u>1,276,125</u>	<u>9,200,000</u>
Net change in fund balances	568,494	5,512,158	2,657,759	446,298	(52,374)	9,132,335
Fund balance - beginning of year	9,376,222	(923,661)	(261,563)	1,885,060	769,606	10,845,664
Fund balance - end of year	<u>\$ 9,944,716</u>	<u>\$ 4,588,497</u>	<u>\$ 2,396,196</u>	<u>\$ 2,331,358</u>	<u>\$ 717,232</u>	<u>\$ 19,977,999</u>

The accompanying notes are an integral part of these financial statements

Town of Wake Forest, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

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

Net changes in fund balances - total governmental funds		\$ 9,132,335
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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	\$ 5,670,476	
Less current year depreciation	<u>(2,086,648)</u>	3,583,828

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		7,293,879
Change in deferred revenues		132,036

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(3,377)
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The issuance of debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond issuance	(9,200,000)	
Principal payments	<u>1,310,618</u>	(7,889,382)

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		(61,662)
Net pension obligation		(41,115)
Change in accrued interest payable		<u>(86,766)</u>

Total changes in net assets of governmental activities		<u>\$ 12,059,776</u>
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The accompanying notes are an integral part of these financial statements.

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, 2007

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 9,212,630	\$ 10,750,097	\$ 10,826,918	\$ 76,821
Other taxes and licenses	53,000	58,750	61,853	3,103
Unrestricted intergovernmental	4,082,575	4,616,085	5,016,313	400,228
Restricted intergovernmental	801,500	709,931	799,046	89,115
Permits and fees	1,740,300	1,850,900	2,037,784	186,884
Sales and services	1,720,045	1,857,745	1,812,357	(45,388)
Miscellaneous	302,250	394,325	324,265	(70,060)
Investment earnings	275,000	462,885	467,933	5,048
Total revenues	<u>18,187,300</u>	<u>20,700,718</u>	<u>21,346,469</u>	<u>645,751</u>
EXPENDITURES:				
Current				
General government	7,149,670	7,559,605	6,772,894	786,711
Public safety	6,176,340	6,508,472	6,338,522	169,950
Transportation	1,182,640	1,479,740	1,388,137	91,603
Environmental protection	2,095,590	2,103,680	2,027,196	76,484
Cultural and recreational	1,194,215	1,253,255	1,198,163	55,092
Debt service:				
Bond principal	193,875	193,875	193,875	-
Bond interest	122,220	306,220	305,559	661
Installment note principal	1,072,405	1,131,270	1,116,743	14,527
Installment note interest	61,360	57,765	50,761	7,004
Total expenditures	<u>19,248,315</u>	<u>20,593,882</u>	<u>19,391,850</u>	<u>1,202,032</u>
Revenues over (under) expenditures	<u>(1,061,015)</u>	<u>106,836</u>	<u>1,954,619</u>	<u>1,847,783</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
Downtown Municipal Service District Fund	29,680	29,680	11,320	(18,360)
General Capital Reserve	193,500	193,500	-	(193,500)
Stream Restoration Capital Project Fund	-	(392,445)	(392,445)	-
Town Hall Capital Project Fund	(250,000)	(895,000)	(895,000)	-
Streets/Sidewalks Capital Project Fund	(100,000)	(110,000)	(110,000)	-
Electric Fund	225,000	-	-	-
Police Special Rev.	16,000	16,000	-	(16,000)
Sale of surplus property	10,500	-	-	-
Installment note issuance	292,500	-	-	-
Appropriated fund balance	643,835	1,051,429	-	(1,051,429)
Total other financing sources (uses)	<u>1,061,015</u>	<u>(106,836)</u>	<u>(1,386,125)</u>	<u>(1,279,289)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>568,494</u>	<u>\$ 568,494</u>
FUND BALANCE - Beginning of year			<u>\$ 9,376,222</u>	
FUND BALANCE - End of year			<u>\$ 9,944,716</u>	

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

Town of Wake Forest
Proprietary Funds
Statement of Net Assets
June 30, 2007

	Electric Fund	Water and Sewer Fund	Totals
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 82,357	\$ 1,178,980	\$ 1,261,337
Accounts receivable	1,752,007	38,295	1,790,302
Note receivable - current portion	-	656,478	656,478
Inventories	1,041,044	-	1,041,044
Subtotal	<u>2,875,408</u>	<u>1,873,753</u>	<u>4,749,161</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,708,659	-	1,708,659
Note receivable - noncurrent portion	-	5,430,811	5,430,811
Subtotal	<u>1,708,659</u>	<u>5,430,811</u>	<u>7,139,470</u>
Capital assets:			
Land and other non-depreciable assets	751,180	-	751,180
Other capital assets, net of depreciation	12,317,784	-	12,317,784
Capital assets (net)	<u>13,068,964</u>	<u>-</u>	<u>13,068,964</u>
Subtotal	<u>14,777,623</u>	<u>5,430,811</u>	<u>20,208,434</u>
Total assets	<u>17,653,031</u>	<u>7,304,564</u>	<u>24,957,595</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	1,077,104	1,217,276	2,294,380
Customer deposits	132,300	-	132,300
Accrued interest payable	33,027	30,966	63,993
Compensated absences payable	100,129	-	100,129
General obligation bonds payable - current	85,500	61,750	147,250
Revenue bonds payable - current	155,057	-	155,057
Notes payable - current	384,989	594,727	979,716
Accounts payable from restricted assets	720	-	720
Total current liabilities	<u>1,968,826</u>	<u>1,904,719</u>	<u>3,873,545</u>
Noncurrent liabilities:			
Bonds payable - noncurrent	123,750	89,375	213,125
Revenue bonds payable - noncurrent	2,144,943	-	2,144,943
Notes payable - noncurrent	285,548	5,341,436	5,626,984
Total non-current liabilities	<u>2,554,241</u>	<u>5,430,811</u>	<u>7,985,052</u>
Total liabilities	<u>4,523,067</u>	<u>7,335,530</u>	<u>11,858,597</u>
Net Assets			
Invested in capital assets, net of related debt	12,189,177	-	12,189,177
Unrestricted	940,787	(30,966)	909,821
Total net assets	<u>\$ 13,129,964</u>	<u>\$ (30,966)</u>	<u>\$ 13,098,998</u>

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

Town of Wake Forest
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2007

	Electric Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 13,721,225	\$ -	\$ 13,721,225
Other operating revenues	627,674	-	627,674
Total operating revenues	<u>14,348,899</u>	<u>-</u>	<u>14,348,899</u>
Operating expenses:			
Electric operations	3,555,949	-	3,555,949
Electric power purchases	10,230,560	-	10,230,560
Depreciation	711,826	-	711,826
Total operating expenses	<u>14,498,335</u>	<u>-</u>	<u>14,498,335</u>
Operating loss	<u>(149,436)</u>	<u>-</u>	<u>(149,436)</u>
Nonoperating revenues (expenses):			
Investment earnings	89,731	-	89,731
Interest expense	(67,113)	3,877	(63,236)
Gain on sale of assets	8,936	-	8,936
Total nonoperating revenues	<u>31,554</u>	<u>3,877</u>	<u>35,431</u>
Change in net assets	(117,882)	3,877	(114,005)
Net assets, beginning	<u>13,247,846</u>	<u>(34,843)</u>	<u>13,213,003</u>
Net assets, end of year	<u>\$ 13,129,964</u>	<u>\$ (30,966)</u>	<u>\$ 13,098,998</u>

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

Town of Wake Forest
Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2007

	Electric Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 14,269,521	\$ -	\$ 14,269,521
Cash paid for goods and services	(11,909,815)	-	(11,909,815)
Cash paid to employees for services	(2,205,422)	-	(2,205,422)
Customer deposits received	84,300	-	84,300
Customer deposits returned	(85,520)	-	(85,520)
Net cash provided by operating activities	<u>153,064</u>	<u>-</u>	<u>153,064</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,651,532)	-	(1,651,532)
Principal paid on bond maturities and equipment contracts	(447,271)	(658,103)	(1,105,374)
Interest paid on bond maturities and equipment contracts	(40,165)	(249,609)	(289,774)
Installment note issuance	2,570,000	-	2,570,000
Proceeds from sale of assets	8,936	-	8,936
Transfer of funds to City of Raleigh, pursuant to merger agreement	-	(890,363)	(890,363)
Transfer of funds from City of Raleigh, pursuant to merger agreement	-	907,712	907,712
Net cash provided/(used) by capital and related financing activities	<u>439,968</u>	<u>(890,363)</u>	<u>(450,395)</u>
Cash flows from investing activities:			
Interest on investments	<u>89,731</u>	<u>-</u>	<u>89,731</u>
Net increase (decrease) in cash and cash equivalents	682,763	(890,363)	(207,600)
Cash and cash equivalents:			
Beginning of year	1,108,253	2,069,343	3,177,596
End of year	<u>\$ 1,791,016</u>	<u>\$ 1,178,980</u>	<u>\$ 2,969,996</u>

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

Town of Wake Forest
Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2007

	Electric Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	\$ (149,436)	\$ -	\$ (149,436)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	711,826	-	711,826
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(79,378)	-	(79,378)
(Increase) decrease in prepaid expenses	705	-	705
(Increase) decrease in inventory	(174,426)	-	(174,426)
Increase (decrease) in accounts payable and accrued liabilities	(152,607)	-	(152,607)
Increase (decrease) in customer deposits	(1,220)	-	(1,220)
Increase (decrease) in accrued vacation pay	(2,400)	-	(2,400)
Total adjustments	<u>302,500</u>	<u>-</u>	<u>302,500</u>
Net cash provided by operating activities	<u>\$ 153,064</u>	<u>\$ -</u>	<u>\$ 153,064</u>
Non-cash investing, capital, and financing activities:			
Purchase of capital assets via installment financing	\$ 270,000	\$ -	\$ 270,000
Purchase of capital assets via installment financing	<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>
Net effect of non-cash contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

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 government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Town. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead 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 investment earnings, result from ancillary activities.

The government reports the following major governmental funds:

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.

Parks & Recreation Facilities Improvements Capital Projects Fund – The Parks & Recreation Facilities Improvements Capital Projects Fund is used to account for land and land improvements related to park facilities.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Street & Sidewalk Improvements Capital Projects Fund – The Street & Sidewalk Improvements Capital Projects Fund is used to account for construction and improvements to Town streets and sidewalks.

General Capital Reserve Capital Projects Fund – The General Capital Reserve Capital Projects Fund is used to account for payments-in-lieu and donations monies which are reserved for future projects.

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 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 three sub-funds: Electric Operations, Electric Substation Capital Project and Electric Capital Reserve, which are consolidated for financial reporting purposes.

The Town reports the following nonmajor governmental funds:

Special Revenue Fund – Special Revenue funds are used to account for resources set aside for specific purposes. The Town has one special revenue fund: the Downtown District Special Revenue Fund.

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 three capital project funds: the Glen Royall Housing Development Capital Project Fund, the Stream Buffers Capital Project Fund and the New Town Hall Capital Project Fund.

(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. The government-wide and proprietary fund financial statements are reported using 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.

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

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's 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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the annual registration to the staggered, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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. Grant revenues which are unearned at year end are recorded as unearned revenues. 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 assets 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 permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

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 State statute. 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 functional area without limitation and without a report being required and may transfer appropriations up to \$10,000 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 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 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 Super NOW 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.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

(3) Ad Valorem Taxes Receivable

In accordance with North Carolina General Statutes, ad valorem taxes are levied, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year and are due September 1. Interest does not accrue until the following January 6, which is the lien date. The taxes levied on July 1 are based on the assessed values as of the previous January 1.

(4) Allowances for Doubtful Accounts

An allowance for doubtful accounts is maintained on the ad valorem taxes receivable as described above. This amount is estimated by analyzing the percentage of receivables that are written off in prior years. The direct write-off method is used by the Town on all other types of receivables. Under this method, all accounts considered uncollectible at June 30, 2007 have been charged against operations.

(5) 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.

(6) 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. Contributed assets are recorded at fair market value as of the date received. General infrastructure assets acquired prior to July 1, 2002 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. Other costs incurred for repairs and maintenance are expensed as incurred. Any interest incurred during the construction phase of business-type capital assets is included as part of the capitalized value of the asset constructed. Capital improvements are primarily depreciated on a composite straight-line basis at a 3% to 4% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets are depreciated on a straight-line basis as follows:

<u>Item</u>	<u>Life</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

(7) Long-term Debt

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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

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 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.

(8) Vacation, Compensatory Time and Sick Pay

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.

(9) Fund Equity

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets 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.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. State law 159-13(b)(16) restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

RESERVED

Reserved for encumbrances – portion of fund balance available for appropriation to pay for commitments related to purchase orders or contracts that remain unperformed at year end.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Reserved for inventories and prepaid items – portion of fund balance not available for appropriation because it represents the year end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by state statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories which is not available for appropriation under state law (G.S. 159-8(a)). This amount is usually comprised of receivable balances that are not offset by deferred revenues.

Reserved for streets–Powell Bill – portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

UNRESERVED

Designated for subsequent year's expenditures – portion of total fund balance available for appropriation which has been designated for the adopted 2007-08 budget ordinance.

Undesignated – portion of total fund balance available for appropriation which is uncommitted at year end.

Note 2 – 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 policy regarding custodial credit risk for deposits.

At June 30, 2007, the carrying amount of the Town's deposits was \$7,155,818 and the bank balance was \$7,766,561. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$7,266,561 was covered under the Pooling Method. At June 30, 2007, the Town had \$1,590 of petty cash on hand.

Investments – At June 30, 2007, the Town had \$13,654,865 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk – The Town does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Business activity:	Beginning Balances	Increases	Decreases	Ending Balances
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 159,839	\$ -	\$ -	\$ 159,839
Construction in progress	352,326	239,015	-	591,341
Total capital assets not being depreciated	<u>512,165</u>	<u>239,015</u>	<u>-</u>	<u>751,180</u>
Capital assets being depreciated:				
Utility improvements	15,798,326	972,913	-	16,771,239
Equipment and furniture	1,219,560	133,368	-	1,352,928
Vehicles and motorized equipment	901,178	306,235	-	1,207,413
Total capital assets being depreciated	<u>17,919,064</u>	<u>1,412,516</u>	<u>-</u>	<u>19,331,580</u>
Less accumulated depreciation for:				
Utility improvements	5,352,130	494,280	-	5,846,410
Equipment and furniture	335,408	117,882	-	453,290
Vehicles and motorized equipment	614,433	99,663	-	714,096
Total accumulated depreciation	<u>6,301,971</u>	<u>\$ 711,825</u>	<u>\$ -</u>	<u>7,013,796</u>
Total capital assets being depreciated, net	11,617,093			12,317,784
Electric capital assets, net	<u>\$ 12,129,258</u>			<u>\$ 13,068,964</u>

Construction commitments

At June 30, 2007, the Town had contracted commitments as follows:

Project	Spent-to-Date	Remaining Commitment
Capital Project Fund – New Town Hall	\$ 1,031,858	\$ 700,493
Capital Project Fund – Park Development	8,732,867	3,434,073
Capital Project Fund – Street and Sidewalk Improvements	3,380,523	143,996
	<u>\$ 13,145,248</u>	<u>\$ 4,278,562</u>

Note 5 – 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

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

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.

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 4.8% and 4.64%, 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, 2007, 2006 and 2005 were \$374,439, \$347,473 and \$331,041 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, 2005 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	37
Total	<u>37</u>

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.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 4.5 – 12.3% per year. The inflation component was 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2005 was 25 years.

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	\$ 38,720
Interest on net pension obligation	12,749
Adjustment to annual required contribution	<u>(10,355)</u>
Annual pension cost	41,114
Contributions made	<u>-</u>
Increase in net pension obligation	41,114
Net pension obligation – Beginning of year	<u>175,853</u>
Net pension obligation – End of year	<u>\$ 216,967</u>

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 41,114	0.00%	\$ 216,967
6/30/06	42,019	0.00%	175,852
6/30/05	38,152	0.00%	133,833

(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.

2. Funding Policy

Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to five percent 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, 2007 were \$169,659, which consisted of \$116,709 from the Town and \$52,950 from the law enforcement officers.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

(d) Supplemental Retirement Income Plan for all Other Employees

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. Participation begins six months after the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Town contributes each month an amount equal to 4.8% of eligible employees' salary. Contributions for the year ended June 30, 2007 were \$372,430, which consisted of \$267,287 from the Town and \$105,143 from employees.

(e) Post-employment Benefits

The Town provides certain post-employment health care and other benefits as part of the total compensation package offered to attract and retain the services of qualified employees. These benefits are available to retirees who participate in the System and who, at the time of their retirement, meet certain service requirements. 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 less than 15 years of continuous creditable service with the Town at the time of their retirement will be permitted to continue their coverage under the Town's group health and life insurance plans; provided that the retiree shall pay for 50% of the premium costs. The benefits cease when the retiree reaches age 65 (or reaches the age where they would have had such benefits had they been qualified for Social Security). Furthermore, pursuant to the terms of the Town's insurance plans, the Town reserves the right to terminate retiree coverage in the event that a retiree coverage in the event that a retiree becomes employed and covered under the new employer's group and/or life insurance plans.

Currently, seventeen (17) of the eligible retirees have elected post-retirement health benefits. For the fiscal year ended June 30, 2007, the total cost for post-retirement benefits was \$66,462 of which \$53,828 was paid by the Town and \$12,634 was paid by retirees. The Town funds these post-retirement benefits by budgetary appropriations on an annual basis.

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. For the fiscal year ended June 30, 2007, the Town made contributions to the State for death benefits of \$12,677. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .17% and .14% of covered payroll,

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Note 6 – DEFERRED REVENUES

The balance in deferred/unearned revenues at year end is composed of the following elements:

	Deferred Revenue	Unearned Revenue	Total
General Fund			
Prepaid taxes not yet earned	\$ -	\$ 54,620	\$ 54,620
Taxes receivable (net)	253,280	-	253,280
Vehicle license receivable	45,829	-	45,829
Sanitation receivables	194,760	-	194,760
Assessments receivable	9,510	-	9,510
Prepaid other	-	6,545	6,545
Total general fund	<u>503,379</u>	<u>61,165</u>	<u>564,544</u>
Special Revenue Fund			
Taxes receivable	4,381	1,286	5,667
Total	<u>\$ 507,760</u>	<u>\$ 62,451</u>	<u>\$ 570,211</u>

Note 7 – 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 three (3) self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee dental coverage. The Town contracts with one (1) health maintenance organization to provide employee health coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$50,000 and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. 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, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Note 8 – CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2007, 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 9 – 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, 2007 are comprised of the following individual issues:

Serviced by the General Fund:

\$535,500 Series 1997 Parking and Parks and Recreation Refunding Bonds with annual installments of \$41,625 to \$55,125 due annually on September 1 through September 1, 2009 plus interest from 4.5 to 4.75 percent	\$ 104,625
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\$3,200,000 Series 1999 Parks and Recreation Facilities Improvements Bonds with annual installments of \$115,000 to \$175,000 due annually on February 1 through February 1, 2020 plus interest from 4.9 to 5.1 percent	2,150,000
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\$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	9,200,000
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Serviced by the Electric Fund:

\$1,071,000 Series 1997 Electric Refunding Bonds with annual installments of \$40,500 to \$110,250 due annually on September 1 through September 1, 2009 plus interest from 4.5 to 4.75 percent	209,250
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TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Serviced by the Water and Sewer Fund:

\$773,500 Series 1997 Water and Sewer Refunding Bonds with annual installments of \$29,250 to \$79,625 due annually on September 1 through September 1, 2009 plus interest from 4.5 to 4.75 percent	<u>\$ 151,125</u>
Total	<u>\$ 11,815,000</u>

At June 30, 2007, the Town of Wake Forest had bonds authorized but unissued of \$7,300,000 and a legal debt margin of \$148,776,835.

Annual debt service requirements to maturity for general obligation bonds at June 30, 2007 are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 652,750	\$ 480,125	\$ 147,250	\$ 17,117
2009	651,625	452,344	143,375	9,553
2010	640,250	424,617	69,750	3,313
2011	635,000	397,415	-	-
2012	635,000	370,440	-	-
2013-2017	3,175,000	1,418,175	-	-
2018-2022	2,765,000	627,500	-	-
2023-2027	2,300,000	257,830	-	-
Total	<u>\$ 11,454,625</u>	<u>\$ 4,428,446</u>	<u>\$ 360,375</u>	<u>\$ 29,983</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%.	<u>\$ 2,300,000</u>
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Annual debt service requirements to maturity for revenue bonds at June 30, 1007 are as follows:

Year Ending June 30:	Principal	Interest
2008	\$ 155,057	\$ 84,584
2009	160,910	78,730
2010	166,984	72,656
2011	173,288	66,346
2012	179,829	59,811
2013-2017	1,006,247	191,954
2018-2019	457,685	21,595
Total	<u>\$ 2,300,000</u>	<u>\$ 575,676</u>

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

(c) Installment Notes

The Town's installment notes outstanding at June 30, 2007 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$314,485 installment obligation to RBC Centura for vehicles and equipment issued May 10, 2005; quarterly payments of \$27,563 which includes interest at 3.14%, secured by vehicles and equipment.	\$ 108,034	\$ -
\$1,750,000 installment obligation to BB&T for land, building and land improvements issued April 21, 1994; semi-annual payments of \$79,965 which includes interest at varying rates from 3.00% to 6.88%, secured by land, building and land improvements.	276,955	-
\$1,157,255 installment obligation to RBC Centura for vehicles and equipment issued December 30, 2005; quarterly payments of \$101,946 which includes interest at 3.46%, secured by vehicles and equipment.	309,224	284,350
\$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.	-	2,066,667
\$291,442 installment obligation to RBC Centura for equipment issued October 27, 2005; quarterly payments of \$25,568 which includes interest at 3.20%, secured by equipment.	-	149,204
\$270,000 installment obligation to RBC Centura for vehicles issued December 21, 2006; quarterly payments of \$23,827 which includes interest at 3.57%, secured by vehicles.	-	226,975
\$115,680 installment obligation to BB&T for vehicle issued September 30, 2004; quarterly payments of \$10,076 which includes interest at 2.75%, secured by vehicle.	-	10,007
Totals	<u>\$ 694,213</u>	<u>\$ 2,737,203</u>

Annual debt service requirements to maturity for installment notes at June 30, 2007 are as follows:

Year Ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 447,866	\$ 19,878	\$ 591,655	\$ 113,294
2009	246,347	5,589	445,192	90,973
2010	-	-	253,690	76,112
2011	-	-	206,667	65,583
2012	-	-	206,667	55,684

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

2013-2017	-	-	1,033,332	129,929
Total	\$ 694,213	\$ 25,467	\$ 2,737,203	\$ 531,575

(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, 2007 the outstanding balance on this note totaled \$3,225,000. 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, 2007 the remaining balance on these notes totaled \$99,997 and \$544,500, respectively.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2008	\$ 388,061	\$ 122,405
2009	388,061	110,099
2010	388,061	97,794
2011	388,061	85,488
2012	388,061	73,183
2013-2017	1,929,192	181,332
Total	\$ 3,869,497	\$ 670,301

(e) Advance Refunding

In 1988, the Town advance refunded a general obligation bond issue. The Town issued \$537,100 of general obligation bonds to advance refund \$977,000 of general obligation bonds of the Water and Sewer Fund. This advance refunding was undertaken to reduce total debt service payments over the next 30 years.

In 1997, the Town advance refunded a general obligation bond issue. The Town issued \$2,380,000 of general obligation bonds to advance refund \$450,000, \$689,062 and \$1,005,938 of General Long-Term Debt, Water and Sewer Fund debt and Electric Fund debt, respectively. This advance refunding was undertaken to reduce total debt service payments over the next 13 years.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,448,500	\$ 9,200,000	\$ 193,875	\$ 11,454,625	\$ 652,750
Installment notes	1,810,956	-	1,116,743	694,213	447,866
Compensated absences	410,859	386,249	324,587	472,521	373,301
Net pension obligation	175,852	41,115	-	216,967	-
Governmental activity long-term liabilities	<u>\$ 4,846,167</u>	<u>\$ 9,627,364</u>	<u>\$ 1,635,205</u>	<u>\$ 12,838,326</u>	<u>\$ 1,473,917</u>
Business-type activities:					
General obligation bonds	\$ 511,500	\$ -	\$ 151,125	\$ 360,375	\$ 147,250
Revenue bonds	-	2,300,000	-	2,300,000	155,057
Installment notes	7,290,948	270,000	954,248	6,606,700	979,716
Compensated absences	102,529	86,269	88,669	100,129	100,129
Business-type activity long-term liabilities	<u>\$ 7,904,977</u>	<u>\$ 2,656,269</u>	<u>\$ 1,194,042</u>	<u>\$ 9,367,204</u>	<u>\$ 1,382,152</u>

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

Note 10 – INTERFUND TRANSFERS

A summary of interfund transfers follows:

From Fund	To Fund	Amount	Purpose
Nonmajor Governmental Funds	General Fund	\$ 11,320	Capital purchases
General Fund	Nonmajor Governmental Funds	1,287,445	Capital projects
General Fund	Street & Sidewalk Improvement Capital Project Fund	110,000	Capital projects
		<u>\$ 1,408,765</u>	

Note 11 – 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 sales 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, 2007 were \$10,229,849.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

Note 12 – 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 13 – 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 assets shows total notes receivable of \$6,087,289 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$656,478 due within one year and \$5,430,811 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 \$1,217,276 related to the merger.

NOTE 14 – RESTRICTED ASSETS

The unexpended bond proceeds of the General Fund and the Electric Fund serial bonds issued by the Town are classified as restricted assets for the General Fund and the Electric Fund, respectively because their use is completely restricted to the purpose for which the bonds were originally issued.

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

Six years ended December 31, 2006

Actuarial Valuation Date	Net 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)
12/31/2001 \$	-	\$ 163,304	\$ 163,304	0%	\$ 1,284,715	12.71
12/31/2002	-	197,477	197,477	0%	1,417,208	13.93
12/31/2003	-	237,986	237,986	0%	1,515,180	15.71
12/31/2004	-	263,188	263,188	0%	1,656,800	15.89
12/31/2005	-	242,453	242,453	0%	1,946,655	12.45
12/31/2006	-	266,027	266,027	0%	2,063,352	12.89

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

Six years ended June 30, 2007

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>
2002	\$ 19,005	0.00%
2003	27,878	0.00%
2004	32,588	0.00%
2005	38,152	0.00%
2006	40,003	0.00%
2007	38,720	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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

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, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes:				
Current year taxes	\$ 10,606,097	\$ 10,678,056	\$ 71,959	\$ 9,260,871
Prior years taxes	116,500	118,710	2,210	112,151
Penalties and interest	27,500	30,152	2,652	30,460
Total	<u>10,750,097</u>	<u>10,826,918</u>	<u>76,821</u>	<u>9,403,482</u>
Other taxes and licenses:				
Gross receipts tax on short-term rental property	25,000	27,074	2,074	24,448
Privilege licenses	33,750	34,779	1,029	29,628
Total	<u>58,750</u>	<u>61,853</u>	<u>3,103</u>	<u>54,076</u>
Unrestricted intergovernmental:				
Local option sales taxes	3,718,730	3,926,315	207,585	3,256,103
Sales tax refund	-	3,494	3,494	-
Beer and wine tax	89,435	89,435	-	76,123
Utility franchise tax	782,920	955,747	172,827	711,491
Other unrestricted intergovernmental	25,000	41,322	16,322	34,763
Total	<u>4,616,085</u>	<u>5,016,313</u>	<u>400,228</u>	<u>4,078,480</u>
Restricted intergovernmental:				
Powell Bill allocation	541,496	541,496	-	490,467
County grants	62,915	37,838	(25,077)	1,154,082
Federal grants	59,740	163,929	104,189	144,614
State grants	45,780	55,783	10,003	53,173
Total	<u>709,931</u>	<u>799,046</u>	<u>89,115</u>	<u>1,842,336</u>
Permits and fees:				
Building permits	1,184,225	1,387,538	203,313	1,355,783
Fire inspection and prevention	25,025	29,063	4,038	31,849
Utility and street inspection fees	186,500	193,309	6,809	321,999
Vehicle licenses	75,150	82,650	7,500	72,181
Other permits and fees	380,000	345,224	(34,776)	129,246
Total	<u>1,850,900</u>	<u>2,037,784</u>	<u>186,884</u>	<u>1,911,058</u>
Sales and services:				
Solid waste fees	1,446,145	1,373,904	(72,241)	1,305,335
Recreation fees	283,050	297,973	14,923	237,976
Cemetery	11,500	14,550	3,050	16,925
Other sales and services	117,050	125,930	8,880	204,941
Total	<u>1,857,745</u>	<u>1,812,357</u>	<u>(45,388)</u>	<u>1,765,177</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, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Miscellaneous:				
Franchise fees	\$ 207,500	\$ 145,854	\$ (61,646)	\$ 245,792
ABC revenue	50,000	67,298	17,298	48,696
Miscellaneous revenue	136,825	111,113	(25,712)	144,865
Total	<u>394,325</u>	<u>324,265</u>	<u>(70,060)</u>	<u>439,353</u>
Investment earnings	<u>462,885</u>	<u>467,933</u>	<u>5,048</u>	<u>300,716</u>
Total revenues	<u>20,700,718</u>	<u>21,346,469</u>	<u>645,751</u>	<u>19,794,678</u>
EXPENDITURES:				
General government:				
Governing body:				
Salaries and employee benefits	118,270	104,027	14,243	112,958
Professional services	185,345	196,298	(10,953)	139,044
Contributions	163,010	143,650	19,360	120,000
Operating expenditures	72,540	66,195	6,345	65,670
Total	<u>539,165</u>	<u>510,170</u>	<u>28,995</u>	<u>437,672</u>
Administration:				
Salaries and employee benefits	343,310	339,482	3,828	270,591
Operating expenditures	149,830	125,790	24,040	98,327
Capital outlay	-	-	-	21,910
Total	<u>493,140</u>	<u>465,272</u>	<u>27,868</u>	<u>390,828</u>
Human Resources:				
Salaries and employee benefits	196,940	196,660	280	176,227
Professional services	1,250	810	440	810
Operating expenditures	72,695	61,445	11,250	32,280
Total	<u>270,885</u>	<u>258,915</u>	<u>11,970</u>	<u>209,317</u>
Finance:				
Salaries and employee benefits	807,155	692,050	115,105	545,108
Professional services	69,500	69,225	275	29,039
Operating expenditures	108,205	199,976	(91,771)	160,744
Capital outlay	484,395	400,437	83,958	28,318
Total	<u>1,469,255</u>	<u>1,361,688</u>	<u>107,567</u>	<u>763,209</u>
Management Information Systems:				
Salaries and employee benefits	86,480	74,270	12,210	38,410
Operating expenditures	110,400	80,739	29,661	79,796
Capital outlay	68,000	64,247	3,753	56,791
Total	<u>264,880</u>	<u>219,256</u>	<u>45,624</u>	<u>174,997</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, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Inspections:				
Salaries and employee benefits	\$ 821,465	\$ 815,106	\$ 6,359	\$ 743,843
Operating expenditures	125,500	108,787	16,713	116,200
Capital outlay	35,200	-	35,200	-
Total	<u>982,165</u>	<u>923,893</u>	<u>58,272</u>	<u>860,043</u>
Planning:				
Salaries and employee benefits	590,955	575,842	15,113	494,355
Professional services	212,945	137,910	75,035	138,385
Operating expenditures	358,610	253,131	105,479	209,434
Capital outlay	228,315	73,104	155,211	24,048
Total	<u>1,390,825</u>	<u>1,039,987</u>	<u>350,838</u>	<u>866,222</u>
Public buildings:				
Insurance and bonds	94,250	79,352	14,898	108,779
Operating expenditures	562,400	482,816	79,584	462,293
Professional services	22,200	3,590	18,610	10,100
Capital outlay	200,000	206,686	(6,686)	301,027
Total	<u>878,850</u>	<u>772,444</u>	<u>106,406</u>	<u>882,199</u>
Engineering:				
Salaries and employee benefits	542,655	539,203	3,452	482,055
Professional services	310,000	286,812	23,188	-
Operating expenditures	90,750	84,014	6,736	72,751
Capital outlay	52,300	52,137	163	-
Total	<u>995,705</u>	<u>962,166</u>	<u>33,539</u>	<u>554,806</u>
Fleet Maintenance:				
Salaries and employee benefits	196,535	193,140	3,395	160,081
Operating expenditures	60,300	50,059	10,241	55,044
Capital outlay	17,900	15,904	1,996	59,506
Total	<u>274,735</u>	<u>259,103</u>	<u>15,632</u>	<u>274,631</u>
Total general government	<u>7,559,605</u>	<u>6,772,894</u>	<u>786,711</u>	<u>5,413,924</u>
Public safety:				
Police:				
Salaries and employee benefits	3,408,915	3,366,245	42,670	2,970,719
Operating expenditures	778,545	720,286	58,259	714,944
Capital outlay	387,735	318,716	69,019	442,334
Total	<u>4,575,195</u>	<u>4,405,247</u>	<u>169,948</u>	<u>4,127,997</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, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Fire:				
Contributions to:				
Fire Department	\$ 1,922,977	\$ 1,922,977	\$ -	\$ 1,653,871
Hazmat	10,300	10,298	2	7,557
Total	<u>1,933,277</u>	<u>1,933,275</u>	<u>2</u>	<u>1,661,428</u>
Total public safety	<u>6,508,472</u>	<u>6,338,522</u>	<u>169,950</u>	<u>5,789,425</u>
Transportation:				
Streets:				
Salaries and employee benefits	602,890	590,980	11,910	433,102
Professional services	23,015	21,397	1,618	20,373
Operating expenditures	600,000	553,342	46,658	454,045
Capital outlay	253,835	222,418	31,417	379,268
Total transportation	<u>1,479,740</u>	<u>1,388,137</u>	<u>91,603</u>	<u>1,286,788</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits	287,640	281,595	6,045	235,507
Contracted services	1,246,250	1,224,486	21,764	1,158,757
Operating expenditures	266,225	228,536	37,689	677,614
Capital outlay	139,335	149,182	(9,847)	109,212
Total	<u>1,939,450</u>	<u>1,883,799</u>	<u>55,651</u>	<u>2,181,090</u>
Cemetery:				
Professional services	17,900	2,900	15,000	-
Operating expenditures	17,430	11,691	5,739	9,200
Capital outlay	128,900	128,806	94	-
Total	<u>164,230</u>	<u>143,397</u>	<u>20,833</u>	<u>9,200</u>
Total environmental protection	<u>2,103,680</u>	<u>2,027,196</u>	<u>76,484</u>	<u>2,190,290</u>
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	681,360	671,298	10,062	612,944
Professional services	15,000	12,946	2,054	2,560
Operating expenditures	521,455	478,482	42,973	405,497
Capital outlay	35,440	35,437	3	2,504,720
Total cultural and recreational	<u>1,253,255</u>	<u>1,198,163</u>	<u>55,092</u>	<u>3,525,721</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, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Debt service:				
Bond principal	\$ 193,875	\$ 193,875	\$ -	\$ 193,875
Bond interest	306,220	305,559	661	130,994
Installment note principal	1,131,270	1,116,743	14,527	1,113,169
Installment note interest	57,765	50,761	7,004	65,271
Total debt service	1,689,130	1,666,938	22,192	1,503,309
Total expenditures	20,593,882	19,391,850	1,202,032	19,709,457
Revenues over expenditures	106,836	1,954,619	1,847,783	85,221
OTHER FINANCING SOURCES (USES):				
Transfers in (out):				
Downtown Municipal Service Fund	29,680	11,320	(18,360)	14,707
Electric Fund	-	-	-	225,000
General Capital Reserve	193,500	-	(193,500)	104,665
Town Hall Capital Project Fund	(895,000)	(895,000)	-	(535,450)
Streets/Sidewalks Capital Project Fund	(110,000)	(110,000)	-	(110,000)
Stream Buffers Capital Projects Fund	(392,445)	(392,445)	-	-
Police Special Revenue Fund	16,000	-	(16,000)	-
Installment note issuance	-	-	-	602,875
Appropriated fund balance	1,051,429	-	(1,051,429)	-
Total other financing sources	(106,836)	(1,386,125)	(1,279,289)	301,797
Net change in fund balance	\$ -	568,494	\$ 568,494	387,018
FUND BALANCE - Beginning of year		9,376,222		8,989,204
FUND BALANCE - End of year		\$ 9,944,716		\$ 9,376,222

Town of Wake Forest, North Carolina
Capital Projects Fund
Street & Sidewalk Improvements
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 2,100	\$ -	\$ 332,009	332,009
Development proceeds	225,000	222,495	-	222,495
State Grant	-	45,000	-	45,000
NC-DOT proceeds	412,900	1,107,900	64,472	1,172,372
Sales tax refund	10,000	-	125	125
Sub-total revenues	650,000	1,375,395	396,606	1,772,001
Less closed projects	(45,000)	(45,000)	-	(45,000)
Total revenues	605,000	1,330,395	396,606	1,727,001
Expenditures:				
Capital outlay:				
Professional services	1,115,000	635,318	464,594	1,099,912
Capital outlay-land	500,000	54,543	83,929	138,472
Capital outlay-construction	6,704,423	897,331	117,246	1,014,577
Contingency	17,600	-	-	-
US 1A/DOT improvements	2,200,000	1,098,883	28,679	1,127,562
Sub-total expenditures	10,537,023	2,686,075	694,448	3,380,523
Less closed projects	(405,000)	(402,715)	-	(402,715)
Total expenditures	10,132,023	2,283,360	694,448	2,977,808
Revenues under expenditures	(9,527,023)	(952,965)	(297,842)	(1,250,807)
Other financing sources:				
Transfer from General Fund	264,043	264,043	110,000	374,043
Transfer from General Capital Reserve	122,980	122,976	-	122,976
Bond issuance	9,500,000	-	5,700,000	5,700,000
Sub-total other financing sources	9,887,023	387,019	5,810,000	6,197,019
Less closed projects	(360,000)	(357,715)	-	(357,715)
Total other financing sources	9,527,023	29,304	5,810,000	5,839,304
Net change in fund balance	\$ -	\$ (565,946)	5,512,158	\$ 4,946,212
Fund balances:				
Beginning of year			(923,661)	
End of year			\$ 4,588,497	

Town of Wake Forest, North Carolina
Capital Projects Fund
Park Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 380,000	\$ 372,321	\$ 202,440	574,761
Grant proceeds	1,824,587	1,824,587	-	1,824,587
Sales tax refund	35,000	32,126	11,982	44,108
Total revenues	<u>2,239,587</u>	<u>2,229,034</u>	<u>214,422</u>	<u>2,443,456</u>
Expenditures:				
Capital outlay:				
Professional services	57,958	57,849	-	57,849
Capital outlay-land	5,395,860	4,895,855	-	4,895,855
Flaherty Park-Phase III	2,891,022	2,366,536	744,445	3,110,981
Heritage High School	2,430,355	122,758	122,758	245,516
Joyner Park Development	3,500,000	172,425	184,460	356,885
Northeast Community Center	150,000	60,781	5,000	65,781
Sub-total expenditures	<u>14,425,195</u>	<u>7,676,204</u>	<u>1,056,663</u>	<u>8,732,867</u>
Less closed projects	<u>(260,195)</u>	<u>(260,194)</u>	<u>-</u>	<u>(260,194)</u>
Total expenditures	<u>14,165,000</u>	<u>7,416,010</u>	<u>1,056,663</u>	<u>8,472,673</u>
Revenues under expenditures	<u>(11,925,413)</u>	<u>(5,186,976)</u>	<u>(842,241)</u>	<u>(6,029,217)</u>
Other financing sources (uses):				
Transfer from General Fund	(324,587)	(324,587)	-	(324,587)
Transfer from Recreation Capital Reserve	260,195	260,194	-	260,194
Installment note issuance	2,050,000	2,050,000	-	2,050,000
Bond issuance	10,200,000	3,200,000	3,500,000	6,700,000
Sub-total other financing sources (uses)	<u>12,185,608</u>	<u>5,185,607</u>	<u>3,500,000</u>	<u>8,685,607</u>
Less closed projects	<u>(260,195)</u>	<u>(260,194)</u>	<u>-</u>	<u>(260,194)</u>
Total other financing sources (uses)	<u>11,925,413</u>	<u>4,925,413</u>	<u>3,500,000</u>	<u>8,425,413</u>
Net change in fund balance	<u>\$ 260,195</u>	<u>\$ (1,369)</u>	2,657,759	<u>\$ 2,656,390</u>
Fund balances:				
Beginning of year			(261,563)	
End of year			<u>\$ 2,396,196</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, 2007

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Cemetery Reserve				
Donation and gifts	\$ 150,000	\$ 144,464	\$ -	\$ 144,464
Investment earnings	74,750	102,653	4,556	107,209
Recreation Payment-in-lieu Reserve				
Payments-in-lieu	346,377	606,357	26,010	632,367
Donation-Miller Park	25,000	25,000	-	25,000
Donation-Smith Creek Park	-	4,973	-	4,973
Investment earnings	15,000	139,360	82,880	222,240
Impact fees	14,600	1,395,601	321,970	1,717,571
Equipment Purchase Reserve				
Building payments-principle	40,500	40,500	-	40,500
Building payments-interest	8,809	8,809	-	8,809
Investment earnings	18,000	43,094	4,758	47,852
General Fund Equipment Reserve				
Investment earnings	27,000	84,650	656	85,306
Sidewalk-in-lieu Reserve				
Payments-in-lieu	12,452	12,472	-	12,472
Investment earnings	1,936	12,398	2,633	15,031
Other donations	-	2,000	-	2,000
Traffic Improvements				
Traffic payments-in-lieu	-	20,400	-	20,400
Investment earnings	-	6,449	1,769	8,218
Downtown Special Tax District				
Investment earnings	-	1,703	1,066	2,769
Total revenues	<u>734,424</u>	<u>2,650,883</u>	<u>446,298</u>	<u>3,097,181</u>
Other financing sources:				
Transfers in (out)				
General Fund	325,000	373,947	-	373,947
Special Revenue Fund	-	11,715	-	11,715
Street Improvement Capital Project	-	122,976	-	122,976
General Fund	(704,381)	(659,223)	-	(659,223)
Old Municipal Capital Project	(268,675)	(268,675)	-	(268,675)
Parks Improvement Capital Project	(86,368)	(346,563)	-	(346,563)
Total other financing sources (uses)	<u>(734,424)</u>	<u>(765,823)</u>	<u>-</u>	<u>(765,823)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,885,060</u>	446,298	<u>\$ 2,331,358</u>
Fund balances:				
Beginning of year			<u>1,885,060</u>	
End of year			<u>\$ 2,331,358</u>	

Town of Wake Forest, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	Capital Projects			Special Revenue Fund	Total Nonmajor Governmental Funds
	Glen Royall Housing Development	Stream Buffers	Town Hall Project		
Assets					
Cash and cash equivalents	\$ 49,389	\$ -	\$ 765,886	\$ 86,896	\$ 902,171
Accounts receivable	-	460,080	-	4,380	464,460
Total assets	\$ 49,389	\$ 460,080	\$ 765,886	\$ 91,276	\$ 1,366,631
Liabilities and fund balances					
Deferred revenue	\$ -	\$ -	\$ -	\$ 4,381	\$ 4,381
Unearned revenue	-	-	-	1,286	1,286
Due to other funds	-	521,400	-	-	521,400
Accounts payable	-	1,050	121,282	-	122,332
Total liabilities	-	522,450	121,282	5,667	649,399
Fund balances:					
Unreserved, designated for subsequent years' expenditures	49,389	(62,370)	644,604	85,609	717,232
Total liabilities and fund balances	\$ 49,389	\$ 460,080	\$ 765,886	\$ 91,276	\$ 1,366,631

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, 2007

	Capital Projects			Special Revenue Fund	Total Nonmajor Governmental Funds
	Glen Royall Housing Development	Stream Buffers	Town Hall Project		
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 29,041	\$ 29,041
Investment earnings	-	-	25,429	3,602	29,031
Miscellaneous	4,455	861,390	-	-	865,845
Total revenues	<u>4,455</u>	<u>861,390</u>	<u>25,429</u>	<u>32,643</u>	<u>923,917</u>
Expenditures:					
Professional services	-	37,603	439,742	-	477,345
Capital projects	-	1,276,182	498,889	-	1,775,071
Total expenditures	<u>-</u>	<u>1,313,785</u>	<u>938,631</u>	<u>-</u>	<u>2,252,416</u>
Revenues over (under) expenditures	<u>4,455</u>	<u>(452,395)</u>	<u>(913,202)</u>	<u>32,643</u>	<u>(1,328,499)</u>
Other financing sources (uses):					
Transfers in	-	392,445	895,000	-	1,287,445
Transfers out	-	-	-	(11,320)	(11,320)
Total other financing sources (uses)	<u>-</u>	<u>392,445</u>	<u>895,000</u>	<u>(11,320)</u>	<u>1,276,125</u>
Net change in fund balances	4,455	(59,950)	(18,202)	21,323	(52,374)
Fund balance:					
Beginning of year	44,934	(2,420)	662,806	64,286	769,606
End of year	<u>\$ 49,389</u>	<u>\$ (62,370)</u>	<u>\$ 644,604</u>	<u>\$ 85,609</u>	<u>\$ 717,232</u>

Town of Wake Forest, North Carolina
Capital Projects Fund
Glen Royall Housing Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Federal grant	\$65,853	\$ 65,853	\$ -	\$ 65,853
Other program income	7,000	45,311	4,455	49,766
Total revenues	<u>72,853</u>	<u>111,164</u>	<u>4,455</u>	<u>115,619</u>
Expenditures:				
Administration				
Professional services	6,263	942	-	942
Travel, meetings and schools	3,090	3,082	-	3,082
Other departmental expenditures	2,010	1,079	-	1,079
Total administration	<u>11,363</u>	<u>5,103</u>	<u>-</u>	<u>5,103</u>
Planning	490	180	-	180
Rehabilitation	61,000	60,947	-	60,947
Total expenditures	<u>72,853</u>	<u>66,230</u>	<u>-</u>	<u>66,230</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 44,934</u>	4,455	<u>\$ 49,389</u>
Fund balances:				
Beginning of year			<u>44,934</u>	
End of year			<u>\$49,389</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Stream Buffers
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Clean water grant	\$ 571,375	\$ 571,373	\$ 599,000	\$ 1,170,373
Grant proceeds	10,660	29,540	261,005	290,545
Miscellaneous	52,500	52,500	1,385	53,885
Total revenues	<u>634,535</u>	<u>653,413</u>	<u>861,390</u>	<u>1,514,803</u>
Expenditures:				
Capital outlay:				
Professional services	391,850	412,942	37,603	450,545
Capital outlay-land	392,445	-	1,080,113	1,080,113
Improvements	482,685	467,891	196,069	663,960
Total expenditures	<u>1,266,980</u>	<u>880,833</u>	<u>1,313,785</u>	<u>2,194,618</u>
Revenues under expenditures	(632,445)	(227,420)	(452,395)	(679,815)
Other financing sources:				
Transfer from General Fund	<u>632,445</u>	<u>225,000</u>	<u>392,445</u>	<u>617,445</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,420)</u>	(59,950)	<u>\$ (62,370)</u>
Fund balances:				
Beginning of year			(2,420)	
End of year			<u>\$ (62,370)</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
New Town Hall
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 280,000	\$ 20,583	\$ 25,429	\$ 46,012
Expenditures:				
Capital outlay:				
Professional services	1,340,000	93,227	439,742	532,969
Capital outlay-land	645,000	-	498,889	498,889
Capital outlay-construction	12,935,000	-	-	-
Capital outlay-equipment	360,000	-	-	-
Total expenditures	15,280,000	93,227	938,631	1,031,858
Revenues under expenditures	(15,000,000)	(72,644)	(913,202)	(985,846)
Other financing sources:				
Transfer from general fund	6,500,000	735,450	895,000	1,630,450
Installment note issuance	8,500,000	-	-	-
Total other financing sources	15,000,000	735,450	895,000	1,630,450
Net change in fund balance	\$ -	\$ 662,806	(18,202)	\$ 644,604
Fund balances:				
Beginning of year			662,806	
End of year			\$ 644,604	

Town of Wake Forest, North Carolina
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2007 and 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes	\$ 39,900	\$ 29,041	\$ (10,859)	\$ 41,922
Investment earnings	1,000	3,602	2,602	1,807
Total revenues	<u>40,900</u>	<u>32,643</u>	<u>(8,257)</u>	<u>43,729</u>
EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>40,900</u>	<u>32,643</u>	<u>(8,257)</u>	<u>43,729</u>
OTHER FINANCING USES:				
Transfers out:				
General Capital Reserve	(10,220)	-	10,220	-
General Fund	(29,680)	(11,320)	18,360	(14,707)
Contingency	(1,000)	-	1,000	-
Total other financing uses	<u>(40,900)</u>	<u>(11,320)</u>	<u>29,580</u>	<u>(14,707)</u>
Net change in fund balance	<u>\$ -</u>	<u>21,323</u>	<u>\$ 21,323</u>	<u>29,022</u>
Fund balances:				
Beginning of year		<u>64,286</u>		<u>35,264</u>
End of year		<u>\$ 85,609</u>		<u>\$ 64,286</u>

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, 2007

With comparative actual amounts for the year ended June 30, 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Water plant operations:				
Other operating expenditures	-	-	-	34,311
Total water plant operations	-	-	-	34,311
Debt service:				
Principal retirement	658,102	658,103	(1)	668,956
Interest and fees	249,613	249,609	4	274,946
Total debt service	907,715	907,712	3	943,902
Total expenditures	907,715	907,712	3	978,213
Revenues under expenditures	(907,715)	(907,712)	3	(978,213)
Other financing sources (uses)				
Transfers in (out):				
City of Raleigh	907,715	907,712	(3)	943,902
Transfer to Raleigh	-	-	-	(2,738,750)
Total other financing sources (uses)	907,715	907,712	(3)	(1,794,848)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ -	(2,773,061)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Deferred refunding and issue costs		-		(9,115)
Transfer to Raleigh		-		(34,697,193)
Principal retirement		658,103		668,956
Decrease in accrued interest		3,877		37,784
Principal payments of note receivable from City of Raleigh		(658,103)		(668,956)
Water and Sewer Capital Projects Funds				
Investment earnings		-		2,840
Transfer to Raleigh		-		(18,473)
Water and Sewer Capital Reserve Fund				
Transfer to Raleigh		-		(4,622,450)
Total reconciling items		3,877		(39,306,607)
Net income		\$ 3,877		\$ (42,079,668)

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2007
With comparative actual amounts for the year ended June 30, 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 14,345,295	\$ 13,721,225	\$ (624,070)	\$ 13,015,905
Other operating revenues				
Sales tax	429,670	412,729	(16,941)	394,785
Reconnect charges	105,865	105,725	(140)	104,464
Miscellaneous	124,275	109,220	(15,055)	304,820
Total operating revenues	<u>15,005,105</u>	<u>14,348,899</u>	<u>(656,206)</u>	<u>13,819,974</u>
Nonoperating revenues:				
Investment earnings	20,500	23,210	2,710	70,569
Sale of assets	12,100	8,936	(3,164)	37,116
Total nonoperating revenues	<u>32,600</u>	<u>32,146</u>	<u>(454)</u>	<u>107,685</u>
Total revenues	<u>15,037,705</u>	<u>14,381,045</u>	<u>(656,660)</u>	<u>13,927,659</u>
Expenditures:				
Electric operations:				
Salaries and employee benefits	2,218,930	2,205,422	13,508	2,124,861
Power purchases for resale	10,140,450	10,230,560	(90,110)	9,763,796
Utility sales tax	305,445	302,687	2,758	287,015
Repairs and maintenance	280,650	244,810	35,840	178,675
Other operating expenditures	836,525	979,856	(143,331)	1,350,046
Total electric operations	<u>13,782,000</u>	<u>13,963,335</u>	<u>(181,335)</u>	<u>13,704,393</u>
Debt service:				
Principal retirement	447,290	447,271	19	313,686
Interest and fees	40,415	40,165	250	34,479
Total debt service	<u>487,705</u>	<u>487,436</u>	<u>269</u>	<u>348,165</u>
Capital outlay	<u>1,413,000</u>	<u>1,412,517</u>	<u>483</u>	<u>1,842,285</u>
Total expenditures	<u>15,682,705</u>	<u>15,863,288</u>	<u>(180,583)</u>	<u>15,894,843</u>
Revenues under expenditures	<u>(645,000)</u>	<u>(1,482,243)</u>	<u>(837,243)</u>	<u>(1,967,184)</u>

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2007
 With comparative actual amounts for the year ended June 30, 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Other financing sources (uses):				
Transfers in (out):				
General Fund	\$ -	\$ -	\$ -	\$ (225,000)
Electric Capital Reserve Fund	375,000	375,000	-	-
Installment note issuance	270,000	270,000	-	845,823
Total other financing sources (uses)	645,000	645,000	-	620,823
 Revenues and other financing sources under expenditures and other financing (uses)	\$ -	(837,243)	\$ (837,243)	(1,346,361)
 Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Depreciation		(711,826)		(585,222)
Capital outlay		1,412,517		1,842,285
Interfund transfers		(375,000)		-
Capital contributions		-		89,532
Principal retirement		447,271		313,686
Installment note proceeds		(270,000)		(845,823)
Increase (decrease) in inventory		174,426		59,632
Decrease (increase) in accrued interest		(26,948)		185
Decrease (increase) in accrued vacation pay		2,400		(13,889)
Electric Capital Reserve Fund				
Investment earnings		25,588		21,565
Electric Substation Capital Project Fund				
Investment earnings		40,933		-
Total reconciling items		719,361		881,951
Net loss		\$ (117,882)		\$ (464,410)

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, 2007

	Project Author - ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 107,500	\$ 133,592	\$ 25,588	\$ 159,180
Other financing sources (uses):				
Transfers in (out)				
Electric Fund	892,500	345,588	-	345,588
System Betterment	-	119,741	-	119,741
Electric Fund	(1,000,000)	-	(375,000)	(375,000)
Total other financing sources (uses)	(107,500)	465,329	(375,000)	90,329
Revenues and other financing sources over (under) other financing sources/ (uses)	\$ -	\$ 598,921	\$ (349,412)	\$ 249,509

Town of Wake Forest
Electric Capital Projects Fund
Electric Substation
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From inception and for the fiscal year ended June 30, 2007

	Project Author - ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 25,000	\$ -	\$ 40,933	\$ 40,933
Sales tax refund	25,000	-	-	-
Total revenues	<u>50,000</u>	<u>-</u>	<u>40,933</u>	<u>40,933</u>
Expenditures				
Capital outlay:				
Professional services	250,000	1,560	59,236	60,796
Contracted services	100,000	-	375	375
Capital outlay-land	355,000	350,766	-	350,766
Capital outlay-construction	1,500,000	-	179,404	179,404
Total expenditures	<u>2,205,000</u>	<u>352,326</u>	<u>239,015</u>	<u>591,341</u>
Expenditures over revenues	<u>(2,155,000)</u>	<u>(352,326)</u>	<u>(198,082)</u>	<u>(550,408)</u>
Other financing sources (uses):				
Transfers in (out)				
Electric Fund	905,000	-	-	-
Revenue bond issuance	1,500,000	-	2,300,000	2,300,000
Contingency	(250,000)	-	-	-
Total other financing sources (uses)	<u>2,155,000</u>	<u>-</u>	<u>2,300,000</u>	<u>2,300,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (352,326)</u>	<u>\$ 2,101,918</u>	<u>\$ 1,749,592</u>

Town of Wake Forest, North Carolina
Schedule of Ad Valorem Taxes Receivable
 June 30, 2007

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2006</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006-2007	\$ -	\$ 10,866,417	\$ 10,678,057	\$ 188,360
2005-2006	142,179	-	112,860	29,319
2004-2005	23,029	-	7,014	16,015
2003-2004	14,134	-	3,029	11,105
2002-2003	12,116	-	979	11,137
2001-2002	19,295	-	1,748	17,547
2000-2001	5,426	-	558	4,868
1999-2000	5,841	-	358	5,483
1998-1999	4,763	-	521	4,242
1997-1998	1,377	-	105	1,272
1996-1997	2,883	-	2,883	-
	<u>\$ 231,043</u>	<u>\$ 10,866,417</u>	<u>\$ 10,808,112</u>	289,348
				Less allowance for uncollectible ad valorem taxes receivable
				<u>36,068</u>
				Ad valorem taxes receivable - net
				<u>\$ 253,280</u>

Revenue reconciliation:

Ad valorem taxes - General Fund	\$ 10,826,918
Add (deduct):	
Releases allowed	8,463
Taxes written off	2,883
Penalties and interest	<u>(30,152)</u>
Total collections and credits	<u>\$ 10,808,112</u>

Town of Wake Forest, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the fiscal year ended June 30, 2007

	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	\$ 2,015,332,778	0.54	\$ 10,882,797	\$ 9,597,429	\$ 1,285,368
Penalties	-		5,121	5,121	-
Total	<u>2,015,332,778</u>		<u>10,887,918</u>	<u>9,602,550</u>	<u>1,285,368</u>
Discoveries:					
Prior year taxes	9,753,889	0.54	52,671	32,136	20,535
Prior year taxes	228,302	0.53	1,210	1,210	-
Prior year taxes	125,192	0.52	651	651	-
Total	<u>10,107,383</u>		<u>54,532</u>	<u>33,997</u>	<u>20,535</u>
Less: abatements	<u>(14,080,185)</u>	0.54	<u>(76,033)</u>	<u>(44,828)</u>	<u>(31,205)</u>
Total property valuation	<u>\$ 2,011,359,976</u>				
Net levy			10,866,417	9,591,719	1,274,698
Less: uncollected taxes at June 30, 2007			<u>188,360</u>	<u>67,683</u>	<u>120,677</u>
Current year's taxes collected			<u>\$ 10,678,057</u>	<u>\$ 9,524,036</u>	<u>\$ 1,154,021</u>
Current levy collection percentage			<u>98.27%</u>	<u>99.29%</u>	<u>90.53%</u>

Town of Wake Forest, North Carolina
General Obligation Debt Service Requirements and Maturity Schedule
 June 30, 2007

Fiscal Year	Utilities		Other		Total	
	Principal	Principal & interest	Principal	Principal & interest	Principal	Principal & interest
2007-2008	\$ 147,250	\$ 17,118	\$ 652,750	\$ 480,125	\$ 800,000	\$ 497,243
2008-2009	143,375	9,553	651,625	452,344	795,000	461,897
2009-2010	69,750	3,313	640,250	424,617	710,000	427,930
2010-2011	-	-	635,000	397,415	635,000	397,415
2011-2012	-	-	635,000	370,440	635,000	370,440
2012-2013	-	-	635,000	343,465	635,000	343,465
2013-2014	-	-	635,000	316,315	635,000	316,315
2014-2015	-	-	635,000	284,565	635,000	284,565
2015-2016	-	-	635,000	252,815	635,000	252,815
2016-2017	-	-	635,000	221,015	635,000	221,015
2017-2018	-	-	635,000	193,915	635,000	193,915
2018-2019	-	-	635,000	166,590	635,000	166,590
2019-2020	-	-	575,000	141,105	575,000	141,105
2020-2021	-	-	460,000	118,680	460,000	118,680
2021-2022	-	-	460,000	102,120	460,000	102,120
2022-2023	-	-	460,000	85,560	460,000	85,560
2023-2024	-	-	460,000	68,770	460,000	68,770
2024-2025	-	-	460,000	51,750	460,000	51,750
2025-2026	-	-	460,000	34,500	460,000	34,500
2026-2027	-	-	460,000	17,250	460,000	17,250
Total	<u>\$ 360,375</u>	<u>\$ 29,984</u>	<u>\$11,454,625</u>	<u>\$4,523,356</u>	<u>\$11,815,000</u>	<u>\$4,553,340</u>

Table 1

TOWN OF WAKE FOREST, NORTH CAROLINA

Net Assets By Category

Last Five Fiscal Years

(accrual basis of accounting)

June 30, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 40,547,856	\$ 42,937,877	\$ 49,400,842	\$ 59,573,601	\$ 62,558,549
Unrestricted	7,076,073	9,204,232	10,712,444	10,580,086	19,654,914
Subtotal governmental activities net assets	<u>47,623,929</u>	<u>52,142,109</u>	<u>60,113,286</u>	<u>70,153,687</u>	<u>82,213,463</u>
Business-type activities					
Invested in capital assets, net of related debt	37,462,607	40,864,847	43,067,952	11,072,201	12,189,177
Unrestricted	9,515,165	10,566,979	12,689,129	2,140,802	909,821
Subtotal business-type activities net assets	<u>46,977,772</u>	<u>51,431,826</u>	<u>55,757,081</u>	<u>13,213,003</u>	<u>13,098,998</u>
Primary Government					
Invested in capital assets, net of related debt	78,010,463	83,802,724	92,468,794	70,645,802	74,747,726
Unrestricted	16,591,238	19,771,211	23,401,573	12,720,888	20,564,735
Total primary government net Assets	<u>\$ 94,601,701</u>	<u>\$ 103,573,935</u>	<u>\$ 115,870,367</u>	<u>\$ 83,366,690</u>	<u>\$ 95,312,461</u>

Note: Data not available prior to fiscal year ended June 30, 2003.

Table 2

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes in Net Assets, Last Five Fiscal Years
(accrual basis of accounting)
 June 30, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General Government	\$ 2,956,800	\$ 3,264,577	\$ 3,579,532	\$ 5,078,512	\$ 6,122,587
Public Safety	3,609,320	4,330,589	4,919,342	5,656,444	6,366,631
Transportation	1,818,020	1,790,537	2,074,901	2,220,905	2,605,715
Environmental Protection	1,093,977	1,264,596	1,364,786	2,110,057	1,797,390
Cultural and Recreational	879,025	975,811	1,100,051	1,216,086	1,354,940
Interest on long-term debt	282,603	258,942	221,154	190,793	443,086
Subtotal governmental activities expense	<u>10,639,745</u>	<u>11,885,052</u>	<u>13,259,766</u>	<u>16,472,797</u>	<u>18,690,349</u>
Business-type activities:					
Water and sewer	6,432,339	7,128,256	7,754,258	280,588	(3,877)
Electric	9,477,167	10,301,962	11,567,024	14,278,166	14,565,448
Subtotal business-type activities expenses	<u>15,909,506</u>	<u>17,430,218</u>	<u>19,321,282</u>	<u>14,558,754</u>	<u>14,561,571</u>
Total primary government expenses	<u>26,549,251</u>	<u>29,315,270</u>	<u>32,581,048</u>	<u>31,031,551</u>	<u>33,251,920</u>
Program Revenues					
Governmental activities:					
Charges for Services					
General Government	838,253	1,319,858	1,338,727	1,762,151	1,941,342
Public Safety	29,997	34,815	63,147	31,849	29,063
Transportation	183,550	231,134	225,280	321,999	515,279
Environmental Protection	976,389	1,086,851	1,204,045	1,338,077	1,455,622
Cultural and Recreational	156,665	166,978	199,105	237,976	323,983
Operating Grants and Contributions					
General Government	-	35,266	10,000	-	-
Public Safety	37,837	243,618	37,913	94,028	111,463
Transportation	392,593	377,355	481,947	490,467	321,471
Cultural and Recreational	4,800	-	-	1,181,244	-
Capital Grants and Contributions					
Public Safety	276,522	-	-	76,597	100,937
Transportation	2,112,141	1,482,162	5,160,675	4,610,306	7,578,376
Environmental Protection	-	582,032	-	-	-
Cultural and Recreational	1,550,000	366,052	-	18,881	905,155
Subtotal governmental activities program revenues	<u>6,558,747</u>	<u>5,926,121</u>	<u>8,720,839</u>	<u>10,163,575</u>	<u>13,282,691</u>

Table 2

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes in Net Assets, Last Five Fiscal Years
(accrual basis of accounting)
 June 30, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for Services - Water and sewer	6,672,700	8,551,662	9,473,396	-	-
Charges for Services - Electric	11,234,615	11,552,691	12,271,899	13,819,974	14,348,899
Operating Grants and Contributions - Water and sewer	-	5,527	-	-	-
Capital Grants and Contributions - Water and sewer	1,297,513	1,467,324	1,079,690	-	-
Capital Grants and Contributions - Electric	182,083	15,903	23,804	89,532	-
Subtotal business-type activities program revenues	<u>19,386,911</u>	<u>21,593,107</u>	<u>22,848,789</u>	<u>13,909,506</u>	<u>14,348,899</u>
Total primary government program revenues	25,945,658	27,519,228	31,569,628	24,073,081	27,631,590
Net (Expense) Revenue					
Governmental activities	(4,080,998)	(5,958,931)	(4,538,927)	(6,309,222)	(5,407,658)
Business-type activities:					
Water and sewer	1,537,874	2,896,257	2,798,828	(280,588)	3,877
Electric	1,939,531	1,266,632	728,679	(368,660)	(216,549)
Total primary government net expense	<u>(603,593)</u>	<u>(1,796,042)</u>	<u>(1,011,420)</u>	<u>(6,958,470)</u>	<u>(5,620,330)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes, levied for general purpose	5,826,709	6,792,219	7,866,320	9,469,105	10,918,755
Other taxes and licenses	43,756	38,937	39,234	59,050	63,925
Unrestricted intergovernmental	2,470,464	3,033,438	3,681,220	4,078,480	5,028,295
Unrestricted investment earnings	86,140	71,661	211,950	395,979	1,129,731
Miscellaneous	403,393	580,712	911,615	2,122,009	326,728
Transfers	(175,411)	(210,522)	(200,235)	225,000	-
Subtotal governmental activities	<u>8,655,051</u>	<u>10,306,445</u>	<u>12,510,104</u>	<u>16,349,623</u>	<u>17,467,434</u>
Business type activities:					
Unrestricted investment earnings	117,154	75,037	208,616	369,920	89,731
Miscellaneous	4,482	5,606	-	37,116	-
Transfers and Special items	175,411	210,522	200,235	(42,301,866)	8,936
Subtotal business-type activities	<u>297,047</u>	<u>291,165</u>	<u>408,851</u>	<u>(41,894,830)</u>	<u>98,667</u>
Total primary government	<u>8,952,098</u>	<u>10,597,610</u>	<u>12,918,955</u>	<u>(25,545,207)</u>	<u>17,566,101</u>
Change in Net Assets					
Governmental activities	4,574,053	4,347,514	7,971,177	10,040,401	12,059,776
Business-type activities	3,774,452	4,454,054	3,936,358	(42,544,078)	(114,005)
Total primary Government	<u>\$ 8,348,505</u>	<u>\$ 8,801,568</u>	<u>\$ 11,907,535</u>	<u>\$ (32,503,677)</u>	<u>\$ 11,945,771</u>

Note: Data not available prior to fiscal year ended June 30, 2003.

Table 3

TOWN OF WAKE FOREST, NORTH CAROLINA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

June 30, 2007

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved for:										
Encumbrances	\$ 71,000	\$ 159,257	\$ 176,615	\$ 211,468	\$ 411,374	\$ 375,443	\$ 246,620	\$ 242,697	\$ 340,579	\$ 165,290
State statute	395,885	584,657	884,756	680,400	660,705	-	1,110,064	1,529,667	4,025,734	2,251,538
Inventories and prepaid items	-	-	-	3,045	2,244	2,750	2,704	54,921	10,812	5,919
Streets	-	-	-	-	-	-	-	-	54,515	174,529
Unreserved:										
Designated for subsequent year's expenditures	339,806	346,564	406,130	587,800	584,430	579,100	929,840	671,050	643,835	1,009,730
Undesignated	785,440	910,240	1,664,618	2,803,861	3,333,145	4,864,733	5,216,938	6,490,869	4,300,747	6,337,710
Total General Fund	<u>\$ 1,592,131</u>	<u>\$ 2,000,718</u>	<u>\$ 3,132,119</u>	<u>\$ 4,286,574</u>	<u>\$ 4,991,898</u>	<u>\$ 5,822,026</u>	<u>\$ 7,506,166</u>	<u>\$ 8,989,204</u>	<u>\$ 9,376,222</u>	<u>\$ 9,944,716</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,284	10,410	11,102	23,085	25,925	33,115	25,524	35,264	64,286	85,609
Capital projects funds	393,732	2,432,895	3,584,991	2,697,861	1,732,083	1,219,037	1,780,588	1,880,442	1,405,156	9,947,674
Total all other Governmental Funds	<u>\$ 400,016</u>	<u>\$ 2,443,305</u>	<u>\$ 3,596,093</u>	<u>\$ 2,721,016</u>	<u>\$ 1,758,008</u>	<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 4

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes In Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 June 30, 2007

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Ad Valorem Taxes	\$ 2,296,301	\$ 2,626,699	\$ 3,238,877	\$ 4,254,564	\$ 5,064,615	\$ 5,811,596	\$ 6,824,156	\$ 7,859,275	\$ 9,445,404	\$ 10,855,959
Other Taxes	846,072	1,371,578	1,570,735	1,892,167	1,830,052	39,639	36,551	36,766	54,076	61,853
Unrestricted Intergovernmental	486,851	582,161	840,963	909,221	399,168	2,470,464	3,033,438	3,681,220	4,078,480	5,028,295
Restricted Intergovernmental	297,911	373,544	618,662	591,481	478,788	2,531,211	1,604,323	679,860	1,842,336	1,723,523
Permits and Fees	615,175	743,918	772,631	837,956	934,693	1,005,458	1,523,494	1,537,172	1,911,058	2,385,764
Sales and Services	583,414	704,556	830,220	919,455	1,060,435	1,153,197	1,353,592	1,502,272	1,765,177	1,812,357
Miscellaneous	105,637	260,475	344,946	493,696	398,681	407,155	583,055	912,625	2,185,890	330,105
Investment Earnings	135,140	163,812	347,863	408,063	149,080	86,140	71,661	211,950	395,979	1,129,731
Assessments	5,793	-	-	-	-	-	-	-	-	-
Total revenues	5,372,294	6,826,743	8,564,897	10,306,603	10,315,512	13,504,860	15,030,270	16,421,140	21,678,400	23,327,587
Expenditures										
General Government	1,581,254	1,686,438	1,933,800	2,265,811	2,439,621	3,310,886	3,167,683	3,446,786	4,922,324	5,960,379
Public Safety	1,678,693	2,013,452	2,231,765	2,551,365	3,217,182	3,703,025	4,098,211	4,656,043	5,347,091	6,019,806
Transportation	930,401	455,642	432,762	551,657	617,340	929,098	706,566	916,970	907,520	1,165,719
Environmental Protection	546,878	742,605	763,728	932,666	1,038,479	1,072,042	1,233,448	1,335,465	2,081,078	1,749,208
Cultural and Recreational	490,207	497,431	504,947	648,818	904,597	824,600	809,334	922,605	1,021,001	1,162,726
Capital outlay	375,857	1,005,857	2,446,059	1,236,924	996,833	4,214,428	1,495,274	2,045,196	6,783,198	5,670,476
Debt service:										
Bond Principal	68,000	246,571	77,000	205,125	204,000	202,875	557,768	195,000	193,875	193,875
Bond Interest	33,679	80,596	104,763	179,499	169,669	159,889	182,020	140,480	130,994	305,559
Installment note principal	443,132	457,094	795,671	834,960	638,170	708,729	693,534	1,199,828	1,113,169	1,116,743
Installment note interest	111,274	105,440	184,376	160,267	128,186	134,557	82,051	84,385	65,271	50,761
Total expenditures	6,259,375	7,291,126	9,474,871	9,567,092	10,354,077	15,260,129	13,025,889	14,942,758	22,565,521	23,395,252
Excess of revenues over (under) expenditures	(887,081)	(464,383)	(909,974)	739,511	(38,565)	(1,755,269)	2,004,381	1,478,382	(887,121)	(67,665)
Other Financing Sources (Uses)										
Operating transfers in	536,595	513,335	354,991	410,278	589,519	327,344	827,887	1,015,094	989,822	1,408,765
Operating transfers (out)	(356,595)	(333,335)	(538,092)	(578,769)	(816,955)	(502,755)	(1,038,409)	(1,215,329)	(764,822)	(1,408,765)
Installment note proceeds	121,634	2,736,259	172,120	2,751	8,317	2,254,952	273,575	314,485	602,875	-
Sale of assets	12,613	-	5,144	-	-	-	-	-	-	-
Bond issuance	-	-	3,200,000	-	-	-	-	-	-	9,200,000
Total other financing sources (uses)	314,247	2,916,259	3,194,163	(165,740)	(219,119)	2,079,541	63,053	114,250	827,875	9,200,000
Net changes in fund balances	(572,834)	2,451,876	2,284,189	573,771	(257,684)	324,272	2,067,434	1,592,632	(59,246)	9,132,335
Fund balance-Beginning of year (as previously reported)	2,564,981	1,992,147	4,444,023	6,728,212	7,007,590	6,749,906	7,074,178	9,312,278	10,904,910	10,845,664
Adjustments to beginning fund balance	-	-	-	(294,393)	-	-	170,666	-	-	-
Fund balance - Beginning of Year (as restated)	2,564,981	1,992,147	4,444,023	6,433,819	7,007,590	6,749,906	7,244,844	9,312,278	10,904,910	10,845,664
Fund balance - End of Year	\$ 1,992,147	\$ 4,444,023	\$ 6,728,212	\$ 7,007,590	\$ 6,749,906	\$ 7,074,178	\$ 9,312,278	\$ 10,904,910	\$ 10,845,664	\$ 19,977,999
Debt service as a percentage of noncapital expenditures	11.15%	14.16%	16.53%	16.56%	12.18%	10.92%	13.14%	12.56%	9.53%	9.40%

Table 5

TOWN OF WAKE FOREST, NORTH CAROLINA

Government-wide Revenues

Last Five Fiscal Years

June 30, 2007

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Inter-governmental	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 20,092,169	\$ 435,230	\$ 5,418,259	\$ 5,870,465	\$ 2,470,464	\$ 203,294	\$ 407,875	\$ 34,897,756
2004	22,943,989	661,766	3,913,473	6,831,156	3,033,438	146,698	586,318	38,116,838
2005	24,775,599	529,860	6,264,169	7,905,554	3,681,220	420,566	911,615	44,488,583
2006	17,512,026	1,765,739	4,795,316	9,469,105	4,078,480	765,899	2,159,125	40,545,690
2007	18,614,188	432,934	8,584,468	10,982,680	5,028,295	1,219,462	335,664	45,197,691

Note: Data not available prior to fiscal year ended June 30, 2003.

Table 6

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

Fiscal Year	Taxes	Inter- govern- mental	Permits and Fees	Sales and Services	Invest ment- Earnings	Misc. Revenues	Fiscal Year Total
1998	\$ 3,142,373	\$ 784,762	\$ 615,175	\$ 583,414	\$ 103,441	\$ 82,786	\$ 5,311,951
1999	3,998,277	955,705	738,189	704,556	88,725	113,606	6,599,058
2000	4,809,612	1,459,625	772,631	830,220	123,898	126,095	8,122,081
2001	6,146,731	1,500,702	837,956	919,455	208,416	204,795	9,818,055
2002	6,894,667	877,956	934,693	1,060,435	95,406	194,287	10,057,444
2003	7,792,329	1,560,581	1,005,458	1,153,197	64,533	224,291	11,800,389
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

Notes:

(1) Includes general and special revenue funds.

Table 7

TOWN OF WAKE FOREST, NORTH CAROLINA
Government-wide Expenses by function
 June 30, 2007

Fiscal Year	General Government	Public Safety	Transportation	Environmental Protection	Cultural and Recreation	Interest on Long-term Debt	Water and Sewer	Electric	Total
2003	\$ 2,956,800	\$ 3,609,320	\$ 1,818,020	\$ 1,093,977	\$ 879,025	\$ 282,603	\$ 6,432,339	\$ 9,477,167	\$ 26,549,251
2004	3,264,577	4,330,589	1,790,537	1,264,596	975,811	258,942	7,128,256	10,301,962	29,315,270
2005	3,579,532	4,919,342	2,074,901	1,364,786	1,100,051	221,154	7,754,258	11,567,024	32,581,048
2006	5,078,512	5,656,444	2,220,905	2,110,057	1,216,086	190,793	280,588	14,278,166	31,031,551
2007	6,122,587	6,366,631	2,605,715	1,797,390	1,354,940	443,086	(3,877)	14,565,448	33,251,920

Note: Data not available prior to fiscal year ended June 30, 2003.

Table 8

TOWN OF WAKE FOREST, NORTH CAROLINA
General Governmental Expenditures by Function (1)
 (Last Ten Fiscal Years)
 June 30, 2007

Fiscal Year	General Government	Public Safety	Transportation	Environmental Protection	Cultural		Debt Service	Fiscal Year Total
					and Recreational			
1998	\$1,581,254	\$1,678,693	\$930,401	\$546,878	\$490,207		\$656,085	\$5,883,518
1999	1,686,438	2,013,452	455,642	742,605	497,431		889,701	6,285,269
2000	1,933,800	2,231,765	432,762	763,728	504,947		1,161,810	7,028,812
2001	2,265,811	2,551,365	551,657	932,666	648,818		1,379,851	8,330,168
2002	2,439,621	3,217,182	617,340	1,038,479	904,597		1,140,025	9,357,244
2003	3,310,886	3,703,025	929,098	1,072,042	824,600		1,206,050	11,045,701
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

Notes:

(1) Includes general and special revenue funds.

Table 9

TOWN OF WAKE FOREST, NORTH CAROLINA
Assessed Values of Taxable Property (1)
 Last Ten Fiscal Years
 June 30, 2007

Fiscal Year	Tax Year Ended December 31	Real Property	Personal Property	Public Service Company	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value
1998	1997	\$ 308,480,865	\$ 88,300,835	\$ 9,560,185	\$ 406,341,885	100%
1999	1998	358,863,744	102,967,749	10,450,292	472,281,785	100%
2000	1999	412,612,961	120,905,098	10,765,715	544,283,774	100%
2001	2000 (2)	694,627,479	131,854,974	14,719,261	841,201,714	100%
2002	2001	800,733,193	153,007,895	15,014,334	968,755,422	100%
2003	2002	930,251,530	165,399,124	15,604,444	1,111,255,098	100%
2004	2003	1,014,153,784	191,867,989	18,798,560	1,224,820,333	100%
2005	2004	1,233,395,263	203,855,525	19,324,889	1,456,575,677	100%
2006	2005	1,441,248,082	274,455,628	22,472,114	1,738,175,824	100%
2007	2006	1,698,886,624	287,999,416	24,473,936	2,011,359,976	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, 2000.

Table 10

TOWN OF WAKE FOREST, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Governments
 Last Ten Fiscal Years
 June 30, 2007

Fiscal Year	Town of Wake Forest	Wake County	Combined Tax Rate Per \$100 of Assessed Value
1998	0.560	0.630	1.190
1999	0.600	0.630	1.230
2000	0.600	0.730	1.330
2001	0.500 (1)	0.564	1.064
2002	0.520	0.564	1.084
2003	0.520	0.564	1.084
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

Notes:

(1) A revaluation of all property is required every eight (8) years by State statute. The last revaluation occurred as of December 31, 2000.

Table 11

TOWN OF WAKE FOREST, NORTH CAROLINA

Principal Property Taxpayers

June 30, 2007

Taxpayer	Type of Enterprise	2007 Assessed Valuation	% of Total Assessed Valuation
KF US-1 LLC	Shopping Center	\$ 17,534,752	0.872%
Heritage Wake Forest Inc.	Residential/Commercial	17,108,488	0.851%
Walmart Real Estate	Shopping Center	14,226,032	0.707%
Factory LLC	Sports Entertainment Center	12,581,914	0.626%
Target Corporation	Retail Super Store	12,190,790	0.606%
Lowe's Home Center Inc.	Home Improvements Super Store	11,971,132	0.595%
Oakland Heritage Multifamily LLC	Residential Deveopment	11,685,487	0.581%
Flaherty Farms LLC	Residential Development	11,053,352	0.550%
Stonegate Partners LLC	Residential Development	10,948,842	0.544%
Crossroads Holdings LLC	Automotive Dealership	8,184,777	0.407%
		<u>\$ 127,485,566</u>	<u>6.338%</u>

Total Assessed Value = \$ 2,011,359,976

Table 12

TOWN OF WAKE FOREST, NORTH CAROLINA
Property Taxes Levies and Collections

Last Ten Fiscal Years
 June 30, 2007

Fiscal Year	Net Tax Levy	Current Year's Taxes Collected	Percent Net Levy Collected	Collections Prior Years	(1) Total Tax Collections	Ratio of		
						Total Tax Collections to total Tax Levy	Outstanding Delinquent Taxes to total Tax Levy	
1998	\$2,278,185	\$ 2,226,762	97.7%	\$ 50,594	\$ 2,277,356	100.0%	\$ 106,900	4.69%
1999	2,647,370	2,555,576	96.5%	45,310	2,600,886	98.2%	153,384	5.79%
2000	3,256,859	3,174,470	97.5%	82,189	3,256,659	100.0%	153,584	4.72%
2001	4,247,563	4,146,819	97.6%	73,651	4,220,470	99.4%	180,677	4.25%
2002	5,035,631	4,914,688	97.6%	91,795	5,006,483	99.4%	209,825	4.17%
2003	5,791,230	5,661,122	97.8%	111,868	5,772,990	99.7%	228,065	3.94%
2004	6,719,331	6,601,578	98.3%	146,055	6,747,633	100.4%	199,763	2.97%
2005	7,863,526	7,740,454	98.4%	114,793	7,855,247	99.9%	208,042	2.65%
2006	9,403,050	9,260,871	98.5%	119,178	9,380,049	99.8%	231,043	2.46%
2007	10,866,417	10,678,057	98.3%	130,055	10,808,112	99.5%	289,348	2.66%

Notes:

(1) Includes discoveries, releases and adjustments.

(2) A revaluation of all property is required every eight (8) years by state statute. The last revaluation occurred as of December 31, 2000.

Table 13

TOWN OF WAKE FOREST, NORTH CAROLINA
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Expenditures
 Last Ten Fiscal Years
 June 30, 2007

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1998	\$ 68,000	\$ 33,679	\$ 101,679	\$ 5,883,518	1.7%
1999	68,000	29,569	97,569	6,285,269	1.6%
2000	77,000	104,763	181,763	7,028,812	2.6%
2001	205,125	179,499	384,624	8,330,168	4.6%
2002	204,000	169,669	373,669	9,357,244	4.0%
2003	202,875	159,889	362,764	11,045,701	3.3%
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%

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

Table 14

TOWN OF WAKE FOREST, NORTH CAROLINA

Demographic Statistics

Last Ten Fiscal Years

June 30, 2007

Fiscal Year	(1) Population	(2) Personal Income (000's)	(3) Per Capita Personal Income	(4) Wake County Unemployment Rate
1998	9,326	463,882	28,858	1.6%
1999	11,750	615,806	30,790	1.3%
2000	12,049	730,278	28,673	1.2%
2001	14,288	812,494	31,840	3.4%
2002	14,634	868,947	36,581	5.5%
2003	16,205	913,770	39,026	4.8%
2004	17,607	996,820	36,145	3.6%
2005	20,300	1,049,739	39,929	4.4%
2006	22,784	-	-	3.5%
2007	24,970	-	-	3.9%

(1) Town of Wake Forest Planning Department

(2) Bureau of Economic Analysis of the U.S. Department of Commerce for the Raleigh-Cary metropolitan area. Separate figures for the Town are not available. Information for 2006 and 2007 is not available.

(3) Estimates provided by the State Library of North Carolina for Wake County. Separate figures for the Town are not available. Information for 2006 and 2007 is not available.

(4) North Carolina State Employment Security Commission for Wake County. Separate figures for the Town are not available.

Table 15

TOWN OF WAKE FOREST, NORTH CAROLINA
Legal Debt Margin Information
 Last Ten Fiscal Years
 June 30, 2007

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debit Limit	\$32,507,351	\$34,182,543	\$43,542,702	\$67,296,137	\$77,500,434	\$88,900,408	\$97,985,627	\$116,526,054	\$139,054,066	\$160,908,798
Total debt applicable to limit	14,906,934	19,545,222	7,110,405	5,825,445	5,457,275	6,733,498	5,806,396	4,202,902	4,110,956	12,148,838
Legal debt margin	<u>\$17,600,417</u>	<u>\$14,637,321</u>	<u>\$36,432,297</u>	<u>\$61,470,692</u>	<u>\$72,043,159</u>	<u>\$82,166,910</u>	<u>\$92,179,231</u>	<u>\$112,323,152</u>	<u>\$134,943,110</u>	<u>\$148,759,960</u>
Total debt applicable to limit as percentage of debt limit	45.86%	57.18%	16.33%	8.66%	7.04%	7.57%	5.93%	3.61%	2.96%	7.55%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	<u>\$2,011,359,976</u>
Debt Limit (8% of total assessed value)	160,908,798
Debt applicable to limit	12,148,838
Total debt applicable to limit	<u>\$148,759,960</u>
Legal debt margin	<u>7.55%</u>

Table 16

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, 2007

Fiscal Year	(1) Population	Assessed Value	Gross Bonded Debt		Debt Payable From Enterprise Revenues	Net Bonded Debt		Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita		Gross Bonded Debt per Capita
			\$	%		\$	%		\$	%	
1998	9,326	\$ 406,341,885	\$ 2,705,158	0.67%	\$ 2,110,158	\$ 595,000	0.15%	\$ 64	0.71%	\$ 290	
1999	11,750	472,281,785	2,406,761	0.51%	1,879,761	527,000	0.11%	45	0.38%	205	
2000	12,049	544,283,774	5,304,492	0.97%	1,654,492	3,650,000	0.67%	303	2.52%	440	
2001	14,288	841,201,714	4,848,441	0.58%	1,403,566	3,444,875	0.41%	241	1.70%	339	
2002	15,022	968,755,422	4,415,000	0.46%	1,174,125	3,240,875	0.33%	216	1.44%	294	
2003	16,205	1,111,255,098	4,030,000	0.36%	992,000	3,038,000	0.27%	187	1.15%	249	
2004	16,553	1,224,820,333	3,655,000	0.30%	817,625	2,837,375	0.23%	171	1.03%	221	
2005	20,300	1,456,575,677	3,305,000	0.23%	662,625	2,642,375	0.18%	130	0.64%	163	
2006	22,784	1,738,175,824	2,960,000	0.17%	511,500	2,448,500	0.14%	107	0.47%	130	
2007	24,970	2,011,359,976	11,815,000	0.59%	360,375	11,454,625	0.57%	459	1.88%	473	

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

Table 17

TOWN OF WAKE FOREST, NORTH CAROLINA
Computation of Direct And Overlapping Bonded Debt
General Obligation Bonds
 June 30, 2007

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Town (2)	Amount Applicable to Town
Direct:			
Town of Wake Forest	\$11,454,625 (1)	100.00%	\$11,454,625
Overlapping: (3)			
Wake County	\$1,505,200,000	2.55%	\$38,398,303

(1) Excludes general obligation bonds reported in the enterprise funds.

(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.

Table 18

TOWN OF WAKE FOREST, NORTH CAROLINA

Commercial Activity

Last Ten Fiscal Years

June 30, 2007

Fiscal Year	Commercial		Residential		Total	
	Number	Value	Number	Value	Number	Value
1998	13	\$ 6,739,872	362	\$ 37,868,869	375	\$ 44,608,741
1999	17	9,372,458	411	47,536,437	428	56,908,895
2000	18	9,408,563	473	57,809,702	491	67,218,265
2001	22	12,424,580	451	54,092,199	473	66,516,779
2002	18	22,738,114	443	66,035,853	461	88,773,967
2003	14	27,716,501	481	79,047,538	495	106,764,039
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

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

Table 19

TOWN OF WAKE FOREST, NORTH CAROLINA
Employee Position Authorization by Department (1) (2)
 Last Ten Fiscal Years
 June 30, 2007

Fiscal Year	Admin	Finance	Human Resources	MIS	Planning and Inspections	Public Safety	(3) Engineering	(4) Fleet Maintenance	Streets	Sanitation	Parks & Recreation	Public Buildings	(5) Cemetery	(6) Water Distribution System			(8) Electric	Year Total
														Wastewater Collection	Water Plant	Sewer Plant		
1998	3.0	10.0	0.0	0.0	7.0	32.0	0.0	3.0	9.0	0.0	6.0	1.0	1.0	0.0	3.0	6.0	9.0	101.0
1999	3.0	12.0	0.0	0.0	9.0	33.0	0.0	3.0	9.0	3.0	6.0	1.0	1.0	0.0	3.0	8.0	11.0	113.0
2000	3.0	13.5	0.0	0.0	11.0	38.0	4.0	3.0	7.0	3.0	6.0	0.0	1.5	4.0	3.0	8.0	11.0	122.0
2001	4.0	15.0	0.0	0.0	12.0	38.5	5.0	3.0	7.0	3.0	6.0	0.0	2.0	6.0	4.0	8.0	11.0	131.5
2002	4.0	16.0	0.0	0.0	12.0	40.0	6.0	4.0	8.0	3.0	7.0	0.0	2.0	6.0	4.0	8.0	11.0	138.0
2003	4.0	16.0	0.0	0.0	14.0	44.0	6.0	4.0	8.0	3.0	8.0	0.0	2.0	6.0	4.0	8.0	11.0	145.0
2004	5.0	17.0	0.0	0.0	15.0	45.0	6.0	4.0	8.0	4.0	8.0	0.0	2.0	7.0	4.0	9.0	18.0	157.0
2005	6.0	17.0	0.0	1.0	17.0	49.0	8.0	4.0	13.0	4.0	10.0	0.0	0.0	7.0	4.0	9.0	22.0	180.0
2006	4.0	17.0	3.0	1.0	18.0	50.5	7.0	4.0	14.0	7.0	10.0	0.0	0.0	0.0	0.0	0.0	22.0	157.5
2007	4.0	17.0	3.0	2.0	20.5	58.0	7.0	4.0	14.0	7.0	11.0	0.0	0.0	0.0	0.0	0.0	25.0	172.5

(1) Permanent employees only, does not include temporary or seasonal employees.

(2) As of June 30th of each year.

(3) Engineering separated from Water Distribution during FY 1999-2000.

(4) Fleet Maintenance was separated from Streets during FY 1997-1998.

(5) For operational purposes, the two (2) positions in Cemetery were transferred to the Streets Department during FY 2004-2005.

(6) All Water and Sewer employees transferred to the City of Raleigh effective July 1, 2005.

(7) Human Resources was separated from Administration effective FY 2005-2006.

(8) Electric includes Tree Trimming Divisions added during FY 2006-2007.

Table 20

TOWN OF WAKE FOREST, NORTH CAROLINA
Governmental Activities Tax Revenues By Source
 Last Five Fiscal Years
(modified accrual basis of accounting)
 June 30, 2007

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Vehicle Licenses	Rental Vehicle Tax	Beer & Wine Tax	Total
2003	\$ 5,782,736	\$ 1,941,094	\$ 446,355	\$ 50,553	\$ 22,873	\$ 55,288	\$ 8,298,899
2004	6,794,962	2,438,140	480,921	56,256	17,602	61,058	9,848,939
2005	7,829,955	2,936,686	636,362	63,504	22,554	73,265	11,562,326
2006	9,403,482	3,256,103	711,491	72,181	24,448	76,123	13,543,828
2007	10,826,918	3,926,315	955,747	82,650	27,074	89,435	15,908,139

Note: Data not available prior to fiscal year ended June 30, 2003.

Table 21

TOWN OF WAKE FOREST, NORTH CAROLINA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

June 30, 2007

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			
1998	\$ 595,000	\$ 2,433,371	\$ 2,110,158	\$ 2,364,953	\$ 365,013	\$ 7,868,495	844	
1999	527,000	4,533,521	1,879,761	1,845,623	284,447	9,070,352	772	
2000	3,650,000	3,910,405	1,654,492	1,491,176	212,644	10,918,717	906	
2001	3,444,875	3,075,445	1,403,566	1,104,767	111,727	9,140,380	640	
2002	3,240,875	2,437,273	1,174,125	5,899,820	10,839	12,762,932	850	
2003	3,038,000	3,983,497	992,000	5,118,051	-	13,131,548	810	
2004	2,837,375	3,206,392	817,625	4,374,852	-	11,236,244	679	
2005	2,642,375	2,321,030	662,625	3,480,056	-	9,106,086	449	
2006	2,448,500	1,810,956	511,500	3,033,391	-	7,804,347	343	
2007	11,454,625	694,213	360,375	2,737,203	2,300,000	17,546,416	703	

Notes:

(1) See Table 14 for population data.

Table 22

TOWN OF WAKE FOREST, NORTH CAROLINA

Miscellaneous Statistics

June 30, 2007

Date of Incorporation	February 20, 1909
Form of Government	Council-Manager
Miles of City-owned Streets	59.25
Fire Protection (Combination: Paid/Volunteer)	
Number of Stations	2
Number of Uniformed Officers	42
Police Protection	
Number of Stations	3
Number of Full-time Sworn Officers	49
Utility System: Electric	
Number of Customers	6,300
Residential Rates:	
Basic Customer Charge	\$9.89
Energy Charge	\$0.09497 per kwh
Community Facilities:	
Parks	9 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	
Wake Forest Historic District	
Wake Forest Friends of the Arts	
Theater, symphony and art galleries are twenty (20) minutes away in Raleigh.	

<u>Principal Employers:</u>	<u>Service or Product</u>	<u>Approximate Number of Employees</u>
Wake County Schools	Education	819
Wal-mart Super Center	Grocery/Retail	430
The Body Shop	Naturally-based skin and hair care products	355
EmBarq (formerly named Sprint)	Telecommunications	335
Southeastern Baptist Theological Seminary	Academic Institution	315
Super Target	Grocery/Retail	315
Town of Wake Forest	Local Government	172
Lowes Home Improvement	Building/Home supplies	165
Chris Leith	Automotive sales/service	143
Home Depot	Building/Home supplies	105

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 the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Wake Forest, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the Town of Wake Forest's basic financial statements and have issued our report thereon dated November 26, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Wake Forest's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when designed or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Item 2007-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances 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 26, 2007.

This report is intended solely for the information and use of management, others within the organization, members of the Town Board and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


JOYCE AND COMPANY, CPA

November 26, 2007

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

Compliance

We have audited the compliance of the Town of Wake Forest, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major state program for the year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the Town of Wake Forest's management. Our responsibility is to express an opinion on the Town of Wake Forest's compliance based on our audit.

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, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination on the Town of Wake Forest's compliance with those requirements.

In our opinion, the Town of Wake Forest complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Wake Forest is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Wake Forest's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies

that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of management, others within the organization, members of the Town Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


JOYCE AND COMPANY, CPA

November 26, 2007

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

For the year ended June 30, 2007

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 X no

- Significant deficiency (s) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statement noted _____ yes X no

Federal Awards

The Town of Wake Forest has no major federal programs.

State Awards

Internal control over major state program:

- Material weakness(es) identified? _____ yes X no

- Significant deficiency (s) identified that are not considered to be material weaknesses? _____ yes X none reported

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

Identification of major state program: Clean Water Management Trust Fund

Section II. Financial Statement Findings

Item 2007 - 1 **Account reconciliation and review of internal financial statements**

Criteria Controls should be in place to ensure that the books and records are properly reviewed each month as well as all accounts receivable and accounts payable accounts are reconciled.

Condition Instances were noted in which reconciliations and necessary journal entries were not made in a timely manner.

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

Cause This is due to lack of careful review.

Recommendation We recommend the Town review monthly financial statements and reconcile all accounts receivable and accounts payable and make any necessary adjustments or corrections.

Views of responsible officials and planned corrective actions

The Town agrees with this finding. This finding is related to performance bonds that the Town receives from developers and contractors to insure work is completed to Town code. Staff has implemented a procedure that the Finance department receives copies of all respective checks. Furthermore, Finance will reconcile the account on quarterly basis and follow up with Planning & Inspections if refunds have not been issued in a timely manner.

Section III. Federal Award Findings and Questioned Costs.

None.

Section IV. State Award Findings and Questioned Costs.

None.

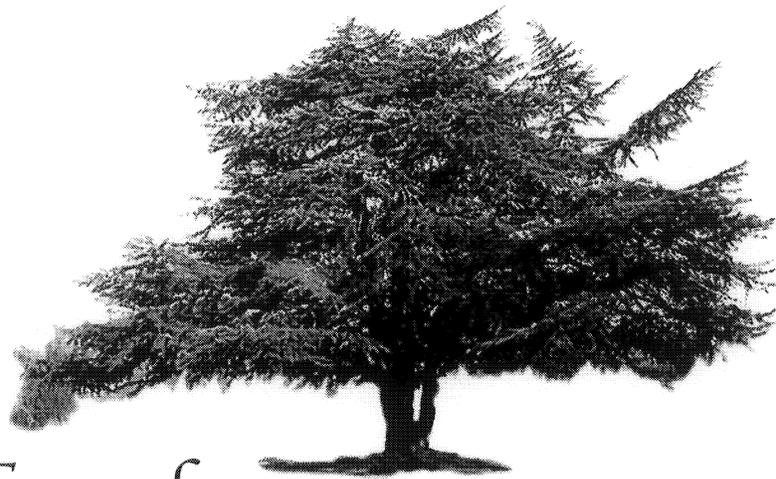
Town of Wake Forest, North Carolina
Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor/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 State</u>					
Passed through N.C. Department of Transportation					
<i>Federal Highway Administration</i>	20.205	TIP# E-4756	\$ 99,695	\$ -	\$ 94,723
<i>Federal Highway Administration</i>	20.205	TIP# E-4527	64,472	-	16,118
sub-total			<u>164,167</u>	<u>-</u>	<u>110,841</u>
<u>US Department of Justice</u>					
Direct program					
<i>Bulletproof Vest Program</i>	16.710		4,876	-	-
<u>U.S. Department of Transportation</u>					
Passed through N.C. Governor's Highway Safety Program					
<i>Traffic Safety Team</i>	20.605	J8-06-03-32	17,352	-	-
<i>Traffic Safety Team</i>	20.605	PT-06-04-05-45	15,990	-	-
<i>Traffic Safety Team</i>	20.605	PT-07-04-04-32	67,595	-	-
sub-total			<u>100,937</u>	<u>-</u>	<u>-</u>
Total expenditure of federal awards			<u>269,980</u>	<u>-</u>	<u>110,841</u>
STATE GRANTS:					
<u>N.C. Department of Environment & Natural Resources</u>					
<i>Clean Water Management Trust Fund</i>	N/A	N/A	-	599,000	-
<u>N.C. Department of Transportation</u>					
<i>Comprehensive Pedestrian Planning</i>	N/A	N/A	-	24,150	-
<i>Comprehensive Bicycle Planning</i>	N/A	N/A	-	21,000	14,000
<i>Powell Bill Fund</i>	N/A	N/A	-	422,779	-
Total expenditure of state awards			<u>-</u>	<u>1,066,929</u>	<u>14,000</u>
Total expenditure of federal and state awards			<u>\$ 269,980</u>	<u>\$ 1,066,929</u>	<u>\$ 124,841</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 Government 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
North Carolina