

TOWN OF WAKE FOREST, NORTH CAROLINA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2008

Board of Commissioners
Vivian A. Jones, Mayor
Frank Drake, Mayor Pro-tem
Anne Hines
Chris Kaeberlein
Margaret Stinnett
Pete Thibodeau

**Prepared by:
Finance
Department**

TOWN OF WAKE FOREST STAFF

Mark S. Williams
Town Manager

Joyce W. Wilson, CMC/AAE
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

Bill Crabtree
Public Information Officer

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

Urban Forestry Advisory Board
John William Patterson, Chairperson

Human Relations Council
Mitch Lawson, Chairperson

Senior Center Advisory Board
Hope Newsom, Chairperson

Greenway Advisory Board
Joe Seiglar, Chairperson

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Town of
Wake Forest
North Carolina



January 27, 2009

**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, 2008 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, 2008, 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.

The economic diversity found in Wake County provides a strong foundation for our economy. On June 30, 2008, the unemployment rate was 4.8%, compared with 6.2% for the state and 5.5% for the nation. Wake Forest's proximity to the area's industry and services include: manufacturing; service industries; seven (7) public and private institutions of higher education; state and local government; four (4) general-care, not-for-profit hospitals with more than 1,450 patient beds.

Incorporated in 1909, Wake Forest continues its emergence as a major player in the phenomenal growth and activity witnessed throughout the Triangle over the years. 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, 2008 was 26,634 which is an increase of 6.7% over the previous fiscal year. Total growth has been approximately 127% since 1999. 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 \$472.2 million in 1999 to \$2.3 billion in 2008. The Town's tax base is approximately 24% commercial/industrial and 76% residential for fiscal year 2007-2008.

In fiscal year 2008 the Town issued 536 building permits. Commercial development accounted for 27 of the total permits issued while residential development accounted for 509. Residential permits decreased 30% from the previous fiscal year while commercial increased 35%.

While residential development has slowed somewhat, commercial activity continues at a steady pace. At the end of December, there were approximately 50 active commercial and non-residential developments that are ongoing. These include office parks, shopping centers, restaurants, high school, public parks, auto service centers, day care, private school and retail stores.

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

Southeastern Baptist Theological Seminary was founded in 1950 on the former campus of Wake Forest College with a mandate to educate ministers on the East Coast. Located on 300 acres in downtown Wake Forest, approximately 2,500 students study in 30 different graduate and post-graduate degree programs. 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.

Plans continue to be the forefront of how Wake Forest conducts business. These plans provide a continuing effort to improve the quality of life and services the Town provides to its citizens. Some of those plans are as follows:

- *Community Plan*- as the officially adopted plan for the Town, it will be used as a foundation for future decisions on Town facilities and services, primarily as related to the management of growth and development. 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. It is anticipated that it will be adopted some time in fiscal year 2008-2009.

- *Pedestrian Plan* – identifies needed pedestrian infrastructure improvements and provides guidance on the design of future pedestrian corridors. The Plan includes a list of prioritized corridor projects to be undertaken by the Town.

Two plans that have been put into action include the following:

- *Northeast Neighborhood Plan* – the northeast quadrant, also known as the East End is home to approximately 2,000 people and is comprised mostly of single-family housing with some private and public multi-family developments, churches, small businesses, a local park and a cemetery. The plan provides direction and guidance for future development and improvements. Some of the improvements made to date and on-going include: improved street lighting; design and construction of sidewalks on North White Street and Juniper Avenue; and renovations at Taylor Street Park.
- *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. The Urban Code was adopted as the first goal of the Renaissance Plan. Some of the projects within this plan that are underway include:
 - *S. Franklin Street Project* – is designed to provide a substantial gateway from the NC 98 bypass into the downtown area. Construction on the road-works portion of this \$5.5 million bond funded project is on schedule to be complete by spring of 2009. Installation of underground utilities and new street lights expected to be complete by summer of 2009.
 - *White Street Improvements Plan* – is a collaborative effort between the Town, the Downtown Revitalization Corporation (DRC), and the NC Department of Transportation. It includes sidewalk restoration, tree and architectural lighting, landscaping and parking improvements. Phase I of the plan started recently and is expected to be completed in the spring of 2009.
 - *New Town Hall Project* – the 44,000 square-foot municipal facility will be a cornerstone of Wake Forest’s historical roots through its connection of site location and building scale as well as the building materials which will incorporate sustainable practices into the design. It will house all Town departments except police and public works. Construction commenced in June 2008 and is expected to be completed by the fall of 2009. The construction contract is \$11.6 million with \$9.8 million coming from an installment financing agreement secured in July 2008 and the balance coming from cash reserves.

In 2009, Wake Forest will commemorate its first 100 years with a “Centennial Celebration” created to honor its past, celebrate its present, and embrace its future. The Wake Forest Centennial Celebration Committee has convened to plan the centennial, which will be celebrated throughout 2009. The committee’s mission is to commemorate the Town’s 100th birthday, recognize its long and storied history, and honor the many organizations, businesses, schools and individuals that contribute to our community. The festivities will begin New Year’s Eve 2008 with First Light Wake Forest, followed by what’s being billed as “The Party of the Century” in February 2009. Other centennial celebration events taking place during 2009 will include one of the Six Sundays in Spring concerts, the annual 4th of July Celebration, and a Christmas Gala in December - tentatively scheduled to be held in the new town hall.

In January 2008, the Town rolled out two modules (Financial and Human Resources) of the newly acquired financial 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. This has been a major undertaking for the Finance and Management Information Systems department. It will take approximately 18 months to two years to complete the implementation.

Transportation issues have been a major priority for Wake Forest over the last several years. Through a cooperative partnership between the Town, Triangle Transit and the City of Raleigh, the Wake Forest Bus Service commenced in July 2008. The service offers two routes: Wake Forest – Raleigh Express and the Wake Forest Loop.

For the past ten 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 2008-2009 Budget addresses the personnel, operating and capital needs caused by the continued growth the Town is experiencing. Thirteen (13) new positions were added and \$4.9 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:

- July 2008: \$9.8 million installment purchase agreement for town hall construction with additional funding coming from capital reserves and fund balance.
- June 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 \$869,330 for the fiscal year ended June 30, 2008, as compared to \$1,219,462 for the fiscal year ended June 30, 2007. Interest rates started to decline over the past fiscal year. This factor along with the Town's spending down bond proceeds for ongoing projects attributed to the significant decrease in investment earnings. The average rate earned in FY 2008 was 4.09% as compared to

6.3% in 2007 and 3.74% in 2006.

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, 2007. This was the 18th 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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

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, and Town Clerk.

Communications

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

Human Resources

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

Finance

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

Management Information Systems

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

Planning and Inspections

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

Engineering

Responsible for plan review, design work and construction inspection.

Parks and Recreation

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

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

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.

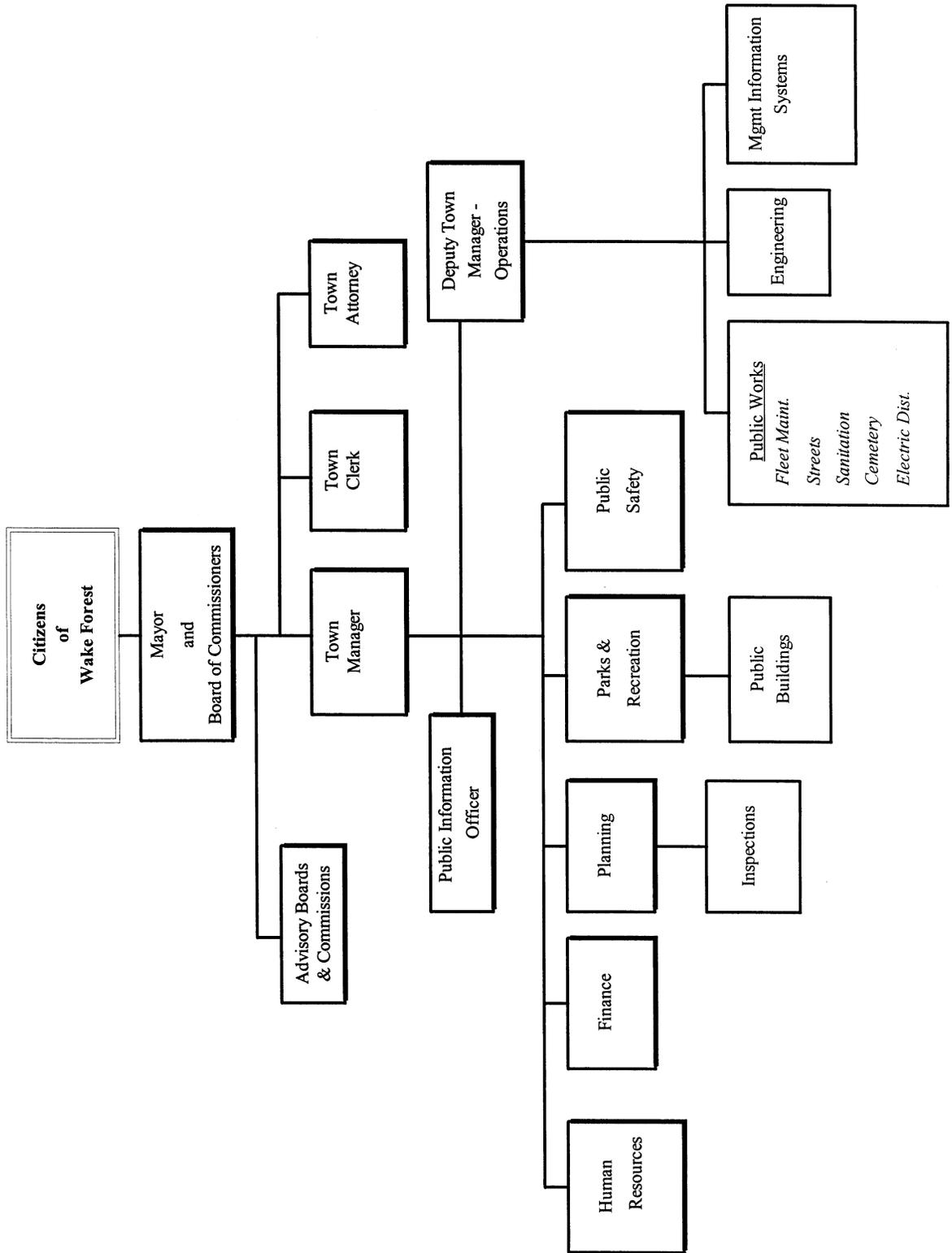
Electric Operations Division This division is charged with constructing, operating and maintaining the Town's electric distribution system, including power lines, substations and other equipment. Division is also responsible for tree trimming, system additions and conversions.

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 municipally owned 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, 2008, 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, 2008 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 January 27, 2009 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

January 27, 2009

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, 2008. 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.

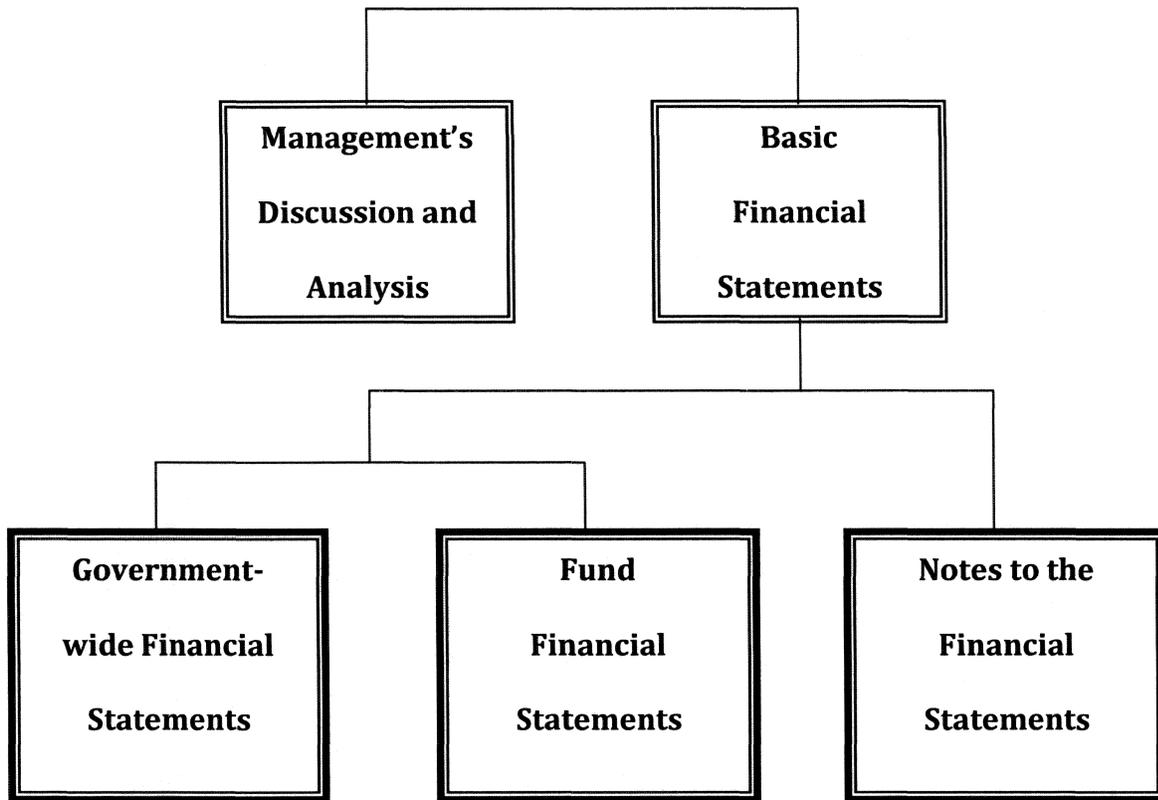
Financial Highlights

- The assets of the Town of Wake Forest exceeded its liabilities at the close of the fiscal year by \$119.9 million. Of this amount, \$19.5 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 \$24.6 million, with approximately \$.6 million coming from business-type activities and a \$24.0 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 \$19.7 million. Approximately 40% of the total governmental funds fund balance, or \$7.9 million, is available for spending at the Town's discretion (unreserved fund balance). Just over \$5.1 million of the total represents unspent bond proceeds in the Street & Sidewalk Improvements and Park Development Capital Projects Funds.
- The Town of Wake Forest retired approximately \$2.4 million during the past fiscal year. The only new debt issued was an installment purchase agreement for \$147,000 for two excavators in January 2008.
- Plans were underway to secure financing for the new town hall construction project for \$9.8 million. The installment financing agreement was closed on July 23, 2008 after the fiscal year end. The total estimated construction cost is \$11.6 million while the total project budget is \$15.5 million.

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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two (2) different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Wake Forest.

Required Components of Annual Financial Report



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds, including budgetary information required by North Carolina General Statutes.

Government-wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets reported on the *statement of net assets* are the difference between the Town's total assets and total liabilities. *The statement of activities* presents information showing how the Town's net assets have changed during the fiscal year. All changes in net assets are reported as soon as the underlying event given rise to the change occurs, regardless of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave.)

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, public works, environmental protection and cultural and recreational. Taxes and intergovernmental revenues finance most of these activities. The business-type activities of the Town are utility system services, specifically electricity along with water and sewer. User fee and charges for services are intended to recover all or a significant portion of these costs.

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.

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 government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-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 short-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-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 fourteen (14) individual governmental funds: the General Fund, three (3) special revenue fund (to account for revenues which are restricted to a specific purpose), five (5) capital projects funds (to account for construction projects spanning more than one annual budget year), and five (5) capital reserve fund (to account for funding future capital expenditures beyond one annual budget year). The General Fund, the Street and Sidewalk Improvements Fund and the Recreation 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 33-53 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 54-55 of this report.

Government-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	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$21.4	\$21.6	\$ 8.9	\$11.9	\$30.3	\$33.5
Capital Assets	97.9	74.7	15.3	13.1	113.2	87.8
Total Assets	119.3	96.3	\$24.2	25.0	\$143.5	121.3
Long-Term Liabilities Outstanding	10.5	11.6	6.9	8.0	17.4	6.7
Other Liabilities	2.6	2.8	3.6	3.9	6.2	19.3
Total Liabilities	13.1	14.1	10.5	11.9	23.6	26.0
Net Assets:						
Invested in Capital Assets, net						
Of Related Debt	87.4	62.5	12.7	12.2	100.1	74.7
Restricted for Streets	0.3	-	-	-	0.3	-
Unrestricted	18.5	19.7	1.0	0.9	19.5	20.6
Total Net Assets	\$106.2	\$82.2	\$13.7	\$13.1	\$119.9	\$95.3

The Town's net assets increased by \$24.6 million for the fiscal year ended June 30, 2008. Net assets of our business-type assets *increased* by \$.6 million and total net assets of our governmental activities *increased* \$24.0 million. The Town's assets exceeded liabilities by \$119.9 million as of June 30, 2008. 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 (\$19.5 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		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$4.2	\$4.3	\$14.8	\$14.3	\$19.0	\$18.6
Operating Grants & Contributions	0.8	0.4	-	-	0.8	0.4
Capital Grants and Contributions	20.8	8.6	-	-	20.8	8.6
General Revenues:						
Property Taxes	12.8	10.9	-	-	12.8	10.9
Investment Earnings	0.8	1.1	-	0.1	0.8	1.2
Other	6.4	5.4	-	0.1	6.4	5.5
Total Revenues	<u>45.8</u>	<u>30.7</u>	<u>14.8</u>	<u>14.5</u>	<u>60.6</u>	<u>45.2</u>
Expenses:						
General Government	7.6	6.1	-	-	7.6	6.1
Public Safety	7.4	6.4	-	-	7.4	6.4
Transportation	2.8	2.6	-	-	2.8	2.6
Environmental Protection	2.0	1.8	-	-	2.0	1.8
Cultural and Recreation	1.5	1.4	-	-	1.5	1.4
Interest on Long-Term Debt	0.5	0.4	-	-	0.5	0.4
Electric	-	-	14.2	14.6	14.2	14.6
Total Expenses	<u>21.8</u>	<u>18.7</u>	<u>14.2</u>	<u>14.6</u>	<u>36.0</u>	<u>33.3</u>
Change in Net Assets Before Transfers and Special Items	24.0	12.0	0.6	(0.1)	24.6	11.9
Increase (Decrease) in Net Assets	<u>24.0</u>	<u>12.0</u>	<u>0.6</u>	<u>(0.1)</u>	<u>24.6</u>	<u>11.9</u>
NET ASSETS - Beginning of the Year	<u>82.2</u>	<u>70.2</u>	<u>13.1</u>	<u>13.2</u>	<u>95.3</u>	<u>83.4</u>
NET ASSETS - End of the Year	<u>\$106.2</u>	<u>\$82.2</u>	<u>\$13.7</u>	<u>\$13.1</u>	<u>\$119.9</u>	<u>\$95.3</u>

Governmental activities: Governmental activities increased the Town's net assets by \$24.0 million, thereby accounting for 97.4% of the total growth in assets of the Town. Key elements of this increase are as follows:

- Ad valorem taxes make up 50.2% of governmental activity revenue and have traditionally been a significant revenue source for funding local government operations.
- Property tax collections increased 17% this fiscal year. The Town's tax rate was \$.55 and the tax base had an assessed value of \$2,293,727,571. This represents an increase in tax base of 14% from 2007.

Business-type activities: Business-type activities increased the Town of Wake Forest's net assets by \$630,000. Key elements of this increase are as follows:

- Charges for services from the Sale of Power increased \$522,000 (3.7%) from the previous fiscal year.
- Total operating revenues increased 3.3% from the previous fiscal year.
- Total operating expenses *decreased* 2.6% from the fiscal year 2007.

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 \$7.9 million, while total fund balance reached \$12.2 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 33.8% of the total General Fund expenditures, while total fund balance represents 57.1% of that same amount.

The Town's fund balance policy adopted in September 2004 requires that 35% of expenditures be maintained in unreserved/undesignated fund balance. Amounts in excess of this minimum may be used for construction projects or major capital outlay when the Town wishes to avoid the issuance of debt, purchase of real property, emergency work after disasters or for maintaining a stable tax rate when economically dependent revenues (i.e. sales taxes) are less than budgeted amounts.

At June 30, 2008, the governmental funds of Town of Wake Forest reported a combined fund balance of \$19.7 million. The General Fund, special revenue fund, capital project funds, and capital reserve fund are included in this combined amount. The total fund balance decreased from the previous fiscal year due to the following on-going capital projects and the spending of bond proceeds received in fiscal year 2006-2007, but a major part of the costs incurred in fiscal year 2008-2009. These capital projects included the Street and Sidewalk Improvements and Park Development funds. The new Town Hall capital projects fund realized a significant decrease in

fund balance due to land acquisition and architectural fees. Upon receipt of the loan proceeds in July 2008, the Town has corrected the negative fund balance reported in this fund.

General Fund Budgetary Highlights: During the fiscal year ended June 30, 2008, 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 received exceeded original budget estimates by \$1.3 million due to growth in the Town's tax base.
- Unrestricted intergovernmental revenue increased \$1.6 million due to increased collections in local options sales tax and utility franchise tax.
- Installment note issuance was not needed to finance rolling stock replacement as the additional general revenues were used to pay cash for these items.
- The respective transfers originally budgeted from Capital Reserve and Special Revenue fund were not needed, therefore they were amended to reflect as such.

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 \$2.3 million for FY 2007-2008.

Proprietary Funds: The Town of Wake Forest's proprietary fund financial statements provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Electric Fund at the end of the fiscal year amount to \$1.1 million and the total ending net assets were \$13.8 million.

The previous two fiscal years have resulted in *decreases* in net assets in the Electric Fund. For FY 2007-2008, the Electric Fund turned a corner and net assets *increased* \$630,000. This is attributed to efforts to curtail expenses including freezing two vacant positions and a reduction in capital spending coupled with growth in sale of power.

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 2007. The goal continues to remain as follows:

- 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, 2008, totaled \$113.2 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 \$732,000.
- Excavators and equipment for the Electric Fund of \$176,000.

- Construction in progress increased \$6.2 million (74%) in 2007-2008 due to the various ongoing projects including: New Town Hall project; Streets & Sidewalks (Franklin Street); Park Development project (Joyner Park) and the construction of the Electric Substation on highway 98 by-pass.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$21.2	\$14.1	\$0.2	\$0.2	\$21.4	\$14.3
Construction in Progress	18.7	14.7	2.7	0.6	21.4	15.7
Total Non-Depreciable Assets	39.9	28.8	2.9	0.8	42.8	29.6
Buildings	5.3	5.3	-	-	5.3	5.3
Other improvements	68.4	54.7	17.5	16.8	85.9	71.5
Equipment	2.6	2.3	1.5	1.3	4.1	3.6
Vehicles and motorized Equipment	3.7	3.5	1.1	1.2	4.8	4.7
Total Depreciable	80.0	65.8	20.1	19.3	100.1	85.1
Accumulated Depreciation	(22.0)	(19.9)	(7.7)	(7.0)	(29.7)	(26.9)
Total Depreciable Assets, Net	58.0	45.9	12.4	12.3	70.4	58.2
Total	\$97.9	\$74.7	\$15.3	\$13.1	\$113.2	\$87.8

Additional information on the Town's capital assets can be found in Note 5 of the Basic Financial Statements.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$10.8	\$11.5	\$0.2	\$0.3	\$11.0	\$11.8
Revenue Bonds	-	-	2.1	2.3	2.1	2.3
N. C. Water Pollution Control Revolving Loan and Bond Fund	-	-	3.5	3.9	3.5	3.9
Installment Purchase	0.2	0.7	2.3	2.7	2.5	3.4
Total	\$11.0	\$12.2	\$8.1	\$9.2	\$19.1	\$21.4

Long-term Debt: As of June 30, 2008, the Town of Wake Forest had total general obligation bonded debt outstanding of \$11.0 million, and installment purchase related debt of \$2.5 million. Of the general obligation bonds, \$0.2 million is being repaid from utility system revenues, although it is backed by the full faith and credit of the Town. \$10.8 million of the bonds and \$0.2 million of the installment purchase debt is being repaid from the General Fund. The outstanding revenue bond debt is \$2.1 million at June 30, 2008. The remaining \$2.3 million in installment purchase debt along with \$3.5 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.

An installment note was issued for \$147,000 to fund the purchase of two (2) excavators in the Electric Fund.

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 \$172.6 million. Practically, these statutory limits exceed the Town's realistic debt capacity. As of June 30, 2008 the Town has \$7.3 million in authorized and unissued bonds remaining from the May 2005 bond referendum.

On July 23, 2008, the Town entered into an installment purchase agreement in the amount of \$9.8 million for the construction of the new town hall. The agreement is for a 15 year term with level principal payments at 3.72%. This debt will be reflected in fiscal year ending June 30, 2009.

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

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Every eight years, Wake County conducts a revaluation of residential property values to bring them in line with current market values. In the most recent revaluation at January 1, 2008 that was effective for fiscal year 2009, the total assessed value of property continued to increase to \$3.2 billion.

The Town's tax rate was set at \$.51 for the coming fiscal year. This equates to a breakdown of \$.41 for town operations and debt service and \$.10 for fire services. The final budget for the General Fund totaled \$28.0 million and appropriated \$1,259,375 of available fund balance.

Business-type Activities: Utility rates for electricity will increase by an average of 11% to cover increased costs. The total budget was \$16.3 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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,318,244	\$ 877,044	\$ 18,195,288
Taxes receivables (net)	315,980	-	315,980
Accounts receivable (net)	838,878	1,768,662	2,607,540
Internal balances	621,849	(621,849)	-
Due from other governments	1,765,968	-	1,765,968
Inventories	3,256	1,416,152	1,419,408
Restricted cash and cash equivalents	537,935	67,058	604,993
Due within one year			
Note receivable-current portion	-	654,852	654,852
Due within one year			
Note receivable-noncurrent portion	-	4,775,959	4,775,959
Capital assets			
Land, improvements, and construction in progress	39,929,434	2,899,731	42,829,165
Other capital assets, net of depreciation	58,020,690	12,433,819	70,454,509
Total assets	<u>119,352,234</u>	<u>24,271,428</u>	<u>143,623,662</u>
LIABILITIES			
Accounts payable	893,710	2,132,379	3,026,089
Unearned revenue	44,762	-	44,762
Accrued interest payable	131,045	56,826	187,871
Customer deposits	-	128,700	128,700
Due within one year			
Compensated absences	427,679	69,443	497,122
Bonds and notes payable	897,984	1,185,441	2,083,425
Accounts payable from restricted assets	242,225	34,516	276,741
Due in more than one year			
Compensated absences	80,983	744	81,727
Net pension obligation	259,475	-	259,475
Bonds and notes payable	10,150,250	6,934,804	17,085,054
Total liabilities	<u>13,128,113</u>	<u>10,542,853</u>	<u>23,670,966</u>
NET ASSETS			
Invested in capital assets, net of related debt	87,439,825	12,711,174	100,150,999
Restricted for:			
Streets	261,802	-	261,802
Unrestricted	18,522,494	1,017,401	19,539,895
Total net assets	<u>\$ 106,224,121</u>	<u>\$ 13,728,575</u>	<u>\$ 119,952,696</u>

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

Exhibit 2

Town of Wake Forest, North Carolina
Statement of Activities
 For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,613,303	\$ 1,825,345	\$ -	\$ -	\$ (5,787,958)	\$ -	\$ (5,787,958)
Public safety	7,445,480	181,975	106,447	-	(7,157,058)	-	(7,157,058)
Transportation	2,795,746	28,311	680,220	20,637,263	18,550,048	-	18,550,048
Environmental protection	1,976,526	1,566,112	-	-	(410,414)	-	(410,414)
Cultural and recreation	1,519,941	561,482	-	242,000	(716,459)	-	(716,459)
Interest on long-term debt	489,404	-	-	-	(489,404)	-	(489,404)
Total governmental activities	21,840,400	4,163,225	786,667	20,879,263	3,988,755	-	3,988,755
Business-type activities:							
Water and sewer	34,441	-	-	-	-	(34,441)	(34,441)
Electric	14,228,087	14,827,940	-	-	-	599,853	599,853
Total business-type activities	14,262,528	14,827,940	-	-	-	565,412	565,412
Total	\$ 36,102,928	\$ 18,991,165	\$ 786,667	\$ 20,879,263	3,988,755	565,412	4,554,167
General revenues:							
Taxes:							
Property taxes, levied for general purpose					12,712,109	-	12,712,109
Other taxes and licenses					73,320	-	73,320
Unrestricted intergovernmental					5,834,891	-	5,834,891
Unrestricted investment earnings					825,169	44,161	869,330
Miscellaneous					576,414	20,004	596,418
Total general revenues					20,021,903	64,165	20,086,068
Change in net assets					24,010,658	629,577	24,640,235
Net assets-beginning					82,213,463	13,098,998	95,312,461
Net assets-ending					\$ 106,224,121	\$ 13,728,575	\$ 119,952,696

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

Town of Wake Forest, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	Major			Nonmajor	Total Governmental Funds
	General	Street & Sidewalk Improvements	Recreation Capital Reserve	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 10,004,260	\$ 2,341,221	\$ 2,432,931	\$ 2,539,832	\$ 17,318,244
Receivables, net					
Taxes	308,608	-	-	7,372	315,980
Accounts	229,378	6,424	-	603,076	838,878
Due from other governments	1,765,968	-	-	-	1,765,968
Due from other funds	1,207,116	-	-	-	1,207,116
Inventories	3,256	-	-	-	3,256
Restricted cash and cash equivalents	-	537,935	-	-	537,935
Total assets	<u>\$ 13,518,586</u>	<u>\$ 2,885,580</u>	<u>\$ 2,432,931</u>	<u>\$ 3,150,280</u>	<u>\$ 21,987,377</u>
Liabilities and fund balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 733,162	\$ -	\$ -	\$ 160,548	\$ 893,710
Due to other funds	-	-	-	585,267	585,267
Deferred revenues	503,545	-	-	7,372	510,917
Unearned revenues	44,395	-	-	367	44,762
Accounts payable from restricted assets	-	242,225	-	-	242,225
Total liabilities	<u>1,281,102</u>	<u>242,225</u>	<u>-</u>	<u>753,554</u>	<u>2,276,881</u>
Fund balances					
Reserved for encumbrances	461,515	-	-	-	461,515
Reserved for inventories	3,256	-	-	-	3,256
Reserved by state statute	3,007,525	-	-	-	3,007,525
Reserved for streets	261,802	-	-	-	261,802
Unreserved, reported in:					
General Fund	7,244,011	-	-	-	7,244,011
Designated for subsequent year's expenditures	1,259,375	-	-	-	1,259,375
Special revenue funds	-	-	-	168,677	168,677
Capital projects funds	-	2,643,355	2,432,931	2,228,049	7,304,335
Total fund balances	<u>12,237,484</u>	<u>2,643,355</u>	<u>2,432,931</u>	<u>2,396,726</u>	<u>19,710,496</u>
Total liabilities and fund balances	<u>\$ 13,518,586</u>	<u>\$ 2,885,580</u>	<u>\$ 2,432,931</u>	<u>\$ 3,150,280</u>	<u>\$ 21,987,377</u>

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

Town of Wake Forest, North Carolina
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2008

Fund balances-total governmental funds \$ 19,710,496

Amounts reported for governmental activities in the statement of net assets are different because;

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 120,000,669	
Less accumulated depreciation	<u>(22,050,545)</u>	97,950,124

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

Government bonds and notes payable	(11,048,234)	
Compensated absences	(508,662)	
Net pension obligation	<u>(259,475)</u>	(11,816,371)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenue		510,917
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued expenses payable		<u>(131,045)</u>
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Net assets of governmental activities		<u><u>\$ 106,224,121</u></u>
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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, 2008

	Major			Nonmajor	Total Governmental Funds
	General	Street and Sidewalk Improvements	Recreation Capital Reserve	Other Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 12,614,652	\$ -	\$ -	\$ 58,494	\$ 12,673,146
Other taxes	70,206	-	-	-	70,206
Unrestricted intergovernmental	5,834,891	-	-	-	5,834,891
Restricted intergovernmental	797,167	10,000	-	242,000	1,049,167
Permits and fees	1,687,009	-	218,893	160,330	2,066,232
Sales and services	2,126,403	-	-	-	2,126,403
Miscellaneous	500,487	-	-	98,806	599,293
Investment earnings	378,862	222,691	72,016	151,600	825,169
Total revenues	<u>24,009,677</u>	<u>232,691</u>	<u>290,909</u>	<u>711,230</u>	<u>25,244,507</u>
Expenditures:					
Current:					
General government	7,375,668	-	-	-	7,375,668
Public safety	7,082,614	-	-	-	7,082,614
Transportation	1,236,454	-	-	-	1,236,454
Enviromental protection	1,908,344	-	-	-	1,908,344
Cultural and recreation	1,327,840	-	-	4,449	1,332,289
Capital outlay	896,276	2,177,833	-	1,902,212	4,976,321
Debt service:					
Bond principal	652,750	-	-	-	652,750
Bond interest	480,254	-	-	-	480,254
Installment note principal	447,854	-	-	-	447,854
Installment note interest	19,462	-	-	-	19,462
Total expenditures	<u>21,427,516</u>	<u>2,177,833</u>	<u>-</u>	<u>1,906,661</u>	<u>25,512,010</u>
Revenues over (under) expenditures	<u>2,582,161</u>	<u>(1,945,142)</u>	<u>290,909</u>	<u>(1,195,431)</u>	<u>(267,503)</u>
Other financing sources (uses):					
Transfers in	10,607	-	150,000	150,000	310,607
Transfers out	(300,000)	-	-	(10,607)	(310,607)
Total other financing sources (uses)	<u>(289,393)</u>	<u>-</u>	<u>150,000</u>	<u>139,393</u>	<u>-</u>
Net change in fund balances	2,292,768	(1,945,142)	440,909	(1,056,038)	(267,503)
Fund balance - beginning of year	9,944,716	4,588,497	1,992,022	3,452,764	19,977,999
Fund balance - end of year	<u>\$ 12,237,484</u>	<u>\$ 2,643,355</u>	<u>\$ 2,432,931</u>	<u>\$ 2,396,726</u>	<u>\$ 19,710,496</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, 2008

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

Net changes in fund balances - total governmental funds	\$	(267,503)
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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	\$ 4,976,321	
Less current year depreciation	<u>(2,336,978)</u>	2,639,343

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		20,616,763
Change in deferred revenues		3,157

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(13,369)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.

Principal payments	1,100,604
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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		(36,141)
Net pension obligation		(42,508)
Change in accrued interest payable		<u>10,312</u>

Total changes in net assets of governmental activities	\$	<u><u>24,010,658</u></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, 2008

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 11,294,450	\$ 12,504,271	\$ 12,614,652	\$ 110,381
Other taxes and licenses	58,500	64,500	70,206	5,706
Unrestricted intergovernmental	4,271,845	4,954,145	5,834,891	880,746
Restricted intergovernmental	770,690	889,410	797,167	(92,243)
Permits and fees	1,902,700	1,630,200	1,687,009	56,809
Sales and services	1,903,785	2,090,045	2,126,403	36,358
Miscellaneous	395,960	349,760	500,487	150,727
Investment earnings	400,000	400,000	378,862	(21,138)
Total revenues	<u>20,997,930</u>	<u>22,882,331</u>	<u>24,009,677</u>	<u>1,127,346</u>
EXPENDITURES:				
Current				
General government	8,627,070	8,688,221	7,692,033	996,188
Public safety	7,576,245	7,924,733	7,411,281	513,452
Transportation	1,476,050	1,745,059	1,298,470	446,589
Environmental protection	1,856,190	2,071,845	1,933,999	137,846
Cultural and recreational	1,584,170	1,641,960	1,491,413	150,547
Debt service:				
Bond principal	652,750	652,750	652,750	-
Bond interest	480,130	480,130	480,254	(124)
Installment note principal	440,970	448,560	447,854	706
Installment note interest	19,740	19,890	19,462	428
Total expenditures	<u>22,713,315</u>	<u>23,673,148</u>	<u>21,427,516</u>	<u>2,245,632</u>
Revenues over (under) expenditures	<u>(1,715,385)</u>	<u>(790,817)</u>	<u>2,582,161</u>	<u>3,372,978</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
Downtown District Special Tax	37,305	30,607	10,607	(20,000)
Police Special Revenue Fund	20,000	-	-	-
General Capital Reserve Fund	300,000	-	-	-
Town Hall Capital Project Fund	-	(150,000)	(150,000)	-
Steets/Sidewalks Capital Projects Fund	(100,000)	-	-	-
Park Development Capital Projects Fund	150,000	-	(150,000)	(150,000)
Installment Note Issuance	298,350	-	-	-
Appropriated fund balance	1,009,730	910,210	-	(910,210)
Total other financing sources (uses)	<u>1,715,385</u>	<u>790,817</u>	<u>(289,393)</u>	<u>(1,080,210)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,292,768	<u>\$ 2,292,768</u>
FUND BALANCE - Beginning of year			\$ 9,944,716	
FUND BALANCE - End of year			<u>\$ 12,237,484</u>	

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

Town of Wake Forest
Proprietary Funds
Statement of Net Assets
June 30, 2008

	Electric Fund	Water and Sewer Fund	Totals
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 877,044	\$ 877,044
Accounts receivable	1,768,662	-	1,768,662
Note receivable - current portion	-	654,852	654,852
Inventories	1,416,152	-	1,416,152
Subtotal	<u>3,184,814</u>	<u>1,531,896</u>	<u>4,716,710</u>
Noncurrent assets:			
Restricted cash and cash equivalents	67,058	-	67,058
Note receivable - noncurrent portion	-	4,775,959	4,775,959
Subtotal	<u>67,058</u>	<u>4,775,959</u>	<u>4,843,017</u>
Capital assets:			
Land and other non-depreciable assets	2,899,731	-	2,899,731
Other capital assets, net of depreciation	12,433,819	-	12,433,819
Capital assets (net)	<u>15,333,550</u>	<u>-</u>	<u>15,333,550</u>
Subtotal	<u>15,400,608</u>	<u>4,775,959</u>	<u>20,176,567</u>
Total assets	<u>18,585,422</u>	<u>6,307,855</u>	<u>24,893,277</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	1,217,039	915,340	2,132,379
Due to other funds	621,849	-	621,849
Customer deposits	128,700	-	128,700
Accrued interest payable	29,715	27,111	56,826
Compensated absences	69,443	-	69,443
Bonds and notes payable	530,589	654,852	1,185,441
Accounts payable from restricted assets	34,516	-	34,516
Total current liabilities	<u>2,631,851</u>	<u>1,597,303</u>	<u>4,229,154</u>
Noncurrent liabilities:			
Compensated absences	744	-	744
Bonds and notes payable	2,158,845	4,775,959	6,934,804
Total noncurrent liabilities	<u>2,159,589</u>	<u>4,775,959</u>	<u>6,935,548</u>
Total liabilities	<u>4,791,440</u>	<u>6,373,262</u>	<u>11,164,702</u>
Net Assets			
Invested in capital assets, net of related debt	12,711,174	-	12,711,174
Unrestricted	1,082,808	(65,407)	1,017,401
Total net assets	<u>\$ 13,793,982</u>	<u>\$ (65,407)</u>	<u>\$ 13,728,575</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, 2008

	Electric Fund	Water and Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 14,243,616	\$ -	\$ 14,243,616
Other operating revenues	584,324	-	584,324
Total operating revenues	<u>14,827,940</u>	<u>-</u>	<u>14,827,940</u>
Operating expenses:			
Electric operations	2,748,475	-	2,748,475
Electric power purchases	10,619,804	-	10,619,804
Depreciation	749,517	-	749,517
Total operating expenses	<u>14,117,796</u>	<u>-</u>	<u>14,117,796</u>
Operating income	<u>710,144</u>	<u>-</u>	<u>710,144</u>
Nonoperating revenues (expenses):			
Investment earnings	44,161	-	44,161
Uncollectible assessments	-	(38,296)	(38,296)
Interest expense	(110,291)	3,855	(106,436)
Gain on sale of assets	20,004	-	20,004
Total nonoperating revenues (expenses)	<u>(46,126)</u>	<u>(34,441)</u>	<u>(80,567)</u>
Change in net assets	664,018	(34,441)	629,577
Net assets, beginning	<u>13,129,964</u>	<u>(30,966)</u>	<u>13,098,998</u>
Net assets, end of year	<u>\$ 13,793,982</u>	<u>\$ (65,407)</u>	<u>\$ 13,728,575</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, 2008

	Electric Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 14,811,285	\$ -	\$ 14,811,285
Cash paid for goods and services	(11,816,599)	-	(11,816,599)
Cash paid to employees for services	(1,782,999)	-	(1,782,999)
Customer deposits received	79,750	-	79,750
Customer deposits returned	(83,350)	-	(83,350)
Net cash provided by operating activities	<u>1,208,087</u>	<u>-</u>	<u>1,208,087</u>
Cash flows from noncapital financing activities:			
Interfund loan	<u>621,849</u>	<u>-</u>	<u>621,849</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,014,103)	-	(3,014,103)
Principal paid on bond maturities and equipment contracts	(637,318)	(656,477)	(1,293,795)
Interest paid on bond maturities and equipment contracts	(113,603)	(224,865)	(338,468)
Installment note issuance	146,965	-	146,965
Proceeds from sale of assets	20,004	-	20,004
Transfer of funds to City of Raleigh, pursuant to merger agreement	-	(301,936)	(301,936)
Transfer of funds from City of Raleigh, pursuant to merger agreement	-	881,342	881,342
Net cash used by capital and related financing activities	<u>(3,598,055)</u>	<u>(301,936)</u>	<u>(3,899,991)</u>
Cash flows from investing activities:			
Interest on investments	<u>44,161</u>	<u>-</u>	<u>44,161</u>
Net decrease in cash and cash equivalents	(1,723,958)	(301,936)	(2,025,894)
Cash and cash equivalents:			
Beginning of year	<u>1,791,016</u>	<u>1,178,980</u>	<u>2,969,996</u>
End of year	<u>\$ 67,058</u>	<u>\$ 877,044</u>	<u>\$ 944,102</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, 2008

	Electric Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 710,144	\$ -	\$ 710,144
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	749,517	-	749,517
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(16,655)	-	(16,655)
(Increase) decrease in inventory	(375,108)	-	(375,108)
Increase (decrease) in accounts payable and accrued liabilities	173,731	-	173,731
Increase (decrease) in customer deposits	(3,600)	-	(3,600)
Increase (decrease) in accrued vacation pay	(29,942)	-	(29,942)
Total adjustments	497,943	-	497,943
Net cash provided by operating activities	<u>\$ 1,208,087</u>	<u>\$ -</u>	<u>\$ 1,208,087</u>
Non-cash investing, capital, and financing activities:			
Purchase of capital assets via installment financing	\$ 146,965	\$ -	\$ 146,965
Purchase of capital assets via installment financing	(146,965)	-	(146,965)
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, 2008

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Recreation Capital Reserve Fund – The Recreation Capital Reserve Fund is used to account for payments-in-lieu, impact fees and donated 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 and other fees on behalf of the City of Raleigh and to pay long term debt and interest on long term debt as it becomes due.

Electric Fund – The Electric Fund is used to account for electric operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Electric Fund is composed of 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 Funds – Special Revenue funds are used to account for resources set aside for specific purposes. The Town has three (3) special revenue funds: the Downtown District Special Tax Fund, the Police Department Special Fund and the Centennial Celebration 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 eight (8) capital project funds: the Glen Royall Housing Development Capital Project Fund, the Stream Buffers Capital Project Fund, the New Town Hall Capital Project Fund, the Park Development Capital Project Fund, the Cemetery Capital Reserve Fund, the Sidewalk Capital Reserve Fund, the Traffic Capital Reserve Fund and the General Capital Reserve 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.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, 2008

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 \$15,000 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

(3) 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.

(4) 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.

(5) 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, 2008 have been charged against operations.

(6) Inventories

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

(7) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost. 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

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

(8) 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.

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.

(9) 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.

(10) 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.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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.

Reserved for inventories – portion of fund balance not available for appropriation because it represents the year end fund balance of ending inventories, 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 2008-09 budget ordinance.

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

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance of Individual Funds

At June 30, 2008, the Stream Buffers Capital Project Fund had a deficit fund balance in the amount of \$88,949 and the New Town Hall Capital Project Fund had a deficit fund balance of \$168,405. The Town was awarded another grant for green way construction which is accounted for in the Stream Buffers Capital Project Fund. Expenditures were incurred to obtain this grant. If the costs exceed grant funds to be received in future fiscal years, then the Town plans to transfer funds from the General Fund to cover the expenditures.

Since 2004, the Town has been planning the construction of a new town hall. Cash reserves have been utilized to date to pay for design fees, land acquisition and other related costs. Plans commenced in April 2008 to secure financing for the construction costs. The installment agreement was closed on July 23, 2008 and the respective loan proceeds were accounted for in the New Town Hall Capital Project Fund. This will remedy the negative fund balance reported at June 30, 2008.

Note 3 – DEPOSITS AND INVESTMENTS

Deposits – All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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, 2008, the carrying amount of the Town's deposits was \$6,042,654 and the bank balance was \$8,472,027. Of the bank balance, \$500,000 was covered by federal depository insurance and \$7,972,027 was covered under the Pooling Method. At June 30, 2008, the Town had \$1,590 of petty cash on hand. Subsequent to June 30, 2008 federal depository insurance coverage increased from \$100,000 per eligible financial institution to \$250,000.

Investments – At June 30, 2008, the Town had \$12,756,037 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.

Custodial Credit Risk – The Town has no formal policy regarding credit risk. Generally the Town invests available cash in North Carolina Capital Management Trust's Cash Portfolio or other interest generating account as allowed by North Carolina law. The Town's investment in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

Note 4 – RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amounts shown in Exhibit A for receivables are net of the following allowance for doubtful accounts:

General Fund	Allowance for uncollectible property taxes	\$ <u>32,911</u>
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TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,137,357	\$ 7,080,693	\$ -	\$ 21,218,050
Construction in progress	<u>14,644,706</u>	<u>4,080,045</u>	<u>13,367</u>	<u>18,711,384</u>
Total capital assets not being depreciated	<u>28,782,063</u>	<u>11,160,738</u>	<u>13,367</u>	<u>39,929,434</u>
Capital assets being depreciated:				
Buildings	5,288,022	-	-	5,288,022
Other improvements and infrastructure	54,747,805	13,699,642	-	68,447,447
Equipment and furniture	2,337,893	320,317	11,939	2,646,271
Vehicles and motorized equipment	<u>3,453,888</u>	<u>412,385</u>	<u>176,778</u>	<u>3,689,495</u>
Total capital assets being depreciated	<u>65,827,608</u>	<u>14,432,344</u>	<u>188,717</u>	<u>80,071,235</u>
Less accumulated depreciation for:				
Buildings	2,289,964	206,593	-	2,496,557
Other improvements and infrastructure	14,708,070	1,514,580	-	16,222,650
Equipment and furniture	1,114,426	234,433	11,938	1,336,921
Vehicles and motorized equipment	<u>1,789,824</u>	<u>381,371</u>	<u>176,778</u>	<u>1,994,417</u>
Total accumulated depreciation	<u>19,902,284</u>	<u>\$ 2,336,977</u>	<u>\$ 188,716</u>	<u>22,050,545</u>
Total capital assets being depreciated, net	<u>45,925,324</u>			<u>58,020,690</u>
Governmental activity capital assets, net	<u>\$ 74,707,387</u>			<u>\$ 97,950,124</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 221,100
Public safety	305,174
Public works	1,557,624
Environmental protection	70,388
Cultural and recreational	<u>182,691</u>
	<u>\$ 2,336,977</u>

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Business activity:	Beginning Balances	Increases	Decreases	Ending Balances
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 159,839	\$ -	\$ -	\$ 159,839
Construction in progress	591,341	2,148,551	-	2,739,892
Total capital assets not being depreciated	<u>751,180</u>	<u>2,148,551</u>	<u>-</u>	<u>2,899,731</u>
Capital assets being depreciated:				
Utility improvements	16,771,239	701,148	7	17,472,380
Equipment and furniture	1,352,928	176,134	-	1,529,062
Vehicles and motorized equipment	1,207,413	-	92,462	1,114,951
Total capital assets being depreciated	<u>19,331,580</u>	<u>877,282</u>	<u>92,469</u>	<u>20,116,393</u>
Less accumulated depreciation for:				
Utility improvements	5,846,410	525,957	-	6,372,367
Equipment and furniture	453,290	137,750	-	591,040
Vehicles and motorized equipment	714,096	85,810	80,739	719,167
Total accumulated depreciation	<u>7,013,796</u>	<u>\$ 749,517</u>	<u>\$ 80,739</u>	<u>7,682,574</u>
Total capital assets being depreciated, net	<u>12,317,784</u>			<u>12,433,819</u>
Electric capital assets, net	<u>\$ 13,068,964</u>			<u>\$ 15,333,550</u>

Construction commitments

At June 30, 2008, the Town had contracted commitments as follows:

Project	Spent-to-Date	Remaining Commitment
Capital Project Fund – New Town Hall	\$ 2,004,366	\$ 11,793,884
Capital Project Fund – Park Development	9,337,591	6,011,060
Capital Project Fund – Street and Sidewalk Improvements	5,155,516	1,782,129
	<u>\$ 16,497,473</u>	<u>\$ 19,587,073</u>

Note 6– PENSION PLAN OBLIGATIONS

(a) Local Government Employees’ Retirement System

Plan Description

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

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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 4.97% and 4.78%, 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, 2008, 2007 and 2006 were \$423,272, \$374,439 and \$347,473 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, 2007 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	44
Total	<u>45</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

June 30, 2008

The annual required contribution for the current year was determined as part of the December 31, 2006 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 do 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, 2006 was 24 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	\$ 42,174
Interest on net pension obligation	15,730
Adjustment to annual required contribution	<u>(13,332)</u>
Annual pension cost	44,572
Contributions made	<u>2,064</u>
Increase in net pension obligation	42,508
Net pension obligation – Beginning of year	<u>216,967</u>
Net pension obligation – End of year	<u>\$ 259,475</u>

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 44,572	0.00%	\$ 259,475
6/30/07	41,114	0.00%	216,967
6/30/06	42,019	0.00%	175,853

(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 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$184,135, which consisted of \$134,030 from the Town and \$50,105 from the law enforcement officers.

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

(d) Supplemental Retirement Income Plan for all Other Employees

1. Plan Description

All other employees of the Town (excluding Law Enforcement Officers) are members of the Town's 401(k) plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

2. Funding Policy

The Town contributes each month an amount equal to 4.9% of eligible employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$431,388, which consisted of \$299,882 from the Town and \$131,506 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, nineteen (19) of the eligible retirees have elected post-retirement health benefits. For the fiscal year ended June 30, 2008, the total cost for post-retirement benefits was \$59,144 of which \$50,544 was paid by the Town and \$8,600 was paid by retirees. The Town funds these post-retirement benefits by budgetary appropriations on an annual basis.

(f) Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's twelve (12) highest months salary in a row during the twenty-four (24) months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the

TOWN OF WAKE FOREST, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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, 2008, the Town made contributions to the State for death benefits of \$14,790. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .17% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Note 7 – 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	\$ -	\$ 36,748	\$ 36,748
Taxes receivable (net)	289,252	-	289,252
Vehicle license receivable	48,943	-	48,943
Sanitation receivables	165,350	-	165,350
Prepaid other	-	7,647	7,647
Total general fund	503,545	44,395	547,940
Special Revenue Fund			
Taxes receivable	7,372	367	7,739
Total	<u>\$ 510,917</u>	<u>\$ 44,762</u>	<u>\$ 555,679</u>

Note 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town participates in 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 a health maintenance organization (HMO) 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.

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, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes:				
Current year taxes	\$ 12,305,771	\$ 12,411,124	\$ 105,353	\$ 10,678,056
Prior years taxes	161,000	163,292	2,292	118,710
Penalties and interest	37,500	40,236	2,736	30,152
Total	<u>12,504,271</u>	<u>12,614,652</u>	<u>110,381</u>	<u>10,826,918</u>
Other taxes and licenses:				
Gross receipts tax on short-term rental property	28,000	33,636	5,636	27,074
Privilege licenses	36,500	36,570	70	34,779
Total	<u>64,500</u>	<u>70,206</u>	<u>5,706</u>	<u>61,853</u>
Unrestricted intergovernmental:				
Local option sales taxes	3,699,510	4,476,809	777,299	3,926,315
Sales tax refund	-	3,447	3,447	3,494
Beer and wine tax	104,235	104,240	5	89,435
Utility franchise tax	1,117,900	1,208,734	90,834	955,747
Other unrestricted intergovernmental	32,500	41,661	9,161	41,322
Total	<u>4,954,145</u>	<u>5,834,891</u>	<u>880,746</u>	<u>5,016,313</u>
Restricted intergovernmental:				
Powell Bill allocation	680,220	680,220	-	541,496
County grants	37,840	37,838	(2)	37,838
Federal grants	-	68,609	68,609	163,929
State grants	171,350	10,500	(160,850)	55,783
Total	<u>889,410</u>	<u>797,167</u>	<u>(92,243)</u>	<u>799,046</u>
Permits and fees:				
Building permits	1,050,000	1,170,132	120,132	1,387,538
Fire inspection and prevention	29,000	25,978	(3,022)	29,063
Utility and street inspection fees	30,000	23,978	(6,022)	193,309
Vehicle licenses	85,500	90,310	4,810	82,650
Other permits and fees	435,700	376,611	(59,089)	345,224
Total	<u>1,630,200</u>	<u>1,687,009</u>	<u>56,809</u>	<u>2,037,784</u>
Sales and services:				
Solid waste fees	1,607,535	1,578,772	(28,763)	1,373,904
Recreation fees	340,760	342,589	1,829	297,973
Cemetery	16,500	16,750	250	14,550
Other sales and services	125,250	188,292	63,042	125,930
Total	<u>2,090,045</u>	<u>2,126,403</u>	<u>36,358</u>	<u>1,812,357</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, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Miscellaneous:				
Franchise fees	\$ 121,900	\$ 47,953	\$ (73,947)	\$ 145,854
ABC revenue	68,500	75,565	7,065	67,298
Miscellaneous revenue	159,360	376,969	217,609	111,113
Total	<u>349,760</u>	<u>500,487</u>	<u>150,727</u>	<u>324,265</u>
Investment earnings	400,000	378,862	(21,138)	467,933
Total revenues	<u>22,882,331</u>	<u>24,009,677</u>	<u>1,127,346</u>	<u>21,346,469</u>
EXPENDITURES:				
General government:				
Governing body:				
Salaries and employee benefits	106,765	103,840	2,925	104,027
Professional services	297,495	297,494	1	196,298
Contributions	267,972	267,972	-	143,650
Operating expenditures	135,480	119,015	16,465	66,195
Total	<u>807,712</u>	<u>788,321</u>	<u>19,391</u>	<u>510,170</u>
Administration:				
Salaries and employee benefits	405,245	394,158	11,087	339,482
Professional services	13,000	12,642	358	-
Operating expenditures	116,145	85,575	30,570	125,790
Total	<u>534,390</u>	<u>492,375</u>	<u>42,015</u>	<u>465,272</u>
Communications				
Salaries and employee benefits	114,645	107,134	7,511	-
Operating expenditures	143,620	122,755	20,865	-
Capital outlay	39,745	17,975	21,770	-
Total	<u>298,010</u>	<u>247,864</u>	<u>50,146</u>	<u>-</u>
Human Resources:				
Salaries and employee benefits	281,370	279,456	1,914	196,660
Professional services	2,000	956	1,044	810
Operating expenditures	92,832	81,326	11,506	61,445
Total	<u>376,202</u>	<u>361,738</u>	<u>14,464</u>	<u>258,915</u>
Finance:				
Salaries and employee benefits	859,825	858,794	1,031	692,050
Professional services	35,000	30,815	4,185	69,225
Operating expenditures	322,660	299,539	23,121	199,976
Capital outlay	331,705	197,786	133,919	400,437
Total	<u>1,549,190</u>	<u>1,386,934</u>	<u>162,256</u>	<u>1,361,688</u>
Management Information Systems:				
Salaries and employee benefits	162,075	160,993	1,082	74,270
Operating expenditures	88,400	69,208	19,192	80,739
Capital outlay	33,500	8,377	25,123	64,247
Total	<u>283,975</u>	<u>238,578</u>	<u>45,397</u>	<u>219,256</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, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Inspections:				
Salaries and employee benefits	\$ 969,055	\$ 902,896	\$ 66,159	\$ 815,106
Operating expenditures	146,100	115,320	30,780	108,787
Capital outlay	60,192	59,979	213	-
Total	<u>1,175,347</u>	<u>1,078,195</u>	<u>97,152</u>	<u>923,893</u>
Planning:				
Salaries and employee benefits	692,935	622,487	70,448	575,842
Professional services	175,000	151,274	23,726	137,910
Operating expenditures	389,515	267,376	122,139	253,131
Capital outlay	31,850	17,028	14,822	73,104
Total	<u>1,289,300</u>	<u>1,058,165</u>	<u>231,135</u>	<u>1,039,987</u>
Public buildings:				
Insurance and bonds	-	-	-	79,352
Operating expenditures	668,500	547,173	121,327	482,816
Professional services	21,500	8,082	13,418	3,590
Capital outlay	13,265	5,400	7,865	206,686
Total	<u>703,265</u>	<u>560,655</u>	<u>142,610</u>	<u>772,444</u>
Engineering:				
Salaries and employee benefits	589,145	587,271	1,874	539,203
Professional services	268,500	264,496	4,004	286,812
Operating expenditures	103,950	87,196	16,754	84,014
Capital outlay	132,200	-	132,200	52,137
Total	<u>1,093,795</u>	<u>938,963</u>	<u>154,832</u>	<u>962,166</u>
Public Works Administration				
Salaries and employee benefits	204,450	205,815	(1,365)	-
Operating expenditures	88,750	72,947	15,803	-
Total	<u>293,200</u>	<u>278,762</u>	<u>14,438</u>	<u>-</u>
Fleet Maintenance:				
Salaries and employee benefits	188,965	184,274	4,691	193,140
Operating expenditures	85,050	67,389	17,661	50,059
Capital outlay	9,820	9,820	-	15,904
Total	<u>283,835</u>	<u>261,483</u>	<u>22,352</u>	<u>259,103</u>
Total general government	<u>8,688,221</u>	<u>7,692,033</u>	<u>996,188</u>	<u>6,772,894</u>
Public safety:				
Police:				
Salaries and employee benefits	4,029,920	3,926,997	102,923	3,366,245
Operating expenditures	857,680	746,624	111,056	720,286
Capital outlay	627,973	328,667	299,306	318,716
Total	<u>5,515,573</u>	<u>5,002,288</u>	<u>513,285</u>	<u>4,405,247</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, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Fire:				
Contributions to:				
Fire Department	\$ 2,398,860	\$ 2,398,859	\$ 1	\$ 1,922,977
Hazmat	10,300	10,134	166	10,298
Total	<u>2,409,160</u>	<u>2,408,993</u>	<u>167</u>	<u>1,933,275</u>
Total public safety	<u>7,924,733</u>	<u>7,411,281</u>	<u>513,452</u>	<u>6,338,522</u>
Transportation:				
Streets:				
Salaries and employee benefits	704,850	679,938	24,912	590,980
Professional services	35,000	3,732	31,268	21,397
Operating expenditures	644,200	552,784	91,416	553,342
Capital outlay	361,009	62,016	298,993	222,418
Total transportation	<u>1,745,059</u>	<u>1,298,470</u>	<u>446,589</u>	<u>1,388,137</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits	300,815	284,760	16,055	281,595
Contracted services	1,474,000	1,439,389	34,611	1,224,486
Operating expenditures	248,450	172,443	76,007	228,536
Capital outlay	25,655	25,655	-	149,182
Total	<u>2,048,920</u>	<u>1,922,247</u>	<u>126,673</u>	<u>1,883,799</u>
Cemetery:				
Professional services	7,700	-	7,700	2,900
Operating expenditures	15,225	11,752	3,473	11,691
Capital outlay	-	-	-	128,806
Total	<u>22,925</u>	<u>11,752</u>	<u>11,173</u>	<u>143,397</u>
Total environmental protection	<u>2,071,845</u>	<u>1,933,999</u>	<u>137,846</u>	<u>2,027,196</u>
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	784,770	765,796	18,974	671,298
Professional services	64,000	23,044	40,956	12,946
Operating expenditures	601,490	539,000	62,490	478,482
Capital outlay	191,700	163,573	28,127	35,437
Total cultural and recreational	<u>1,641,960</u>	<u>1,491,413</u>	<u>150,547</u>	<u>1,198,163</u>
Debt service:				
Bond principal	652,750	652,750	-	193,875
Bond interest	480,130	480,254	(124)	305,559
Installment note principal	448,560	447,854	706	1,116,743
Installment note interest	19,890	19,462	428	50,761
Total debt service	<u>1,601,330</u>	<u>1,600,320</u>	<u>1,010</u>	<u>1,666,938</u>
Total expenditures	<u>23,673,148</u>	<u>21,427,516</u>	<u>2,245,632</u>	<u>19,391,850</u>
Revenues over (under) expenditures	<u>(790,817)</u>	<u>2,582,161</u>	<u>3,372,978</u>	<u>1,954,619</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, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
OTHER FINANCING SOURCES (USES):				
Transfers in (out):				
Downtown District Special Tax	\$ 30,607	\$ 10,607	\$ (20,000)	\$ 11,320
Town Hall Capital Project Fund	(150,000)	(150,000)	-	(895,000)
Streets/Sidewalks Capital Project Fund	-	-	-	(110,000)
Stream Buffers Capital Projects Fund	-	-	-	(392,445)
Park Development Capital Projects Fund	-	(150,000)	(150,000)	-
Appropriated fund balance	910,210	-	(910,210)	-
Total other financing sources	<u>790,817</u>	<u>(289,393)</u>	<u>(1,080,210)</u>	<u>(1,386,125)</u>
Net change in fund balance	<u>\$ -</u>	2,292,768	<u>\$ 2,292,768</u>	568,494
FUND BALANCE - Beginning of year		<u>9,944,716</u>		<u>9,376,222</u>
FUND BALANCE - End of year		<u>\$ 12,237,484</u>		<u>\$ 9,944,716</u>

Schedule 2

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, 2008

	Project Author- ization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ 422,340	\$ 332,009	\$ 222,691	554,700
Development proceeds	225,000	222,495	-	222,495
NC-DOT proceeds	1,172,370	1,172,372	10,000	1,182,372
Sales tax refund	10,000	125	6,424	6,549
Total revenues	<u>1,829,710</u>	<u>1,727,001</u>	<u>239,115</u>	<u>1,966,116</u>
Expenditures:				
Capital outlay:				
Professional services	1,615,000	1,099,912	382,283	1,482,195
Allocated personnel services	-	-	24,481	24,481
Capital outlay-land	500,000	138,472	178,436	316,908
Capital outlay-construction	9,434,133	1,739,424	1,599,057	3,338,481
Contingency	17,600	-	-	-
Total expenditures	<u>11,566,733</u>	<u>2,977,808</u>	<u>2,184,257</u>	<u>5,162,065</u>
Revenues under expenditures	<u>(9,737,023)</u>	<u>(1,250,807)</u>	<u>(1,945,142)</u>	<u>(3,195,949)</u>
Other financing sources:				
Transfers in:				
General Fund	114,043	16,328	-	16,328
General Capital Reserve Fund	122,980	122,976	-	122,976
Bond issuance	9,500,000	5,700,000	-	5,700,000
Total other financing sources	<u>9,737,023</u>	<u>5,839,304</u>	<u>-</u>	<u>5,839,304</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,588,497</u>	<u>(1,945,142)</u>	<u>\$ 2,643,355</u>
Fund balances:				
Beginning of year			<u>4,588,497</u>	
End of year			<u>\$ 2,643,355</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Recreation Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Payments in lieu	\$ 21,782	\$ 318,211	\$ -	\$ 318,211
Impact fees	14,600	1,717,571	218,893	1,936,464
Investment earnings	15,000	222,240	72,016	294,256
Donations	25,000	30,973	-	30,973
Total revenues	<u>76,382</u>	<u>2,288,995</u>	<u>290,909</u>	<u>2,579,904</u>
Other financing sources (uses)				
Transfers in (out):				
General Fund	326,632	375,578	150,000	525,578
General Fund	(315,014)	(324,357)	-	(324,357)
Capital Project Fund	<u>(88,000)</u>	<u>(348,194)</u>	<u>-</u>	<u>(348,194)</u>
Total other financing sources (uses)	<u>(76,382)</u>	<u>(296,973)</u>	<u>150,000</u>	<u>(146,973)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,992,022</u>	440,909	<u>\$ 2,432,931</u>
Fund balances:				
Beginning of year			1,992,022	
End of year			<u>1,992,022</u>	<u>\$2,432,931</u>

Town of Wake Forest, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
 June 30, 2008

	Capital Projects										Special Revenue Funds				Total Nonmajor Governmental Funds	
	Glen Royall Housing Development	Stream Buffers	Town Hall Project	Park Development	Cemetery Capital Reserve	Sidewalk Capital Reserve	Traffic Capital Reserve	General Capital Reserve	Centennial Celebration	Downtown District Special Tax	Police Department Special Fund					
Assets																
Cash and cash equivalents	\$ 51,106	\$ -	\$ -	\$ 1,738,600	\$ 102,874	\$ 63,790	\$ 39,893	\$ 372,478	\$ 2,047	\$ 137,635	\$ 31,409	\$ -	\$ 2,539,832			
Accounts receivable	-	359,195	1,234	242,647	-	-	-	-	-	7,372	-	-	610,448			
Total assets	\$ 51,106	\$ 359,195	\$ 1,234	\$ 1,981,247	\$ 102,874	\$ 63,790	\$ 39,893	\$ 372,478	\$ 2,047	\$ 145,007	\$ 31,409	\$ -	\$ 3,150,280			
Liabilities and fund balances																
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,372	\$ -	\$ -	\$ 7,372			
Unearned revenue	-	-	-	-	-	-	-	-	-	367	-	-	367			
Due to other funds	-	448,144	137,123	-	-	-	-	-	-	-	-	-	585,267			
Accounts payable	-	-	32,516	127,642	-	-	-	-	390	-	-	-	160,548			
Total liabilities	-	448,144	169,639	127,642	-	-	-	-	390	7,739	-	-	753,554			
Fund balances:																
Unreserved, undesignated	51,106	(88,949)	(168,405)	1,853,605	102,874	63,790	39,893	372,478	1,657	137,268	31,409	-	2,396,726			
Total liabilities and fund balances	\$ 51,106	\$ 359,195	\$ 1,234	\$ 1,981,247	\$ 102,874	\$ 63,790	\$ 39,893	\$ 372,478	\$ 2,047	\$ 145,007	\$ 31,409	\$ -	\$ 3,150,280			

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, 2008

	Glen Royall Housing Development	Capital Projects										Special Revenue Funds			Total Nonmajor Governmental Funds					
		Stream Buffers	New Town Hall	Park Development	Cemetery Capital Reserve	Sidewalk Capital Reserve	Traffic Capital Reserve	General Capital Reserve	Centennial Celebration	Downtown District Special Tax	Police Department Special Fund									
Revenues:																				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,494	
Investment earnings	-	-	124,435	3,293	1,984	1,275	7,122	-	-	-	-	-	-	3,772	-	-	-	-	151,600	
County grant	-	-	242,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	242,000	
Payments in lieu	-	-	-	-	4,333	-	-	-	-	-	-	155,997	-	-	-	-	-	-	4,333	
Fire impact fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155,997	
Donations	-	-	-	-	-	-	-	-	-	-	-	65,695	-	-	-	-	-	-	88,780	
Forfeited currency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,481	
Miscellaneous	1,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,481	
Total revenues	1,717	9,499	366,435	3,293	6,317	1,275	228,814	-	-	-	1,275	228,814	6,106	62,266	-	-	-	31,409	711,230	
Expenditures:																				
Professional services	-	290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617,875
Personnel cost	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,777
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,555
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,449
Capital outlay	-	20,388	909,003	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,232,005
Total expenditures	-	20,678	909,026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906,661
Revenues over (under) expenditures	1,717	(26,579)	(542,591)	3,293	6,317	1,275	228,814	-	-	-	1,275	228,814	1,657	62,266	-	-	-	31,409	(1,195,431)	
Other financing sources (uses):																				
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,607)	-	-	-	-	-	(10,607)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,607)	-	-	-	-	-	139,393
Net change in fund balances	1,717	(26,579)	(542,591)	3,293	6,317	1,275	228,814	1,657	51,659	31,409	1,657	228,814	1,657	51,659	31,409	1,657	51,659	31,409	(1,056,038)	
Fund balance:																				
Beginning of year	49,389	(62,370)	2,396,196	99,581	57,473	38,618	143,664	-	85,609	-	-	143,664	-	85,609	-	-	-	-	-	3,452,764
End of year	\$ 51,106	\$ (88,949)	\$ 1,853,605	\$ 102,874	\$ 63,790	\$ 39,893	\$ 372,478	\$ 1,657	\$ 137,268	\$ 31,409	\$ 1,657	\$ 372,478	\$ 1,657	\$ 137,268	\$ 31,409	\$ 1,657	\$ 137,268	\$ 31,409	\$ 3,296,726	

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, 2008

	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	49,766	1,717	51,483
Total revenues	<u>72,853</u>	<u>115,619</u>	<u>1,717</u>	<u>117,336</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>\$ 49,389</u>	1,717	<u>\$ 51,106</u>
Fund balances:				
Beginning of year			49,389	
End of year			<u>51,106</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, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Clean water grant	\$ 571,375	\$ 1,170,373	\$ -	\$ 1,170,373
Grant proceeds	10,660	290,545	-	290,545
Sales tax refund	-	1,385	195	1,580
Miscellaneous	52,500	52,500	(5,901)	46,599
Total revenues	<u>634,535</u>	<u>1,514,803</u>	<u>(5,706)</u>	<u>1,509,097</u>
Expenditures:				
Capital outlay:				
Professional services	391,850	450,545	290	450,835
Capital outlay-land	392,445	1,080,113	-	1,080,113
Improvements	482,685	663,960	20,583	684,543
Total expenditures	<u>1,266,980</u>	<u>2,194,618</u>	<u>20,873</u>	<u>2,215,491</u>
Revenues under expenditures	(632,445)	(679,815)	(26,579)	(706,394)
Other financing sources:				
Transfer in:				
General Fund	<u>632,445</u>	<u>617,445</u>	<u>-</u>	<u>617,445</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (62,370)</u>	(26,579)	<u>\$ (88,949)</u>
Fund balances:				
Beginning of year			<u>(62,370)</u>	
End of year			<u>\$ (88,949)</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, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Sales tax refund	\$ -	\$ -	\$ 1,233	\$ 1,233
Investment earnings	280,000	46,012	9,499	55,511
Total revenues	<u>280,000</u>	<u>46,012</u>	<u>10,732</u>	<u>56,744</u>
Expenditures:				
Capital outlay:				
Professional services	1,500,000	532,969	617,562	1,150,531
Personnel costs	-	-	27,777	27,777
Contracted services	-	-	24,555	24,555
Capital outlay-land	845,000	498,889	302,978	801,867
Capital outlay-construction	12,935,000	-	869	869
Total expenditures	<u>15,280,000</u>	<u>1,031,858</u>	<u>973,741</u>	<u>2,005,599</u>
Revenues under expenditures	<u>(15,000,000)</u>	<u>(985,846)</u>	<u>(963,009)</u>	<u>(1,948,855)</u>
Other financing sources:				
Transfer in:				
General Fund	6,500,000	1,630,450	150,000	1,780,450
Installment note issuance	8,500,000	-	-	-
Total other financing sources	<u>15,000,000</u>	<u>1,630,450</u>	<u>150,000</u>	<u>1,780,450</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 644,604</u>	<u>(813,009)</u>	<u>\$ (168,405)</u>
Fund balances:				
Beginning of year			644,604	
End of year			<u>\$ (168,405)</u>	

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, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 636,165	\$ 574,761	\$ 124,435	\$ 699,196
Grant proceeds	1,824,587	1,824,587	242,000	2,066,587
Sales tax refund	35,000	44,108	647	44,755
Total revenues	<u>2,495,752</u>	<u>2,443,456</u>	<u>367,082</u>	<u>2,810,538</u>
Expenditures:				
Capital outlay:				
Professional services	57,958	57,849	23	57,872
Capital outlay-land	5,135,665	4,635,661	-	4,635,661
Flaherty Park-Phase III	3,147,187	3,110,981	10,190	3,121,171
Heritage High School	2,430,355	245,516	518,010	763,526
Joyner Park Development	3,500,000	356,885	322,488	679,373
Northeast Community Center	150,000	65,781	58,962	124,743
Total expenditures	<u>14,421,165</u>	<u>8,472,673</u>	<u>909,673</u>	<u>9,382,346</u>
Revenues under expenditures	<u>(11,925,413)</u>	<u>(6,029,217)</u>	<u>(542,591)</u>	<u>(6,571,808)</u>
Other financing sources (uses):				
Transfer out:				
Capital Reserve Fund	(324,587)	(324,587)	-	(324,587)
Installment note issuance	2,050,000	2,050,000	-	2,050,000
Bond issuance	10,200,000	6,700,000	-	6,700,000
Total other financing sources (uses)	<u>11,925,413</u>	<u>8,425,413</u>	<u>-</u>	<u>8,425,413</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,396,196</u>	<u>(542,591)</u>	<u>\$ 1,853,605</u>
Fund balances:				
Beginning of year			2,396,196	
End of year			<u>\$ 1,853,605</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Cemetery Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Donations	\$ 150,000	\$ 143,464	\$ -	\$ 143,464
Investment earnings	74,750	107,209	3,293	110,502
Total revenues	<u>224,750</u>	<u>250,673</u>	<u>3,293</u>	<u>253,966</u>
Other financing uses				
Transfer out:				
General Fund	<u>(224,750)</u>	<u>(151,092)</u>	<u>-</u>	<u>(151,092)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 99,581</u>	3,293	<u>\$ 102,874</u>
Fund balances:				
Beginning of year			<u>99,581</u>	
End of year			<u>\$ 102,874</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Sidewalk Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Payments in lieu	\$ 12,452	\$ 175,901	\$ 4,333	\$ 180,234
Investment earnings	1,936	15,031	1,984	17,015
Total revenues	<u>14,388</u>	<u>190,932</u>	<u>6,317</u>	<u>197,249</u>
Other financing uses				
Transfers out:				
General Fund	<u>(14,388)</u>	<u>(133,459)</u>	<u>-</u>	<u>(133,459)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 57,473</u>	6,317	<u>\$ 63,790</u>
Fund balances:				
Beginning of year			<u>57,473</u>	
End of year			<u>\$ 63,790</u>	

Town of Wake Forest, North Carolina
Capital Projects Fund
Traffic Capital Reserve
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Development proceeds	\$ -	\$ 20,400	\$ -	\$ 20,400
Investment earnings	-	8,218	1,275	9,493
Total revenues	-	28,618	1,275	29,893
Other financing sources (uses)				
Transfers in (out):				
General Fund	-	122,976	-	122,976
General Fund	-	(50,315)	-	(50,315)
Capital Project Fund	-	(62,661)	-	(62,661)
Total other financing sources (uses)	-	10,000	-	10,000
Net change in fund balance	\$ -	\$ 38,618	1,275	\$ 39,893
Fund balances:				
Beginning of year			38,618	
End of year			\$ 39,893	

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, 2008

	Project Author- ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Payments in lieu	\$ 324,595	\$ 150,727	\$ -	\$ 150,727
Fire Impact Fees	-	-	155,997	155,997
Investment earnings	45,000	135,927	7,122	143,049
Donations	-	51,309	65,695	117,004
Total revenues	<u>369,595</u>	<u>337,963</u>	<u>228,814</u>	<u>566,777</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	49,309	11,715	-	11,715
General Fund	<u>(418,904)</u>	<u>(206,014)</u>	<u>-</u>	<u>(206,014)</u>
Total other financing sources (uses)	<u>(369,595)</u>	<u>(194,299)</u>	<u>-</u>	<u>(194,299)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 143,664</u>	228,814	<u>\$ 372,478</u>
Fund balances:				
Beginning of year			<u>143,664</u>	
End of year			<u>\$ 372,478</u>	

Town of Wake Forest, North Carolina
Special Revenue Fund
Centennial Celebration
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 6	\$ 6	\$ -
Donations	50,000	6,100	(43,900)	-
Contributions-Wake County	25,000	-	(25,000)	-
Centennial events revenue	65,000	-	(65,000)	-
Total revenues	140,000	6,106	(133,894)	-
Expenditures:				
Capital outlay:				
Marketing	45,000	4,449	40,551	-
Printing	25,000	-	25,000	-
Special events	150,000	-	150,000	-
Contingency	20,000	-	20,000	-
Total expenditures	240,000	4,449	235,551	-
Revenues over (under) expenditures	(100,000)	1,657	101,657	-
Other financing sources:				
Transfer in:				
General Fund	100,000	-	(100,000)	-
Net change in fund balance	\$ -	\$ 1,657	1,657	\$ -
Fund balances:				
Beginning of year			-	
End of year			\$ 1,657	

Town of Wake Forest, North Carolina
Special Revenue Fund
Downtown District Special Tax
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
REVENUES:				
Ad valorem taxes	\$ 48,865	\$ 58,494	\$ 9,629	\$ 29,041
Investment earnings	2,495	3,772	1,277	3,602
Total revenues	<u>51,360</u>	<u>62,266</u>	<u>10,906</u>	<u>32,643</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>51,360</u>	<u>62,266</u>	<u>10,906</u>	<u>32,643</u>
OTHER FINANCING USES:				
Transfers out:				
General Capital Reserve	(13,055)	-	13,055	-
General Fund	<u>(38,305)</u>	<u>(10,607)</u>	<u>27,698</u>	<u>(11,320)</u>
Total other financing uses	<u>(51,360)</u>	<u>(10,607)</u>	<u>40,753</u>	<u>(11,320)</u>
Net change in fund balance	<u>\$ -</u>	<u>51,659</u>	<u>\$ 51,659</u>	<u>21,323</u>
Fund balances:				
Beginning of year		85,609		64,286
End of year		<u>\$ 137,268</u>		<u>\$ 85,609</u>

Town of Wake Forest, North Carolina
Special Revenue Fund
Police Department Special Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Years Ended June 30, 2008 and 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
REVENUES:				
Donations	\$ 50,000	\$ 16,985	\$ (33,015)	\$ -
Forfeited currency	70,000	3,481	(66,519)	-
Investment earnings	1,500	214	(1,286)	-
Miscellaneous	25,000	10,729	(14,271)	-
Total revenues	<u>146,500</u>	<u>31,409</u>	<u>(115,091)</u>	<u>-</u>
OTHER FINANCING USES:				
Transfers out:				
General Fund	(146,500)	-	146,500	-
Net change in fund balance	<u>\$ -</u>	<u>31,409</u>	<u>\$ 31,409</u>	<u>-</u>
Fund balances:				
Beginning of year		-		-
End of year		<u>\$ 31,409</u>		<u>\$ -</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, 2008
With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal retirement	872,710	656,477	216,233	658,103
Interest and fees	7,510	224,865	(217,355)	249,609
Total debt service	<u>880,220</u>	<u>881,342</u>	<u>(1,122)</u>	<u>907,712</u>
Revenues under expenditures	(880,220)	(881,342)	(1,122)	(907,712)
Other financing sources:				
Transfers in:				
City of Raleigh	880,220	881,342	1,122	907,712
Revenues and other financing sources and expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Uncollectible assessments		(38,296)		-
Principal retirement		656,477		658,103
Decrease in accrued interest		3,855		3,877
Principal payments of note receivable from City of Raleigh		<u>(656,477)</u>		<u>(658,103)</u>
Total reconciling items		<u>(34,441)</u>		<u>3,877</u>
Net income (loss)		<u>\$ (34,441)</u>		<u>\$ 3,877</u>

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2008
With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 14,793,715	\$ 14,243,616	\$ (550,099)	\$ 13,721,225
Other operating revenues				
Sales tax	434,140	425,371	(8,769)	412,729
Reconnect charges	120,750	119,740	(1,010)	105,725
Miscellaneous	60,000	39,213	(20,787)	109,220
Total operating revenues	<u>15,408,605</u>	<u>14,827,940</u>	<u>(580,665)</u>	<u>14,348,899</u>
Nonoperating revenues:				
Investment earnings	5,000	1,846	(3,154)	23,210
Sale of assets	20,500	20,004	(496)	8,936
Total nonoperating revenues	<u>25,500</u>	<u>21,850</u>	<u>(3,650)</u>	<u>32,146</u>
Total revenues	<u>15,434,105</u>	<u>14,849,790</u>	<u>(584,315)</u>	<u>14,381,045</u>
Expenditures:				
Electric operations:				
Salaries and employee benefits	1,892,760	1,782,999	109,761	2,205,422
Power purchases for resale	10,758,195	10,619,804	138,391	10,230,560
Utility sales tax	330,000	328,074	1,926	302,687
Repairs and maintenance	207,100	180,091	27,009	244,810
Other operating expenditures	663,150	862,360	(199,210)	979,856
Total electric operations	<u>13,851,205</u>	<u>13,773,328</u>	<u>77,877</u>	<u>13,963,335</u>
Debt service:				
Principal retirement	637,455	637,317	138	447,271
Interest and fees	115,145	113,603	1,542	40,165
Total debt service	<u>752,600</u>	<u>750,920</u>	<u>1,680</u>	<u>487,436</u>
Capital outlay	1,098,765	865,553	233,212	1,412,517
Total expenditures	<u>15,702,570</u>	<u>15,389,801</u>	<u>312,769</u>	<u>15,863,288</u>
Revenues under expenditures	<u>(268,465)</u>	<u>(540,011)</u>	<u>(271,546)</u>	<u>(1,482,243)</u>

Town of Wake Forest
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Other financing sources:				
Transfers in:				
Electric Capital Reserve Fund	\$ 121,500	\$ 121,500	\$ -	\$ 375,000
Installment note issuance	146,965	146,965	-	270,000
Total other financing sources	<u>268,465</u>	<u>268,465</u>	<u>-</u>	<u>645,000</u>
 Revenues and other financing sources under expenditures	 <u>\$ -</u>	 <u>(271,546)</u>	 <u>\$ (271,546)</u>	 <u>(837,243)</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Depreciation		(749,517)		(711,826)
Capital outlay		865,553		1,412,517
Interfund transfers		(121,500)		(375,000)
Principal retirement		637,317		447,271
Installment note proceeds		(146,965)		(270,000)
Increase (decrease) in inventory		375,108		174,426
Decrease (increase) in accrued interest		3,312		(26,948)
Decrease (increase) in accrued vacation pay		29,941		2,400
Electric Capital Reserve Fund				
Investment earnings		8,251		25,588
Electric Substation Capital Project Fund				
Investment earnings		34,064		40,933
Total reconciling items		<u>935,564</u>		<u>719,361</u>
Net income (loss)		<u>\$ 664,018</u>		<u>\$ (117,882)</u>

Town of Wake Forest
Electric Capital Projects Fund
Capital Reserve
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author - ization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 107,500	\$ 159,180	\$ 8,251	\$ 167,431
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)	(121,500)	(496,500)
Total other financing sources (uses)	(107,500)	90,329	(121,500)	(31,171)
Revenues and other financing sources over (under) other financing (uses)	\$ -	\$ 249,509	\$ (113,249)	\$ 136,260

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, 2008

	Project Author - ization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 25,000	\$ 40,933	\$ 34,064	\$ 74,997
Sales tax refund	25,000	-	-	-
Total revenues	<u>50,000</u>	<u>40,933</u>	<u>34,064</u>	<u>74,997</u>
Expenditures				
Capital outlay:				
Professional services	250,000	60,796	93,730	154,526
Contracted services	100,000	375	1,284	1,659
Capital outlay-land	355,000	350,766	-	350,766
Contingency	250,000	-	-	-
Capital outlay-construction	1,500,000	179,404	2,053,538	2,232,942
Total expenditures	<u>2,455,000</u>	<u>591,341</u>	<u>2,148,552</u>	<u>2,739,893</u>
Expenditures over revenues	<u>(2,405,000)</u>	<u>(550,408)</u>	<u>(2,114,488)</u>	<u>(2,664,896)</u>
Other financing sources:				
Transfers in:				
Electric Fund	905,000	-	-	-
Revenue bond issuance	1,500,000	2,300,000	-	2,300,000
Total other financing sources	<u>2,405,000</u>	<u>2,300,000</u>	<u>-</u>	<u>2,300,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,749,592</u>	<u>\$ (2,114,488)</u>	<u>\$ (364,896)</u>

Town of Wake Forest, North Carolina
Schedule of Ad Valorem Taxes Receivable
 June 30, 2008

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 12,616,913	\$ 12,411,124	\$ 205,789
2006-2007	188,360	-	157,594	30,766
2005-2006	29,319	-	6,601	22,718
2004-2005	16,015	-	2,818	13,197
2003-2004	11,105	-	1,987	9,118
2002-2003	11,137	-	1,393	9,744
2001-2002	17,547	-	896	16,651
2000-2001	4,868	-	283	4,585
1999-2000	5,483	-	130	5,353
1998-1999	4,242	-	-	4,242
1997-1998	1,272	-	1,272	-
	<u>\$ 289,348</u>	<u>\$ 12,616,913</u>	<u>\$ 12,584,098</u>	322,163
				Less allowance for uncollectible ad valorem taxes receivable
				<u>32,911</u>
				Ad valorem taxes receivable - net
				<u>\$ 289,252</u>

Revenue reconciliation:

Ad valorem taxes - General Fund	\$ 12,614,652
Add (deduct):	
Releases allowed	8,410
Taxes written off	1,272
Penalties and interest	<u>(40,236)</u>
Total collections and credits	<u>\$ 12,584,098</u>

Town of Wake Forest, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the fiscal year ended June 30, 2008

	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	2,210,096,727	0.55	\$ 12,155,532	\$11,314,702	\$ 840,830
	83,211,296	0.54	449,341	449,341	-
Penalties	-		12,043	12,043	-
Total	<u>2,293,308,023</u>		<u>12,616,916</u>	<u>11,776,086</u>	<u>840,830</u>
Discoveries:					
Prior year taxes	19,377,778	0.54	104,640	85,580	19,060
Prior year taxes	1,229,057	0.53	6,514	6,514	-
Prior year taxes	423,077	0.52	2,200	2,200	-
Total	<u>21,029,912</u>		<u>113,354</u>	<u>94,294</u>	<u>19,060</u>
Less: abatements	<u>(20,610,364)</u>	0.55	<u>(113,357)</u>	<u>(44,828)</u>	<u>(68,529)</u>
Total property valuation	<u>\$ 2,293,727,571</u>				
Net levy			12,616,913	11,825,552	791,361
Less: uncollected taxes at June 30, 2008			<u>205,789</u>	<u>60,404</u>	<u>145,385</u>
Current year's taxes collected			<u>\$ 12,411,124</u>	<u>\$11,765,148</u>	<u>\$ 645,976</u>
Current levy collection percentage			<u>98.37%</u>	<u>99.49%</u>	<u>81.63%</u>

Town of Wake Forest, North Carolina
General Obligation Debt Service Requirements and Maturity Schedule
 June 30, 2008

Fiscal Year	Utilities		Other		Total	
	Principal	Principal & interest	Principal	Principal & interest	Principal	Principal & interest
2008-2009	\$ 143,375	\$ 152,928	651,625	\$ 1,103,969	795,000	\$ 1,256,897
2009-2010	69,750	73,064	640,250	1,064,867	710,000	1,137,931
2010-2011	-	-	635,000	1,032,415	635,000	1,032,415
2011-2012	-	-	635,000	1,005,440	635,000	1,005,440
2012-2013	-	-	635,000	978,465	635,000	978,465
2013-2014	-	-	635,000	951,315	635,000	951,315
2014-2015	-	-	635,000	919,565	635,000	919,565
2015-2016	-	-	635,000	887,815	635,000	887,815
2016-2017	-	-	635,000	856,015	635,000	856,015
2017-2018	-	-	635,000	828,915	635,000	828,915
2018-2019	-	-	635,000	801,590	635,000	801,590
2019-2020	-	-	575,000	716,105	575,000	716,105
2020-2021	-	-	460,000	578,680	460,000	578,680
2021-2022	-	-	460,000	562,120	460,000	562,120
2022-2023	-	-	460,000	545,560	460,000	545,560
2023-2024	-	-	460,000	528,770	460,000	528,770
2024-2025	-	-	460,000	511,750	460,000	511,750
2025-2026	-	-	460,000	494,500	460,000	494,500
2026-2027	-	-	460,000	477,250	460,000	477,250
Total	\$ 213,125	\$ 225,992	\$10,801,875	\$ 14,845,106	\$11,015,000	\$ 15,071,098

Table 1

TOWN OF WAKE FOREST, NORTH CAROLINA

Net Assets By Category

Last Six Fiscal Years

(accrual basis of accounting)

June 30, 2008

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 87,439,825
Restricted for: Streets	-	-	-	-	-	261,802
Unrestricted	7,076,073	9,204,232	10,712,444	10,580,086	19,654,914	18,522,494
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>	<u>106,224,121</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	12,711,174
Unrestricted	9,515,165	10,566,979	12,689,129	2,140,802	909,821	1,017,401
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>	<u>13,728,575</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	100,150,999
Restricted for: Streets	-	-	-	-	-	261,802
Unrestricted	16,591,238	19,771,211	23,401,573	12,720,888	20,564,735	19,539,895
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>	<u>\$ 119,952,696</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 Six Fiscal Years
(accrual basis of accounting)
 June 30, 2008

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General Government	\$ 2,956,800	\$ 3,264,577	\$ 3,579,532	\$ 5,078,512	\$ 6,122,587	\$ 7,613,303
Public Safety	3,609,320	4,330,589	4,919,342	5,656,444	6,366,631	7,445,480
Transportation	1,818,020	1,790,537	2,074,901	2,220,905	2,605,715	2,795,746
Environmental Protection	1,093,977	1,264,596	1,364,786	2,110,057	1,797,390	1,976,526
Cultural and Recreational	879,025	975,811	1,100,051	1,216,086	1,354,940	1,519,941
Interest on long-term debt	282,603	258,942	221,154	190,793	443,086	489,404
Subtotal governmental activities expense	10,639,745	11,885,052	13,259,766	16,472,797	18,690,349	21,840,400
Business-type activities:						
Water and sewer	6,432,339	7,128,256	7,754,258	280,588	(3,877)	34,441
Electric	9,477,167	10,301,962	11,567,024	14,278,166	14,565,448	14,228,087
Subtotal business-type activities expenses	15,909,506	17,430,218	19,321,282	14,558,754	14,561,571	14,262,528
Total primary government expenses	26,549,251	29,315,270	32,581,048	31,031,551	33,251,920	36,102,928
Program Revenues						
Governmental activities:						
Charges for Services						
General Government	838,253	1,319,858	1,338,727	1,762,151	1,941,342	1,825,345
Public Safety	29,997	34,815	63,147	31,849	29,063	181,975
Transportation	183,550	231,134	225,280	321,999	515,279	28,311
Environmental Protection	976,389	1,086,851	1,204,045	1,338,077	1,455,622	1,566,112
Cultural and Recreational	156,665	166,978	199,105	237,976	323,983	561,482
Operating Grants and Contributions						
General Government	-	35,266	10,000	-	-	-
Public Safety	37,837	243,618	37,913	94,028	111,463	106,447
Transportation	392,593	377,355	481,947	490,467	321,471	680,220
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	20,637,263
Environmental Protection	-	582,032	-	-	-	-
Cultural and Recreational	1,550,000	366,052	-	18,881	905,155	242,000
Subtotal governmental activities program revenues	6,558,747	5,926,121	8,720,839	10,163,575	13,282,691	25,829,155

Table 2

TOWN OF WAKE FOREST, NORTH CAROLINA
Changes in Net Assets, Last Six Fiscal Years

(accrual basis of accounting)

June 30, 2008

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	14,827,940
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	19,386,911	21,593,107	22,848,789	13,909,506	14,348,899	14,827,940
Total primary government program revenues	25,945,658	27,519,228	31,569,628	24,073,081	27,631,590	40,657,095
Net (Expense) Revenue						
Governmental activities	(4,080,998)	(5,958,931)	(4,538,927)	(6,309,222)	(5,407,658)	3,988,755
Business-type activities:						
Water and sewer	1,537,874	2,896,257	2,798,828	(280,588)	3,877	(34,441)
Electric	1,939,531	1,266,632	728,679	(368,660)	(216,549)	599,853
Total primary government net expense	(603,593)	(1,796,042)	(1,011,420)	(6,958,470)	(5,620,330)	4,554,167
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	12,712,109
Other taxes and licenses	43,756	38,937	39,234	59,050	63,925	73,320
Unrestricted intergovernmental	2,470,464	3,033,438	3,681,220	4,078,480	5,028,295	5,834,891
Unrestricted investment earnings	86,140	71,661	211,950	395,979	1,129,731	825,169
Miscellaneous	403,393	580,712	911,615	2,122,009	326,728	576,414
Transfers	(175,411)	(210,522)	(200,235)	225,000	-	-
Subtotal governmental activities	8,655,051	10,306,445	12,510,104	16,349,623	17,467,434	20,021,903
Business type activities:						
Unrestricted investment earnings	117,154	75,037	208,616	369,920	89,731	44,161
Miscellaneous	4,482	5,606	-	37,116	-	20,004
Transfers and Special items	175,411	210,522	200,235	(42,301,866)	8,936	-
Subtotal business-type activities	297,047	291,165	408,851	(41,894,830)	98,667	64,165
Total primary government	8,952,098	10,597,610	12,918,955	(25,545,207)	17,566,101	20,086,068
Change in Net Assets						
Governmental activities	4,574,053	4,347,514	7,971,177	10,040,401	12,059,776	24,010,658
Business-type activities	3,774,452	4,454,054	3,936,358	(42,544,078)	(114,005)	629,577
Total primary Government	\$ 8,348,505	\$ 8,801,568	\$ 11,907,535	\$ (32,503,677)	\$ 11,945,771	\$ 24,640,235

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, 2008

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved for:										
Encumbrances	\$ 159,257	\$ 176,615	\$ 211,468	\$ 411,374	\$ 375,443	\$ 246,620	\$ 242,697	\$ 340,579	\$ 165,290	\$ 461,515
State statute	584,657	884,756	680,400	660,705	-	1,110,064	1,529,667	4,025,734	2,251,538	2,385,676
Inventories and prepaid items	-	-	3,045	2,244	2,750	2,704	54,921	10,812	5,919	3,256
Streets	-	-	-	-	-	-	-	54,515	174,529	261,802
Unreserved:										
Designated for subsequent year's expenditures	346,564	406,130	587,800	584,430	579,100	929,840	671,050	643,835	1,009,730	1,259,375
Undesignated	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	7,865,860
Total General Fund	\$ 2,000,718	\$ 3,132,119	\$ 4,286,574	\$ 4,991,898	\$ 5,822,026	\$ 7,506,166	\$ 8,989,204	\$ 9,376,222	\$ 9,944,716	\$ 12,237,484
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,410	11,102	23,085	25,925	33,115	25,524	35,264	64,286	85,609	168,677
Capital projects funds	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	7,304,335
Total all other Governmental Funds	\$ 2,443,305	\$ 3,596,093	\$ 2,721,016	\$ 1,758,008	\$ 1,252,152	\$ 1,806,112	\$ 1,915,706	\$ 1,469,442	\$ 10,033,283	\$ 7,473,012

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, 2008

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Ad Valorem Taxes	\$ 2,626,699	\$ 3,238,877	\$ 4,254,564	\$ 5,064,615	\$ 6,824,156	\$ 7,859,275	\$ 9,445,404	\$ 10,855,959	\$ 12,673,146	\$ 12,673,146
Other Taxes	1,371,578	1,570,735	1,892,167	1,830,052	39,639	36,551	54,076	61,853	70,206	70,206
Unrestricted Intergovernmental	582,161	840,963	909,221	399,168	2,470,464	3,033,438	4,078,480	5,028,295	5,834,891	5,834,891
Restricted Intergovernmental	373,544	618,662	591,481	478,788	2,531,211	1,604,323	1,842,336	1,723,523	1,049,167	1,049,167
Permits and Fees	743,918	772,631	837,956	934,693	1,005,458	1,523,494	1,911,058	2,385,764	2,066,232	2,066,232
Sales and Services	704,556	830,220	919,455	1,060,435	1,153,197	1,353,592	1,765,177	1,812,357	1,812,357	2,126,403
Miscellaneous	260,475	344,946	493,696	398,681	407,155	583,055	2,185,890	330,105	599,293	599,293
Investment Earnings	163,812	347,863	408,063	149,080	86,140	71,661	395,979	1,129,731	1,129,731	825,169
Assessments										
Total revenues	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	25,244,507
Expenditures										
General Government	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	7,375,668
Public Safety	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	7,082,614
Transportation	455,642	432,762	551,657	617,340	929,098	706,566	916,970	907,520	1,165,719	1,236,454
Environmental Protection	742,605	763,728	932,666	1,038,479	1,072,042	1,233,448	1,335,465	2,081,078	1,749,208	1,908,344
Cultural and Recreational	497,431	504,947	648,818	904,597	824,600	809,334	922,605	1,021,001	1,162,726	1,332,289
Capital outlay	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	4,976,321
Debt service:										
Bond Principal	246,571	77,000	205,125	204,000	202,875	557,768	195,000	193,875	193,875	652,750
Bond Interest	80,596	104,763	179,499	169,669	159,889	182,020	140,480	130,994	305,559	480,254
Installment note principal	457,094	795,671	834,960	638,170	708,729	693,534	1,199,828	1,113,169	1,116,743	447,854
Installment note interest	105,440	184,376	160,267	128,186	134,557	82,051	84,385	65,271	50,761	19,462
Total expenditures	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	25,512,010
Excess of revenues over (under) expenditures	(464,383)	(909,974)	739,511	(38,565)	(1,755,269)	2,004,381	1,478,382	(887,121)	(67,665)	(267,503)
Other Financing Sources (Uses)										
Operating transfers in	513,335	354,991	410,278	589,519	327,344	827,887	1,015,094	989,822	1,408,765	310,607
Operating transfers (out)	(333,335)	(538,092)	(578,769)	(816,955)	(502,755)	(1,038,409)	(1,215,329)	(764,822)	(1,408,765)	(310,607)
Installment note proceeds	2,736,259	172,120	2,751	8,317	2,254,952	273,575	314,485	602,875	-	-
Sale of assets	-	5,144	-	-	-	-	-	-	-	-
Bond issuance	-	3,200,000	-	-	-	-	-	-	9,200,000	-
Total other financing sources (uses)	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	2,451,876	2,284,189	573,771	(257,684)	324,272	2,067,434	1,592,632	(59,246)	9,132,335	(267,503)
Fund balance-Beginning of year (as previously reported)	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
Adjustments to beginning fund balance	-	-	(294,393)	-	-	170,666	-	-	-	-
Fund balance - Beginning of Year (as restated)	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	19,977,999
Fund balance - End of Year	\$ 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	\$ 19,710,496
Debt service as a percentage of noncapital expenditures	14.16%	16.53%	16.56%	12.18%	10.92%	13.14%	12.56%	9.53%	9.40%	7.79%

Table 5

TOWN OF WAKE FOREST, NORTH CAROLINA

Government-wide Revenues

Last Six Fiscal Years

June 30, 2008

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
2008	18,991,165	786,667	20,879,263	12,785,429	5,834,891	869,330	596,418	60,743,163

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
 June 30, 2008

Fiscal Year	Taxes	Inter- govern- mental	Permits and Fees	Sales and Services	Invest- ment- Earnings	Misc. Revenues	Fiscal Year Total
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
2008	18,578,243	800,648	1,687,009	2,126,403	382,854	534,301	24,109,458

Notes:

(1) Includes general and special revenue funds.

Table 7

TOWN OF WAKE FOREST, NORTH CAROLINA
Government-wide Expenses by function
Last Six Fiscal Years
June 30, 2008

Fiscal Year	General Government		Public Safety		Transportation		Environ- mental 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
2008		7,613,303		7,445,480		2,795,746		1,976,526		1,519,941		489,404		34,441		14,228,087		36,102,928

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, 2008

Fiscal Year	General Government	Public Safety	Transportation	Environmental Protection	Cultural and Recreational	Debt Service	Fiscal Year
							Total
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
2008	7,696,482	7,411,281	1,298,470	1,933,999	1,491,413	1,600,320	21,431,965

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, 2008

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
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%
2008	2007	1,943,616,102	327,762,406	22,349,063	2,293,727,571	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, 2008

Fiscal Year	Town of Wake Forest	Wake County	Combined Tax Rate Per \$100 of Assessed Value
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
2008	0.550	0.678	1.228

Notes:

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

Table 11

TOWN OF WAKE FOREST, NORTH CAROLINA
Principal Property Taxpayers
 June 30, 2008

Taxpayer	Type of Enterprise	2008 Assessed Valuation	% of Total Assessed Valuation
Ellington Utility Contractors Inc.	Construction Plumbing Contractor	\$ 18,826,729	0.821%
Walmart Real Estate Business Trust	Shopping Center	16,717,688	0.729%
KF US-1 LLC	Shopping Center	16,703,376	0.728%
Oakland Heritage Multifamily LLC	Residential Development	13,949,326	0.608%
Factory LLC	Sports Entertainment Center	12,661,246	0.552%
Target Corporation	Retail Superstore	11,945,817	0.521%
Lowe's Home Center Inc.	Home Improvements Superstore	11,757,560	0.513%
Flaherty Farms LLC	Residential Development	11,053,352	0.482%
Crossroads Holdings LLC	Automotive Dealership	8,178,695	0.357%
Wake Electric Membership Corp	Electric Cooperative	7,844,865	0.342%
		<u>\$ 129,638,654</u>	<u>5.653%</u>
	Total Assessed Value =	\$ 2,293,727,571	

Table 12

TOWN OF WAKE FOREST, NORTH CAROLINA

Property Taxes Levies and Collections

Last Ten Fiscal Years

June 30, 2008

Fiscal Year	Net Tax Levy	Current Year's Taxes Collected	Percent Net Levy Collected	Collections Prior Years	Total Tax Collections	Ratio of Total Tax Collections to total Tax Levy		Ratio of Outstanding Delinquent Taxes to total Tax Levy	
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%	
2008	12,616,913	12,411,124	98.4%	172,974	12,584,098	99.7%	322,163	2.55%	

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, 2008

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2008	652,750	480,254	1,133,004	21,427,516	5.3%

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, 2008

Fiscal Year	(1) Population	(2) Personal Income (000's)	(3) Per Capita Personal Income	(4) Wake County Unemployment Rate
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%
2008 *	26,634	-	-	4.8%

(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.

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

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

* Information not available.

Table 15

TOWN OF WAKE FOREST, NORTH CAROLINA
Legal Debt Margin Information
 Last Ten Fiscal Years
 June 30, 2008

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$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	\$183,498,206
Total debt applicable to limit	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	10,900,984
Legal debt margin	<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>	<u>\$172,597,222</u>
Percentage of debt to debt limit	57.18%	16.33%	8.66%	7.04%	7.57%	5.93%	3.61%	2.96%	7.55%	5.94%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	<u>\$2,293,727,571</u>
Debt Limit (8% of total assessed value)	183,498,206
Debt applicable to limit	10,900,984
Legal debt margin	<u>\$172,597,222</u>
Percentage of debt to debt limit	<u>5.94%</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, 2008

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	
			\$			\$			%	\$		\$
1999	11,750	\$ 472,281,785	\$ 2,406,761		\$ 1,879,761	\$ 527,000		0.11%	\$ 45	\$ 205		
2000	12,049	544,283,774	5,304,492		1,654,492	3,650,000		0.67%	303	440		
2001	14,288	841,201,714	4,848,441		1,403,566	3,444,875		0.41%	241	339		
2002	15,022	968,755,422	4,415,000		1,174,125	3,240,875		0.33%	216	294		
2003	16,205	1,111,255,098	4,030,000		992,000	3,038,000		0.27%	187	249		
2004	16,553	1,224,820,333	3,655,000		817,625	2,837,375		0.23%	171	221		
2005	20,300	1,456,575,677	3,305,000		662,625	2,642,375		0.18%	130	163		
2006	22,784	1,738,175,824	2,960,000		511,500	2,448,500		0.14%	107	130		
2007	24,970	2,011,359,976	11,815,000		360,375	11,454,625		0.57%	459	473		
2008	26,634	2,293,727,571	11,015,000		213,125	10,801,875		0.47%	406	414		

(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, 2008

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town (2)</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Wake Forest	\$10,801,875 (1)	100.00%	\$10,801,875
Overlapping: (3)			
Wake County	\$1,434,595,000	2.73%	\$39,164,444

(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, 2008

Fiscal Year	Commercial		Residential		Total	
	Number	Value	Number	Value	Number	Value
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
2008	27	38,034,721	509	120,685,563	536	158,720,284

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

Table 19

TOWN OF WAKE FOREST, NORTH CAROLINA
Employee Position Authorization by Department (1)
 Last Ten Fiscal Years
 June 30, 2008

Fiscal Year	Human Resources										Public Safety				Public Works				Parks & Recreation				(2) Water & Wastewater		Year Total
	Admin	Comm	Finance	MIS	Inspections	Public Safety	Engineering	Admin	Pub Works	Fleet	Streets	Sanitation	Recreation	Public Buildings	Cemetery	Wastewater	Electric	Year Total							
1999	3.0	0.0	12.0	0.0	9.0	33.0	0.0	0.0	3.0	9.0	3.0	6.0	1.0	1.0	22.0	11.0	113.0								
2000	3.0	0.0	13.5	0.0	11.0	38.0	4.0	0.0	3.0	7.0	3.0	6.0	0.0	1.5	21.0	11.0	122.0								
2001	4.0	0.0	15.0	0.0	12.0	38.5	5.0	0.0	3.0	7.0	3.0	6.0	0.0	2.0	25.0	11.0	131.5								
2002	4.0	0.0	16.0	0.0	12.0	40.0	6.0	0.0	4.0	8.0	3.0	7.0	0.0	2.0	25.0	11.0	138.0								
2003	4.0	0.0	16.0	0.0	14.0	44.0	6.0	0.0	4.0	8.0	3.0	8.0	0.0	2.0	25.0	11.0	145.0								
2004	5.0	0.0	17.0	0.0	15.0	45.0	6.0	0.0	4.0	8.0	4.0	8.0	0.0	2.0	25.0	18.0	157.0								
2005	6.0	0.0	17.0	1.0	17.0	49.0	8.0	0.0	4.0	13.0	4.0	10.0	0.0	0.0	29.0	22.0	180.0								
2006	4.0	0.0	17.0	3.0	18.0	50.5	7.0	0.0	4.0	14.0	7.0	10.0	0.0	0.0	0.0	22.0	157.5								
2007	4.0	0.0	17.0	3.0	20.5	58.0	7.0	0.0	4.0	14.0	7.0	11.0	0.0	0.0	0.0	25.0	172.5								
2008	3.0	1.0	17.0	4.0	24.0	63.0	7.0	3.0	4.0	15.0	7.0	11.0	0.0	0.0	0.0	22.0	183.0								

(1) Permanent full time positions employees only as of June 30th. Excludes temporary, part-time and seasonal employees.

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

Table 20

TOWN OF WAKE FOREST, NORTH CAROLINA
Governmental Activities Tax Revenues By Source
 Last Six Fiscal Years
(modified accrual basis of accounting)
 June 30, 2008

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
2008	12,614,652	4,480,256	1,208,734	90,310	33,636	104,240	18,531,828

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, 2008

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	(1) Debt Per Capita
	General	Installment	Revenue	General	Installment	Bonds		
	Obligation Bonds	Financings	Bonds	Obligation Bonds	Financings	Bonds		
1999	\$ 527,000	\$ 4,533,521	\$ 1,879,761	\$ 11,086,264	\$ 284,447	\$ 18,310,993	\$	1,558
2000	3,650,000	3,910,405	1,654,492	10,104,579	212,644	19,532,120		1,621
2001	3,444,875	3,075,445	1,403,566	9,104,256	111,727	17,139,869		1,200
2002	3,240,875	2,437,273	1,174,125	13,298,716	10,839	20,161,828		1,342
2003	3,038,000	3,983,497	992,000	11,822,768	-	19,836,265		1,224
2004	2,837,375	3,206,392	817,625	10,519,880	-	17,381,272		1,050
2005	2,642,375	2,321,030	662,625	8,125,676	-	13,751,706		677
2006	2,448,500	1,810,956	511,500	7,290,948	-	12,061,904		529
2007	11,454,625	694,213	360,375	6,606,700	2,300,000	21,415,913		858
2008	10,801,875	246,359	213,125	5,762,177	2,144,943	19,168,479		720

Notes:

(1) See Table 14 for population data.

Table 22

TOWN OF WAKE FOREST, NORTH CAROLINA
Miscellaneous Statistics
 June 30, 2008

Date of Incorporation	February 20, 1909
Form of Government	Council-Manager
Miles of City-owned Streets	70.94
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	53
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	863
Wal-mart Super Center	Grocery/Retail	455
Southeastern Baptist Theological Seminary	Academic Institution	340
EmBarq (formerly named Sprint)	Telecommunications	335
The Body Shop	Naturally-based skin and hair	274
Super Target	Grocery/Retail	250
Town of Wake Forest	Local Government	183
Lowes Home Improvement	Building/Home supplies	150
Chris Leith	Automotive sales/service	119
Home Depot	Building/Home supplies	99

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, 2008, which collectively comprises the Town of Wake Forest's basic financial statements and have issued our report thereon dated January 27, 2009. 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 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 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 deficiencies described in the accompanying schedule of findings and responses to be a significant deficiencies in internal control over financial reporting (Items 2008-1, 2, 3 and 4).

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Item 2008-1 to be a material weakness.

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.

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it. We noted certain other matters that we reported to management of the Town of Wake Forest, in a separate letter dated January 27, 2009.

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
JOYCE AND COMPANY, CPA

January 27, 2009

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, 2008. 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, 2008.

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
JOYCE AND COMPANY, CPA

January 27, 2009

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

For the year ended June 30, 2008

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?	<u> X </u> yes	<u> </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statement noted	<u> </u> yes	<u> X </u> 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?	<u> </u> Yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

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

Identification of major state program: Powell Bill

Section II. Financial Statement Findings

Item 2008-1 **Accounting, recording transactions and review of interim financial statements**

<u>Criteria</u>	Controls should be in place to ensure that the books and records are properly closed each month with all reconciliations and routine journal entries posted in a timely manner. Interim financial statements should be provided and reviewed by management and the Board on a consistent schedule.
<u>Condition</u>	Routine reconciliations and necessary journal entries were not made in a timely manner. Management and the Board have not timely reviewed interim financial statements.
<u>Effect</u>	Financial statements could be materially misstated and not be detected.
<u>Cause</u>	This is due to a change in software systems as well as lack of careful review.
<u>Recommendation</u>	We recommend that staff develop a plan and time schedule for monthly close out procedures and routine reconciliation and related journal entries, that this plan be approved by the Board, implemented and followed up such that management and the Board is provided materially accurate information on a consistent schedule.

Views of responsible officials and planned corrective actions

The Town agrees with this finding.

Item 2008-2 **Old outstanding checks on bank reconciliation**

Criteria Outstanding checks over one year old should be escheated to the State of North Carolina.

Condition Numerous outstanding checks are being carried on the Town's books as outstanding.

Effect The Town is not in compliance with State Statutes.

Cause This is due to lack of careful review.

Recommendation We recommend the Town escheat all outstanding checks in excess of one year.

Views of responsible officials and planned corrective actions

The Town agrees with this finding.

Item 2008-3 **Reconciliation of performance bonds payable**

Criteria Controls should be in place to ensure that performance bonds payable should be reconciled.

Condition Performance bonds payable have not been reconciled in a timely manner.

Effect Performance bands payable could be misstated and not be detected.

Cause This is due to lack of careful review.

Recommendation We recommend that procedures be put into place such that performance bonds are reconciled at least quarterly.

Views of responsible officials and planned corrective actions

The Town agrees with this finding.

Item 2008-4 **Outstanding accounts payable report**

Criteria Accounts payable reports are necessary for proper recording of the Town's books.

Condition The Town's financial software is unable to provide a summary report of accounts payable.

Effect The Town is not able to reconcile accounts payable.

Cause The Town implemented new financial software in January of 2008.

Recommendation We recommend the Town request changes be made to the existing software such that an accounts payable summary be readily available.

Views of responsible officials and planned corrective actions

The Town agrees with this finding.

Section III. Federal Award Findings and Questioned Costs.

None.

Section IV. State Award Findings and Questioned Costs.

None.

Summary Schedule of Prior Audit Findings

Finding 2007-1

Status: Account reconciliation and review of internal financial statements are still not being performed in a timely basis.

Corrective Action: Beginning with the months of October and November 2008, monthly interim financial statements have been issued to key management and the Board. Additionally, in October 2008, a formal internal control policy was approved by the Board which details and outlines specific procedures and guidelines.

TOWN OF WAKE FOREST
SCHEDULE OF FINDINGS AND RESPONSES OF SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROLS
For the year ended June 30, 2008

Schedule

Material weaknesses and significant deficiencies

Item 1 – Accounting, recording transactions and review of interim financial statements

The books of the Town are not being reconciled in a timely manner and related adjustments are not being recorded on a monthly basis. During the current audit year, the Town began a change in software systems with the first financial modules being implemented in January 2008. The ending balances of the previous software system were not transferred to the new system until after year end. As a result of these matters, interim financial statements have not been prepared monthly and provided to the Board in accordance with Town policy and any internal information required obtaining information from both systems which then needed to manually combined. Bank reconciliations were not totally completed for January through June until late in the fall of 2008. This situation also required management to post numerous journal entries after year end such that the books could be closed. Due to these factors, interim financial statements have not been materially correct. As a result of these outstanding items, the audit could not be performed within the original contract due date of October 31, 2008 as established by the Local Government Commission. We recommend that staff develop a plan and time schedule for monthly close out procedures and routine reconciliation and related journal entries, that this plan be approved by the Board, implemented and followed up such that management and the Board is provided materially accurate information on a consistent schedule.

Contact Person – Aileen Staples, Finance Director

Management’s Response – Implementation of a software system in any event is a major undertaking for most organizations. Due to the antiquity of the previous software package, the decision was made to enter December 31, 2008 ending balances directly into the new system as opposed to converting general ledger, accounts payable and payroll applications. This was very time consuming and a lot more involved than originally anticipated. From the fall of 2008 until very recently, staff has spent the majority of its time learning the new software, and dealing with issues related to the software. Normal processes such as bank reconciliation and other routine procedures had to be reformatted and revised as a result of the new software. The processes were basically put on the back burner as all efforts were focused on the software. Beginning with fiscal 2008-2009, interim financial statements for the months ended October & November 2008 respectively have been issued to the Town Manager, Deputy Town Manager, Department Heads and key Supervisors. Furthermore, the Board has received a quarterly interim financial statement for the period September 30, 2008. In October 2008, a formal Internal Control Policy was adopted by the Board of Commissioners outlining specific procedures and guidelines. Staff is in agreement with the finding and committed to revising our procedures, developing a plan and keeping the Board informed to the status.

Proposed Completion Date – June 30, 2009

Item 2 – Old outstanding checks on bank reconciliation

The Town’s bank reconciliation includes numerous outstanding checks that are over a year old as of June 30, 2008 which still are being carried on the Town’s books. We recommend that all outstanding checks in excess of one year old be properly escheated with the State of North Carolina.

Contact Person – Aileen Staples, Finance Director

Management's Response – Staff addressed this item in November 2007, however the checks were not physically cleared from the prior software records. The respective outstanding checks have been escheated. The written procedures will be followed going forward.

Proposed Completion Date – November 30, 2008

Item 3 – Reconciliation of performance bonds payable

Currently performance bonds are not being reconciled on a timely basis. We recommend that procedures be put into place such that performance bonds are reconciled at least quarterly.

Contact Person – Aileen Staples, Finance Director

Management's Response – Staff agrees with the above finding. This account has been added to our quarterly procedures list.

Proposed Completion Date – June 30, 2009

Item 4 – Outstanding accounts payable report

Currently, the Town's financial software is unable to provide a summary report of accounts payable. Staff utilizes an Excel worksheet, if necessary, for summarizing accounts payable. We recommend that the Town request changes be made to the existing software such that an accounts payable summary be readily available.

Contact Person – Aileen Staples, Finance Director

Management's Response – Staff agrees with this finding and will work with the software vendor to locate the appropriate report to generate this information. If necessary, an Excel spreadsheet will be utilized to tally the true accounts payable at year end.

Proposed Completion Date – June 30, 2009

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

For the Fiscal Year Ended June 30, 2008

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	WBS 39593.1.1	\$ 10,500	\$ -	\$ 26,500
<u>U.S. Department of Transportation</u>					
Passed through N.C. Governor's Highway Safety Program					
<i>Traffic Safety Team</i>	20.605	PT-07-04-04-32	20,031	-	6,703
<i>Traffic Safety Team</i>	20.605	PT-08-03-04-69	48,578	-	48,578
sub-total			<u>68,609</u>	<u>-</u>	<u>55,281</u>
Total expenditure of federal awards			<u>79,109</u>	<u>-</u>	<u>81,781</u>
STATE GRANTS:					
<u>N.C. Department of Transportation</u>					
<i>Widen SR 1930 WBS No. 36305</i>	N/A	N/A	-	10,000	-
<i>Powell Bill Fund</i>	N/A	N/A	-	602,914	-
Total expenditure of state awards			<u>-</u>	<u>612,914</u>	<u>-</u>
Total expenditure of federal and state awards			<u>\$ 79,109</u>	<u>\$ 612,914</u>	<u>\$ 81,781</u>

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

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