

Wake County

Basic

Financial Statements

WAKE COUNTY, NORTH CAROLINA

(Continued)

**STATEMENT OF NET ASSETS
As of June 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
ASSETS				
Cash and investments - pooled equity	\$ 507,630,370	\$ 29,516,464	\$ 537,146,834	\$ -
Cash and investments - reserved	-	14,490,163	14,490,163	-
Cash and investments - cash equivalents	1,860,524	750	1,861,274	16,202,482
Taxes receivable (net)	7,622,955	-	7,622,955	-
Accounts receivable (net)	75,003,070	2,592,221	77,595,291	2,827
Loans receivable	20,035,822	-	20,035,822	-
Accrued interest receivable	2,397,403	208,656	2,606,059	-
Prepaid items	1,870,943	6,000	1,876,943	-
Internal balances	200,000	-	200,000	-
Inventories	196,878	-	196,878	5,505,504
Net pension asset	1,140,270	-	1,140,270	-
Bond issuance costs	143,455	-	143,455	-
Restricted assets:				
Cash and investments - cash equivalents with fiscal agent	149,847,999	-	149,847,999	-
Capital assets not being depreciated:				
Land	60,761,317	1,875,253	62,636,570	7,518,762
Construction in progress	172,242,140	2,980,471	175,222,611	960,991
Capital assets (net of accumulated depreciation):				
Landfills	-	6,599,138	6,599,138	-
Buildings	240,414,105	855,304	241,269,409	5,289,794
Improvements	17,337,112	397,973	17,735,085	-
Machinery and equipment	4,147,942	6,507	4,154,449	975,574
Vehicles and motorized equipment	13,785,545	-	13,785,545	-
Infrastructure	7,086,208	-	7,086,208	-
Total assets	1,283,724,058	59,528,900	1,343,252,958	36,455,934

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS As of June 30, 2009

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
Accounts payable and accrued liabilities	\$ 48,528,617	\$ 5,521,397	\$ 54,050,014	\$ 6,988,410
Due to other governmental units	23,613,964	-	23,613,964	-
Accrued interest payable	17,239,758	-	17,239,758	-
Unearned revenues	3,217,794	720	3,218,514	-
Housing loan deferred revenue	19,767,499	-	19,767,499	-
Long term liabilities:				
Amounts due within one year:				
Capital leases	170,973	-	170,973	-
General obligation bonds - schools	96,404,757	-	96,404,757	-
General obligation bonds - other	12,825,243	-	12,825,243	-
Quality zoning academic bonds	163,461	-	163,461	-
Installment purchases	1,174,813	-	1,174,813	-
Compensated absences payable	12,487,632	53,829	12,541,461	-
Amounts due beyond one year:				
Capital leases	157,095	-	157,095	-
General obligation bonds - schools	1,582,232,317	-	1,582,232,317	-
General obligation bonds - other	176,006,979	-	176,006,979	-
Quality zoning academic bonds	1,144,233	-	1,144,233	-
Installment purchases	8,182,152	-	8,182,152	-
Other post employment benefits	22,156,330	115,565	22,271,895	600,804
Closure/post closure costs	-	14,490,163	14,490,163	-
Total liabilities	<u>2,025,473,617</u>	<u>20,181,674</u>	<u>2,045,655,291</u>	<u>7,589,214</u>
NET ASSETS				
Invested in capital assets, net of related debt	317,257,114	12,714,646	329,971,760	14,745,121
Restricted for:				
Future capital needs	2,569,777	-	2,569,777	-
Working capital	-	-	-	2,286,193
Unrestricted (See Note 1.P)	<u>(1,061,576,450)</u>	<u>26,632,580</u>	<u>(1,034,943,870)</u>	<u>11,835,406</u>
Total net assets (deficit)	<u>\$ (741,749,559)</u>	<u>\$ 39,347,226</u>	<u>\$ (702,402,333)</u>	<u>\$ 28,866,720</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Board of Alcoholic Control
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
FUNCTIONS/PROGRAMS							
Primary Government:							
Governmental activities:							
General administration	\$ 55,488,240	\$ 5,631,031	\$ 2,754,167	\$ (47,103,042)	\$ -	\$ (47,103,042)	
Human services	244,176,508	27,828,734	128,697,447	(87,650,327)	-	(87,650,327)	
Education	661,548,515	-	28,570,960	(632,977,555)	-	(632,977,555)	
Community development and cultural	59,885,379	5,820,331	1,461,583	(52,603,465)	-	(52,603,465)	
Environmental services	11,978,164	2,686,474	2,861,388	(6,430,302)	-	(6,430,302)	
Public safety	143,763,181	17,649,225	3,372,852	(122,741,104)	-	(122,741,104)	
General services administration	26,444,850	3,167,713	52,050	(23,225,087)	-	(23,225,087)	
Interest on long-term debt	73,811,478	-	-	(73,811,478)	-	(73,811,478)	
Total governmental activities	1,277,096,315	62,783,508	167,770,447	(1,046,542,360)	-	(1,046,542,360)	
Business-type activities:							
Solid Waste	26,455,882	23,530,328	1,146,661	-	(1,778,893)	(1,778,893)	
Total primary government	\$ 1,303,552,197	\$ 86,313,836	\$ 168,917,108	(1,046,542,360)	(1,778,893)	(1,048,321,253)	
Component unit:							
Board of Alcoholic Control	\$ 56,719,324	\$ 59,441,015	\$ -				\$ 2,721,691
General revenues:							
Property taxes				640,238,154	-	640,238,154	-
Sales taxes				127,210,118	-	127,210,118	-
Occupancy and prepared food taxes				31,127,163	-	31,127,163	-
Other taxes				7,545,463	-	7,545,463	-
Grants and contributions not restricted to specific programs				5,125,653	-	5,125,653	-
Unrestricted investment earnings				15,900,340	1,229,967	17,130,307	246,843
Other				(3,331,974)	860,960	(2,471,014)	31,440
Transfers				312,000	(312,000)	-	-
Total general revenues and transfers				824,126,917	1,778,927	825,905,844	278,283
Change in net assets				(222,415,443)	34	(222,415,409)	2,999,974
Net assets (deficit), beginning of year				(519,334,116)	39,347,192	(479,986,924)	25,866,746
Net assets (deficit), end of year				\$ (741,749,559)	\$ 39,347,226	\$ (702,402,333)	\$ 28,866,720

WAKE COUNTY, NORTH CAROLINA

(continued)

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2009**

	Major Funds						Nonmajor	Total
	General	Affordable	Major	Debt	County	School	Other	
	Fund	Housing	Facilities	Service	Capital Projects	Capital	Governmental	
	Fund	Fund	Fund	Fund	Fund	Fund	Governmental	Funds
ASSETS								
Cash and investments - pooled equity	\$ 131,229,250	\$ 5,663,182	\$ 5,110,795	\$ 112,238,698	\$ 55,887,864	\$ 180,091,676	\$ 17,408,908	\$ 507,630,373
Cash and investments - cash equivalents	1,860,174	50	300	-	-	-	-	1,860,524
Cash and investments - restricted	-	-	-	32,571,932	2,347,363	83,122,612	31,806,091	149,847,998
Taxes receivable (net)	7,411,758	-	-	-	-	-	211,197	7,622,955
Accounts receivable (net)	56,301,107	125,784	2,473,268	4,672,983	4,947,686	5,174,611	1,307,631	75,003,070
Prepaid expenditures	293,394	11,635	-	86,333	-	-	1,479,580	1,870,942
Loans receivable	-	19,767,499	-	-	268,323	-	-	20,035,822
Accrued interest receivable	15,105	183	26,694	1,295,409	147,393	825,825	86,794	2,397,403
Internal balances (interfund receivable)	310,901	-	-	-	-	-	-	310,901
Inventories	196,878	-	-	-	-	-	-	196,878
TOTAL ASSETS	\$ 197,618,567	\$ 25,568,333	\$ 7,611,057	\$ 150,865,355	\$ 63,598,629	\$ 269,214,724	\$ 52,300,201	\$ 766,776,866
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 31,004,350	\$ 98,794	\$ 4,914,653	\$ 93,431	\$ 6,962,454	\$ 4,691	\$ 4,163,925	\$ 47,242,298
Due to other governmental units	137,636	-	83,334	-	-	23,384,895	8,099	23,613,964
Internal balances (interfund payable)	-	-	-	-	-	-	110,901	110,901
Deferred revenues	10,391,766	19,767,499	-	-	3,852,974	713,618	379,741	35,105,598
Total Liabilities	41,533,752	19,866,293	4,997,987	93,431	10,815,428	24,103,204	4,662,666	106,072,761

WAKE COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2009

	Major Funds						Nonmajor	Total
	General	Affordable	Major	Debt	County	School	Other	
	Fund	Housing	Facilities	Service	Capital Projects	Capital	Governmental	Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Funds	Funds
Fund Balances:								
Reserved for inventories	\$ 196,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,878
Reserved for noncurrent receivable	498,413	-	-	-	-	-	-	498,413
Reserved for encumbrances	2,464,916	1,704,855	-	-	31,179,114	135,866,309	1,360,658	172,575,852
Reserved by State statute	55,509,394	137,602	2,499,962	6,054,725	1,510,428	6,000,436	1,523,477	73,236,024
Reserved for register of deeds automation	899,171	-	-	-	-	-	-	899,171
Unreserved:								
Designated for subsequent year's expenditures	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditures - special revenue funds	-	3,859,583	113,108	-	-	-	1,412,415	5,385,106
Designated for subsequent year's expenditures - capital project funds	-	-	-	-	20,093,659	103,244,775	31,816,861	155,155,295
Designated for subsequent years' debt service	-	-	-	144,717,199	-	-	-	144,717,199
Designated for county fleet	2,000,000	-	-	-	-	-	-	2,000,000
Designated for working capital	94,516,043	-	-	-	-	-	-	94,516,043
Designated for working capital - special revenue funds	-	-	-	-	-	-	270,256	270,256
Undesignated - special revenue funds	-	-	-	-	-	-	2,625,745	2,625,745
Undesignated - capital project funds	-	-	-	-	-	-	8,628,123	8,628,123
Total Fund Balances	156,084,815	5,702,040	2,613,070	150,771,924	52,783,201	245,111,520	47,637,535	660,704,105
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,618,567	\$ 25,568,333	\$ 7,611,057	\$ 150,865,355	\$ 63,598,629	\$ 269,214,724	\$ 52,300,201	\$ 766,776,866

WAKE COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet to the Statement of Net Assets As of June 30, 2009

Fund balances - Governmental Funds	\$ 660,704,105
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 funds	515,774,369
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	13,260,576
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,931,488,609)</u>
Net assets (deficit) of governmental activities	<u><u>\$ (741,749,559)</u></u>

WAKE COUNTY, NORTH CAROLINA

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	Major Funds						Total Nonmajor Funds	Total Governmental Funds
	General	Affordable	Major	Debt	County	School		
	Fund	Housing Fund	Facilities Fund	Service Fund	Capital Projects Fund	Capital Fund		
REVENUES:								
Taxes	\$ 754,461,002	\$ -	\$ 31,066,532	\$ -	\$ 16,699	\$ -	\$ 20,427,424	\$ 805,971,657
Intergovernmental	126,339,064	2,400,419	-	15,384,671	5,040,089	13,186,290	10,606,083	172,956,616
Charges for services	57,555,463	108,156	-	-	3,547,299	-	386,562	61,597,480
Licenses and permits	3,640,114	-	-	-	-	-	-	3,640,114
Investment earnings	55,305	45,978	201,489	9,663,930	949,306	4,662,698	453,586	16,032,292
Miscellaneous	781,494	-	-	-	516,148	-	3,250	1,300,892
Total Revenues	942,832,442	2,554,553	31,268,021	25,048,601	10,069,541	17,848,988	31,876,905	1,061,499,051
EXPENDITURES:								
Current:								
General administration	43,018,801	-	-	226,546	13,486,478	-	601,914	57,333,739
Human services	232,200,918	3,534,594	-	-	-	-	9,524,790	245,260,302
Education	327,218,550	-	-	-	-	310,606,242	23,483,952	661,308,744
Community development and cultural	24,114,579	-	30,800,493	-	16,123,672	-	1,359,522	72,398,266
Environmental services	8,169,186	-	-	-	646,136	-	91,097	8,906,419
Public safety	87,861,446	-	-	-	43,895,413	-	21,673,822	153,430,681
General services administration	28,382,448	-	-	-	-	-	19,883	28,402,331
Debt service:								
Principal	-	-	-	94,944,496	-	-	-	94,944,496
Interest	-	-	-	58,677,460	-	-	-	58,677,460
Total Expenditures	750,965,928	3,534,594	30,800,493	153,848,502	74,151,699	310,606,242	56,754,980	1,380,662,438
REVENUES OVER (UNDER) EXPENDITURES	191,866,514	(980,041)	467,528	(128,799,901)	(64,082,158)	(292,757,254)	(24,878,075)	(319,163,387)

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	Major Funds						Total Nonmajor Funds	Total Governmental Funds
	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund		
OTHER FINANCING SOURCES (USES):								
Transfers in	\$ 1,243,996	\$ 1,104,000	\$ -	\$ 146,664,000	\$ 25,023,000	\$ 30,000,000	\$ 11,219,760	\$ 215,254,756
Transfers out	(206,146,760)	-	(2,922,996)	-	(2,500,000)	-	(3,373,000)	(214,942,756)
Bonds issued	-	-	-	-	21,300,000	356,500,000	57,200,000	435,000,000
Refunding bonds issued	-	-	-	235,300,000	-	-	-	235,300,000
Premiums on issuance	-	-	-	54,456,200	-	-	-	54,456,200
Payment to refunded bond escrow agent	-	-	-	(256,895,981)	-	-	-	(256,895,981)
Capital leases and installment purchases	82,210	-	-	-	-	-	1,940,000	2,022,210
Total Other Financing Sources (Uses)	(204,820,554)	1,104,000	(2,922,996)	179,524,219	43,823,000	386,500,000	66,986,760	470,194,429
NET CHANGE IN FUND BALANCES	(12,954,040)	123,959	(2,455,468)	50,724,318	(20,259,158)	93,742,746	42,108,685	151,031,042
Fund Balances at beginning of year	169,038,855	5,578,081	5,068,538	100,047,606	73,042,359	151,368,774	5,528,850	509,673,063
FUND BALANCES AT END OF YEAR	\$ 156,084,815	\$ 5,702,040	\$ 2,613,070	\$ 150,771,924	\$ 52,783,201	\$ 245,111,520	\$ 47,637,535	\$ 660,704,105

WAKE COUNTY, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds	\$ 151,031,042
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the capital asset decreases in the current fiscal year.	45,929,486
Depreciation expense for the fiscal year being reported	(15,668,789)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(401,339,297)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,374,308)
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 the governmental funds.	<u>6,423</u>
Change in net assets of governmental activities	<u><u>\$ (222,415,443)</u></u>

WAKE COUNTY, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 780,051,000	\$ 766,792,559	\$ 754,461,002	\$ (12,331,557)
Licenses and permits	5,492,337	3,954,337	3,640,114	(314,223)
Intergovernmental	125,702,263	131,269,566	126,339,064	(4,930,502)
Charges for services	61,520,163	55,628,818	57,555,463	1,926,645
Investment earnings	623,544	498,544	55,305	(443,239)
Miscellaneous	768,079	768,079	781,494	13,415
Total Revenues	<u>974,157,386</u>	<u>958,911,903</u>	<u>942,832,442</u>	<u>(16,079,461)</u>
EXPENDITURES:				
Current:				
General administration	50,383,603	46,486,731	42,936,591	3,550,140
Human services	240,317,749	241,843,902	232,200,918	9,642,984
Education	333,225,000	327,218,550	327,218,550	-
Community development and cultural	25,801,529	25,198,969	24,114,579	1,084,390
Environmental services	9,574,470	8,519,782	8,169,186	350,596
General services administration	29,146,602	29,196,860	28,382,448	814,412
Public safety	90,000,047	88,864,715	87,861,446	1,003,269
Total Expenditures	<u>778,449,000</u>	<u>767,329,509</u>	<u>750,883,718</u>	<u>16,445,791</u>
REVENUES OVER EXPENDITURES	<u>195,708,386</u>	<u>191,582,394</u>	<u>191,948,724</u>	<u>366,330</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,297,000	1,297,000	1,243,996	(53,004)
Transfers out	(205,911,000)	(206,146,760)	(206,146,760)	-
Total Other Financing Sources (Uses)	<u>(204,614,000)</u>	<u>(204,849,760)</u>	<u>(204,902,764)</u>	<u>(53,004)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(8,905,614)	(13,267,366)	(12,954,040)	313,326
APPROPRIATED FUND BALANCE	<u>8,905,614</u>	<u>13,267,366</u>	<u>-</u>	<u>(13,267,366)</u>
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(12,954,040)</u>	<u>\$ (12,954,040)</u>
FUND BALANCE AT BEGINNING OF YEAR			169,038,855	
LESS: EXPENDITURES ASSOCIATED WITH CAPITAL LEASE INCEPTION			(82,210)	
ADD: PROCEEDS OF CAPITAL LEASES			82,210	
TOTAL CAPITAL LEASE INCEPTIONS			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 156,084,815</u>	

The notes to the financial statements are an integral part of this statement.

WAKE COUNTY, NORTH CAROLINA

MAJOR FACILITIES FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN APPROPRIATED FUND BALANCE -

BUDGET AND ACTUAL

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
Occupancy tax	\$ 15,400,000	\$ 15,400,000	\$ 13,484,795	\$ (1,915,205)
Prepared food tax	17,400,000	17,400,000	17,581,737	181,737
Total taxes	32,800,000	32,800,000	31,066,532	(1,733,468)
Investment earnings	-	-	201,489	201,489
Total Revenues	32,800,000	32,800,000	31,268,021	(1,531,979)
EXPENDITURES:				
Raleigh hold harmless - occupancy	680,000	680,000	680,000	-
Cary hold harmless - occupancy	747,000	747,000	654,103	92,897
Greater Raleigh Convention and Visitors Bureau	3,982,000	3,982,000	3,517,313	464,687
Centennial Authority operations 7%	1,892,000	1,892,000	1,817,438	74,562
Centennial - Debt service	5,209,000	5,209,000	5,208,725	275
Raleigh annual distribution - \$1M	1,000,000	1,000,000	1,000,000	-
Convention Center	13,814,000	13,814,000	13,122,914	691,086
North Carolina Museum of Art	1,000,000	1,000,000	1,000,000	-
Carolina Ballet	100,000	200,000	100,000	100,000
Centennial Authority Facility Improvements	1,000,000	1,500,000	1,500,000	-
Green Square	-	1,900,000	1,900,000	-
St. Augustine's	-	300,000	300,000	-
Unallocated	400,000	400,000	-	400,000
Total Expenditures	29,824,000	32,624,000	30,800,493	1,823,507
REVENUES OVER EXPENDITURES	2,976,000	176,000	467,528	291,528
OTHER FINANCING SOURCES AND (USES):				
Transfers out to General Fund	(985,000)	(985,000)	(931,996)	53,004
Transfers out to Debt Service Fund	(991,000)	(991,000)	(991,000)	-
Transfers out to Capital Improvement Fund	(1,000,000)	(1,000,000)	(1,000,000)	-
Appropriated fund balance	-	2,800,000	-	(2,800,000)
Total other financing sources (uses)	(2,976,000)	(176,000)	(2,922,996)	(2,746,996)
REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(2,455,468)	\$ (2,455,468)
Fund Balance at beginning of year			5,068,538	
FUND BALANCES AT END OF YEAR			\$ 2,613,070	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS As of June 30, 2009

	Business-type Activities		
	Enterprise		
	Major Funds		Total
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Business-type Activities
ASSETS			
Current assets:			
Cash and investments - pooled equity	\$ 28,031,555	\$ 1,484,909	\$ 29,516,464
Cash and investments - reserved	11,498,655	2,991,508	14,490,163
Cash and investments - cash equivalents	-	750	750
Accounts receivable (net)	423,703	2,168,518	2,592,221
Due from other funds	322,962	-	322,962
Prepaid expenditures	2,500	3,500	6,000
Accrued interest receivable	208,656	-	208,656
Total current assets	<u>40,488,031</u>	<u>6,649,185</u>	<u>47,137,216</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	1,875,253	-	1,875,253
Construction in progress	2,980,471	-	2,980,471
Capital assets (net of accumulated depreciation):			
Landfills	6,599,138	-	6,599,138
Buildings	855,304	-	855,304
Machinery and equipment	6,507	-	6,507
Improvements	397,973	-	397,973
Total non-current assets	<u>12,714,646</u>	<u>-</u>	<u>12,714,646</u>
Total assets	<u>53,202,677</u>	<u>6,649,185</u>	<u>59,851,862</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,734,373	3,787,024	5,521,397
Due to other funds	-	322,962	322,962
Unearned revenues	720	-	720
Total current liabilities	<u>1,735,093</u>	<u>4,109,986</u>	<u>5,845,079</u>
Noncurrent liabilities:			
Compensated absences	53,829	-	53,829
Other post employment benefits	96,304	19,261	115,565
Closure/postclosure care costs	11,498,655	2,991,508	14,490,163
Total noncurrent liabilities	<u>11,648,788</u>	<u>3,010,769</u>	<u>14,659,557</u>
Total liabilities	<u>13,383,881</u>	<u>7,120,755</u>	<u>20,504,636</u>
NET ASSETS			
Invested in capital assets	12,714,646	-	12,714,646
Unrestricted	27,104,150	(471,570)	26,632,580
Total net assets	<u>\$ 39,818,796</u>	<u>\$ (471,570)</u>	<u>\$ 39,347,226</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Business-type Activities		
	Enterprise		
	Major Funds		
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities
OPERATING REVENUES:			
Licenses and permits	\$ 9,300	\$ -	\$ 9,300
Charges for services	7,206,032	16,314,996	23,521,028
Miscellaneous	860,844	116	860,960
Total Operating Revenues	<u>8,076,176</u>	<u>16,315,112</u>	<u>24,391,288</u>
OPERATING EXPENSES:			
Cost of service	9,782,399	11,505,739	21,288,138
Administration	1,421,630	916,640	2,338,270
Partner rebates	-	2,385,145	2,385,145
Depreciation and amortization	444,329	-	444,329
Total Operating Expenses	<u>11,648,358</u>	<u>14,807,524</u>	<u>26,455,882</u>
OPERATING INCOME (LOSS)	(3,572,182)	1,507,588	(2,064,594)
NON-OPERATING REVENUES:			
Intergovernmental	1,146,661	-	1,146,661
Investment earnings	1,228,484	1,483	1,229,967
Total Non-Operating Revenues	<u>2,375,145</u>	<u>1,483</u>	<u>2,376,628</u>
Income (loss) before transfers	(1,197,037)	1,509,071	312,034
TRANSFERS:			
Transfers in	856,719	-	856,719
Transfers out	(312,000)	(856,719)	(1,168,719)
Total Transfers	<u>544,719</u>	<u>(856,719)</u>	<u>(312,000)</u>
CHANGE IN NET ASSETS	(652,318)	652,352	34
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>40,471,114</u>	<u>(1,123,922)</u>	<u>39,347,192</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 39,818,796</u>	<u>\$ (471,570)</u>	<u>\$ 39,347,226</u>

WAKE COUNTY, NORTH CAROLINA

(Continued)

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009**

	Business-type Activities		
	Enterprise		
	Major Funds		
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 8,920,627	\$ 15,941,047	\$ 24,861,674
Cash payments to suppliers for goods and services	(16,261,835)	(10,396,046)	(26,657,881)
Cash payments to employees for services	(973,919)	(213,862)	(1,187,781)
Other operating revenues	870,144	116	870,260
Net cash provided (used) by operating activities	<u>(7,444,983)</u>	<u>5,331,255</u>	<u>(2,113,728)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue	1,146,661	-	1,146,661
Transfers in	856,719	-	856,719
Transfers out	(312,000)	(856,719)	(1,168,719)
Net cash provided by noncapital financing activities	<u>1,691,380</u>	<u>(856,719)</u>	<u>834,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	<u>(158,964)</u>	<u>-</u>	<u>(158,964)</u>
Net cash used by capital and related financing activities	<u>(158,964)</u>	<u>-</u>	<u>(158,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>1,445,630</u>	<u>1,781</u>	<u>1,447,411</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2009

	Business-type Activities		
	Enterprise		
	Major Funds		
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities
Net increase (decrease) in cash and cash equivalents	\$ (4,466,937)	\$ 4,476,317	\$ 9,380
Cash and cash equivalents at beginning of year	43,997,147	850	43,997,997
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 39,530,210	\$ 4,477,167	\$ 44,007,377
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (3,572,182)	\$ 1,507,588	\$ (2,064,594)
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities:			
Depreciation and amortization	444,329	-	444,329
(Increase)/decrease in accounts receivable	1,714,595	(373,949)	1,340,646
(Increase)/decrease in prepaid items	(2,500)	(3,500)	(6,000)
Increase/(decrease) in accounts payable and accrued liabilities	(6,029,225)	4,201,116	(1,828,109)
Total adjustments	(3,872,801)	3,823,667	(49,134)
Net cash provided (used) by operating activities	\$ (7,444,983)	\$ 5,331,255	\$ (2,113,728)

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS As of June 30, 2009

	Separation Allowance	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments - pooled equity	\$ 2,426,126	\$ 1,616,445
Accounts receivable (net)	135	20,051
Accrued interest receivable	<u>12,509</u>	<u>4,320</u>
Total assets	<u>2,438,770</u>	<u>1,640,816</u>
LIABILITIES		
Other liabilities	-	1,597,321
Due to other governmental units	<u>-</u>	<u>43,495</u>
Total liabilities	<u>-</u>	<u>\$ 1,640,816</u>
NET ASSETS		
Held in trust for employee's pension benefits (Schedule of Funding Progress on page 61)	<u>\$ 2,438,770</u>	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS For the Year Ended June 30, 2009

Additions:	Separation Allowance
Employer Contributions	\$ 697,000
Net investment income	69,864
Total additions	766,864
Deductions:	
Benefits	934,027
Net increase	(167,163)
Net assets held in trust for pension benefits:	
Beginning of year	2,605,933
End of year	\$ 2,438,770

**Wake County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2009**

**NOTE 1.
Summary of Significant
Accounting Policies**

The County of Wake (County) was established in 1771 by the North Carolina General Assembly under North Carolina State Law [General Statute (G.S.) 153A-10]. The County is governed by a seven-member board of commissioners and provides the following services: public safety, culture-recreation, human services programs, community development, environmental services, planning and zoning, employment and training, education and general administration.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County is one of the 100 counties established in North Carolina under State Law [G.S. 153A-10]. As required by GAAP, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit below is reported in a separate column in the County's government-wide financial statements to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Wake County Board of Alcoholic Control (ABC Board)

The members of the ABC Board's governing board are appointed by the County Board of Commissioners. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board has a June 30 year-end. The financial statement may be obtained at 225 Hillsborough St., Raleigh, NC 27602.

**B. Government-wide and
Fund Financial
Statements**

The Statement of Net Assets and the Statement of Changes in Net Assets, which are the government-wide statements, report information on all of the nonfiduciary activities of the County and its component unit. Most of the interfund activity has been removed from these statements. The County's governmental activities, which are supported primarily by taxes and intergovernmental revenues, are reported separately from its business-type activities, which rely on charges for services for support. Likewise, the County is reported separately from the ABC Board, a legally separate component unit for which the County is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of specific functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not properly included among program revenues, including all taxes, are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. Major individual governmental funds are included as separate columns in the fund financial statements. The proprietary funds distinguish operating revenues and expenses from nonoperating items. The operating items generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting the operating criteria are reported as nonoperating items.

**C. Measurement Focus,
Basis of Accounting, and
Financial Statement
Presentation**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

**C. Measurement Focus,
Basis of Accounting, and
Financial Statement
Presentation (Cont.)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recognized when a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due.

In the governmental funds statements, property taxes, investment earnings and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenue for the current fiscal period if received within 30 days of year-end. With the exception of sales tax distributions, revenues collected beyond 30 days after year end are not susceptible to accrual because generally they are either not available or not measurable until received in cash. Sales tax distributions are accrued and treated as revenue for the current fiscal period if received within 90 days of year-end.

The County reports the following major funds:

General Fund - The general fund is the general operating fund of the County. 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 federal and State grants. The primary expenditures are for education, human services, public safety, environmental, cultural and recreational services, community development, and general governmental services.

Affordable Housing Fund - The Affordable Housing fund provides housing rehabilitation, infrastructure improvements, and relocation assistance to households meeting eligibility requirements. These programs are funded with both County funds and federal grant moneys.

Major Facilities Fund – The Major Facility Fund accounts for the accumulation of revenues to be spent on the construction of major facilities in accordance with an interlocal agreement between Wake County and other local governments located within the County.

Debt Service Fund - The County budgets and pays debt service and related expenditures from this fund.

County Capital Projects Fund – The County Capital Projects Fund accounts for the acquisition of land and buildings by the County for general public purpose.

School Capital Fund – The School Capital Fund accounts for the construction and renovation of school building projects financed by County-issued bonds, various State grants, and other County funds.

Solid Waste Operating Fund - The Solid Waste Operating Fund accounts for the County’s landfills, container sites, and recycling operations excluding the new South Wake Landfill and the East Wake Transfer Station. The South Wake Landfill and the East Wake Transfer Station are accounted for in a separate enterprise fund.

South Wake Landfill Partnership Fund – The South Wake Landfill Partnership Fund accounts for one Subtitle D Landfill and the East Wake Transfer Station. These facilities are operated in partnership with eleven other local governments within Wake County through an Interlocal Agreement.

Additionally, the County reports the following fund and fund types:

Fiduciary Fund Types

Pension Trust Fund - Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Separation Allowance Fund accounts for the Law Enforcement Officers’ Special Separation Allowance, a single-employer, public employee retirement system.

**C. Measurement Focus,
Basis of Accounting, and
Financial Statement
Presentation
(Cont.)**

Agency Funds - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County maintains four agency funds: the Municipal Tax Fund, which collects and disburses the taxes for municipalities in the County; the Human Services Fund, which accounts for moneys deposited with County departments for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for moneys received from the Court System for disbursement to the Wake County Public School System; and the DMV Interest Penalty Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The County has the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

All funds of the County are accounted for during the year on the modified accrual basis of accounting in accordance with North Carolina General Statutes. The governmental funds are also reported using the modified accrual basis of accounting. The proprietary funds are reported using the full accrual basis of accounting.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, sales taxes, property taxes and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the County funds certain programs by specific grants, resources and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply grant resources to such programs and then general revenues.

D. Budgetary Data Control

In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the Board of County Commissioners adopts an annual budget ordinance using the modified basis of accounting for all governmental and proprietary funds except funds authorized by project ordinances. The annual budget for governmental funds and proprietary funds must be adopted no later than July 1. Agency and pension trust funds are not required by state law to be budgeted. All capital projects funds and special revenue funds other than the Special Tax District and the Major Facilities Funds are budgeted under project ordinances spanning more than one fiscal year and are controlled by project. Project appropriations continue until the projects are complete. The Debt Service Fund is also budgeted annually.

For those funds for which annual budgets are adopted, appropriations are budgeted and controlled on a functional basis and amended as necessary during the fiscal year. The County Manager is authorized to transfer budgeted amounts between appropriations within the same fund. However, any transfer exceeding \$75,000 shall be reported to the Board of County Commissioners at the next regularly scheduled meeting. Revisions that alter the total appropriations of any fund must be approved by the Board of County Commissioners. Annual appropriations lapse at the end of the budget year.

Amounts reported as general administration expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund differ from the amounts reported in the General Fund Statement of Revenues, Expenditures, and changes in Fund Balances-Budget and Actual by \$82,210. This amount represents the expenditures associated with the inception of capital leases that are not required to be budgeted by the County under the NC law.

E. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by State Law [G.S. 159-31]. The County may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County 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 bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), a Securities and Exchange Commission registered (2a-7) mutual fund.

As required, the County's investments are stated at fair value as determined by quoted market prices. The NCCMT Cash Portfolio securities are valued at fair value, which is the NCCMT's share price. Except for the Pension Trust Fund and unspent bond proceeds, the County pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Income from pooled moneys is allocated to participating funds based on the funds' respective share of total pooled cash and investments. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

F. Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

**G. Taxes Receivable
Deferred Revenues**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes for property other than vehicles are levied on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, no penalties or interest are assessed until the following January 6. Property taxes on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1, 2008.

Ad valorem taxes collected within 30 days after the fiscal year end for the year ended June 30, 2009 and prior years are accrued within the funds because the amounts are considered measurable and available. The remaining ad valorem taxes receivable are not accrued, as the amount is not considered available. These taxes receivable are significantly past due and are not considered to be an available resource to finance the operations of the subsequent year. GAAP states that property taxes, which are measurable but not available, should be initially recorded as deferred revenues under the modified accrual basis of accounting. The receivable amount is reduced by an allowance for uncollectible taxes and an amount equal to the net receivable is shown as deferred revenue on the combined balance sheet. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenues.

**H. Allowances for
Uncollectible
Accounts**

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**I. Inventories and Prepaid
Expenditures**

Inventories are valued at cost, using the weighted average method. The inventories of the General Fund consist of expendable supplies and are recorded as expenditures when consumed. The General Fund inventories reported on the fund balance sheet are offset by a fund balance reserve, which indicates that it does not constitute a resource available for appropriation. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The County defines capital assets as assets with an individual cost of more than \$5,000, and an estimated useful life of more than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset being constructed. Capital assets are depreciated on the following basis:

Buildings	40 years
Vehicles and Motorized Equipment	5 years
Machinery and Equipment	3 years
Improvements	40 years
Infrastructure	20-50 years

K. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight line 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 report the face amount of debt issued as an other financing source. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and any related premium are reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as a reduction of proceeds.

L. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for vacation pay and salary-related payments are accrued as the leave is earned in the government-wide and proprietary fund financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

The County's sick leave policy provides for an 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 benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance 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 those amounts stand at the close of the fiscal year preceding the budget year.

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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

**N. Comparative
Reclassifications**

Certain amounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

**O. Reconciliation of
Government-wide and
Fund Financial
Statements**

Explanation of certain differences between the governmental fund balance sheets and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between the fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “ long term liabilities, including bonds payable, are not due in the current period and therefore are not reported in the funds.” The details of this (\$1,931,488,609) difference are as follows:

Outstanding long-term debt payable (per Note 10)	\$ (1,913,105,985)
Add:	
Accrued interest payable	(17,239,758)
Payable to granting agency	(1,286,321)
Less:	
Bond issuance costs (to be amortized over life of debt)	<u>143,455</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (1,931,488,609)</u></u>

**O. Reconciliation of
Government-wide and
Fund Financial
Statements (Cont.)**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states “the issuance of long term debt such as bonds and leases provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued while these amounts are deferred and amortized in the statement of activities.” The details of this (\$401,339,297) difference are as follows:

Debt issued or incurred:

General obligation debt - schools issued	\$ (356,500,000)
General obligation debt - other issued	(78,500,000)
Refunding bonds issued	(235,300,000)
Premiums on bond issuance	(54,456,200)
Installment purchases	(1,940,000)
Capital lease financing	(82,210)
Increases in other post employment benefit liability	(14,590,572)
Compensated absences increases	(11,640,570)
Interest expense accrual and other adjustments	(1,730,677)
Total Increases	<u>(754,740,229)</u>

Principal repayments:

General obligation debt - schools	83,445,236
General obligation debt - other	10,279,764
Refunded bonds	238,800,000
Installment purchase payments	1,055,535
Qualified zone academy bonds	163,461
Current year amortization of bond premiums	4,613,179
Capital lease payments	173,560
Decreases in other post employment benefit liability	3,869,961
Compensated absences, decreases	11,000,236
Total Decreases	<u>353,400,932</u>

Net adjustment to increase net changes in fund balances - total

governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (401,339,297)</u>
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**O. Reconciliation of
Government-wide and
Fund Financial
Statements (Cont.)**

Another element of that reconciliation states “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the book value of capital asset decreases in fiscal year being reported.” The details of this \$45,929,486 difference are as follows:

Capital Asset Aquisitions:	
Capital Asset Increases	\$ 92,392,058
Net increase in construction in progress	<u>47,383,211</u>
Total Increases	139,775,269
Capital Asset Disposals:	
Capital asset decreases	(99,315,474)
Accumulated depreciation related to capital asset disposals	<u>5,469,691</u>
Total Decreases	<u>(93,845,783)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 45,929,486</u></u>

P. Unrestricted (deficit)

On the Statement of Net Assets, the unrestricted (deficit) for governmental activities is composed of the following:

For school debt	\$	(1,679,944,768)
All other		<u>618,368,318</u>
Total unrestricted net assets	\$	<u>(1,061,576,450)</u>

Under North Carolina law, the County is responsible for providing capital funding for the Wake County Board of Education (the “School System”). The County has chosen to meet its legal obligation to provide school capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County are owned, utilized and maintained by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of the school-related debt was \$1,679,944,768. However, the entire amount of school debt outstanding is general obligation debt, which is collateralized by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

**NOTE 2.
Related Organizations**

Industrial Facilities and Pollution Control Financing Authority

The County Board of Commissioners is responsible for appointing the board members of the Wake County Industrial Facilities and Pollution Control Financing Authority, but the County's accountability for this organization does not extend beyond making these appointments. The Authority exists to issue and service revenue bond debt for private business for economic development purposes. Its primary revenues are the payments to service the issued debt that are received from the businesses involved. The County is not responsible for the debt issued by the Authority and the Authority's debt is not included in determining the County's legal debt limit.

Wake County Housing Authority

The County Board of Commissioners is responsible for appointing members of the Wake County Housing Authority, but the County's accountability for this organization does not extend beyond making these appointments. The Authority's purpose is to provide safe, decent, and affordable housing to County residents. Their operations are subsidized by the federal government and other grantors. The Authority determines its own budget and sets rental rates. The County is not responsible for deficits or liabilities of the Authority.

Wake County Hospital System, Inc.

The County Board of Commissioners is responsible for appointing eight of the fourteen members of the Hospital's Board of Directors. The County's accountability for this organization does not extend beyond making the appointments. The Hospital, a private, not-for-profit entity, operates as a community general hospital, providing care to indigent patients per an agreement with the County which states that it agrees to provide, on an annual basis, out of pocket indigent cost that equal or exceed 4.8% of its total adjusted revenue.

Effective April 1, 1997, the Hospital and the County agreed that the County, as owner of certain hospital facilities and related property would transfer such property to the Hospital. Prior to the transfer, the Hospital issued revenue bonds to defease hospital revenue bonds previously issued by the County in the Hospital's behalf. The proceeds of the new debt plus a sufficient amount of available funds were placed in an irrevocable trust to provide for all future debt service payments on the old hospital revenue bonds.

**NOTE 3.
Joint Ventures Without
Equity Interest**

Wake Technical Community College

Technical and vocational training beyond the secondary level is provided by Wake Technical Community College, with some financial assistance from the County. The College is a part of the state-wide system of community colleges and technical institutes. The College has a twelve-member Board of Trustees, four of which are appointed by the County Board of Commissioners. The County has no responsibility for the designation of management and exercises no control over the operations of the College beyond its annual appropriation. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County remitted \$16,718,550 to the College for operating purposes during the current year. In addition, the County made debt service payments of \$3,041,124 on general obligation bonds issued to construct College facilities. The County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2009. Complete financial statements for the College may be obtained at their administrative offices at 9101 Fayetteville Road, Raleigh, NC 27603.

Raleigh-Durham Airport Authority

The Raleigh-Durham Airport Authority is governed by a board appointed to plan and conduct the operations of the Raleigh-Durham International Airport. This eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham, and County of Wake, with each member government appointing two members to the Airport Authority board. The Airport Authority board selects the management and determines the budget and financing requirements for airport operations. The County and other participating governments each appropriate \$12,500 annually to cover administration expenses incurred by the Authority. The participating governments have no equity interest in the joint venture; therefore, no equity interest is reflected in the County's financial statements. Complete financial statements for the Airport Authority may be obtained from the airport's administrative offices at 1051 Cargo Drive, Raleigh, NC 27623.

Centennial Authority

The Centennial Authority is a local political subdivision of the State of North Carolina created pursuant to Section 4 of Chapter 458 of the 1995 Session Laws of North Carolina. The purpose of the Authority is to study, design, plan, construct, own, promote, finance and operate a regional facility in Wake County, North Carolina. The regional facility will consist of an arena, coliseum or other buildings or both, where sports, fitness, health recreational, entertainment or cultural activities can be conducted. In addition, the County remitted \$1,817,438 for operations, \$5,208,725 for debt service and \$1,500,000 for facility improvements from the Occupancy and Prepared Food/Beverage taxes for the Authority. The County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2009. Complete financial statements for the Authority may be obtained at their administrative offices at 1520 Blue Ridge Road, Suite 201, Raleigh, NC 27607.

Greater Raleigh Convention and Visitors Bureau

The Greater Raleigh Convention and Visitors Bureau (Bureau) was established in fiscal year 1992 in conjunction with a County occupancy tax levy to promote and solicit business, conventions, meetings and tourism in the County. The governing body of the Bureau is a twelve-member Board of Directors with six members appointed by the Raleigh City Council and six members appointed by the County Board of Commissioners. Funding is derived from the six (6) percent occupancy tax levied upon the rental of rooms, lodging or similar accommodations, and from a one (1) percent prepared food & beverage tax levied on all prepared foods and beverages sold by Wake County businesses. Monthly, the County is required to distribute to the Bureau a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the Bureau's minimum annual distributions, the County and City must fund the deficiency equally to ensure that the Bureau receives its minimum distribution of \$1,000,000 in any fiscal year. All unexpended funds of the Bureau revert to the County and City at the end of each fiscal year. The Bureau is a joint venture of equal equity interest between the County and the City of Raleigh. The Wake County Board of Commissioners and the Raleigh City Council must approve the budget and all amendments. The Bureau does not have any outstanding indebtedness except for a minor investment in capital assets, the only equity in the Bureau at year-end is for encumbrances, which will be expended, in the subsequent year. Based on this, no equity interest in the Bureau is recorded at June 30, 2009.

**NOTE 4.
Deposits and Investments**

1. Deposits: All of the County's deposits are either insured or collateralized using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County'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 County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under 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 pooling depository. The County has no policy regarding custodial credit risk for deposits.

At year-end, the County's deposits had a carrying amount of \$223,482,953 and a bank balance of \$228,913,157. Of the bank balance, \$903,704 was covered by federal depository insurance and \$228,009,453 in interest-bearing deposits were covered by collateral held under the pooling method.

2. Investments

As of June 30, 2009, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than		
		2 Years	2 - 3 Years	3 - 5 Years
U.S. Government Treasuries	\$ 79,487,995	\$ 79,487,995	\$ -	\$ -
U.S. Government Agencies	354,245,965	287,955,090	35,325,225	30,965,650
Certificates of Deposit	50,000,000	50,000,000	-	-
N.C. Capital Management Trust -Cash portfolio	171,928	171,928	-	-
Total fair value	\$ 483,905,888	\$ 417,615,013	\$ 35,325,225	\$ 30,965,650

Interest Rate Risk. As a means of managing its exposure to fair value losses from increasing interest rates, the County has an informal investment policy that limits investment maturities to a maximum of five years. A maximum of \$90 million or 15% of the portfolio can be in the 2-3 year range and a maximum of \$60 million or 10% of the portfolio can be in the 3-5 year range, at times it may be necessary for investment maturities to exceed these ranges.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2009, the County had no investments in commercial paper. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2009. The County's investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration risk: The County's informal investment policy limits the amount of investments to \$20 million that is allowed in any one issuer's name.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, all of the County's investments were in the County's name.

**NOTE 5.
Receivables**

Receivables, including accrued interest, as of year end for the County's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Non Major Funds	Totals
Property taxes	\$ 18,809,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,274	\$ 19,563,659
Accounts	11,771,194	-	-	-	1,168,345	-	-	12,939,539
Interest	15,105	183	26,694	1,295,409	147,393	825,825	86,794	2,397,403
Special assessments	18,620	-	-	-	-	-	-	18,620
Intergovernmental	45,456,881	103,612	-	-	510,589	5,174,611	985,845	52,231,538
Loans receivable	-	20,089,206	-	-	268,323	-	-	20,357,529
Other	6,709,276	50,118	2,473,268	4,672,983	4,613,269	-	321,786	18,840,700
Gross receivables	82,780,461	20,243,119	2,499,962	5,968,392	6,707,919	6,000,436	2,148,699	126,348,988
Less allowance for bad debts	(19,052,491)	(349,653)	-	-	(1,344,517)	-	(543,077)	(21,289,738)
Net total receivables	<u>\$ 63,727,970</u>	<u>\$ 19,893,466</u>	<u>\$ 2,499,962</u>	<u>\$ 5,968,392</u>	<u>\$ 5,363,402</u>	<u>\$ 6,000,436</u>	<u>\$ 1,605,622</u>	<u>\$ 105,059,250</u>

Accounts receivables of the Solid Waste Operating Fund and the South Wake Landfill Partnership Fund are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the current period are \$185,716 and \$116,346, respectively.

**NOTE 5. (Cont.)
Receivables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that that have been received but not yet earned. At the end of the current period, the various components of deferred revenue were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable (General Fund)	\$ 5,433,363	\$ -
Taxes receivable (Special District Fund)	211,197	-
Housing loans receivable (Affordable Housing Fund)	-	19,767,499
Loans receivable (Capital Improvements Fund)	-	268,323
Prepaid taxes not yet earned (cash)	-	2,135,853
Prepaid loans not yet earned (cash)	-	100,000
Prepaid revenues not yet earned (cash)	-	-
Other cash deferred revenues (School Capital Fund)	-	713,618
Other deferred revenues	6,475,745	-
	<u>\$ 12,120,305</u>	<u>\$ 22,985,293</u>

NOTE 6.
Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 40,931,187	\$ 19,830,130	\$ -	\$ 60,761,317
Construction in progress	214,082,693	47,383,211	(89,223,764)	172,242,140
Total capital assets, not being depreciated	<u>255,013,880</u>	<u>67,213,341</u>	<u>(89,223,764)</u>	<u>233,003,457</u>
Capital assets, being depreciated:				
Buildings	258,857,042	57,472,581	(7,414,291)	308,915,332
Improvements Other than Buildings	14,813,784	5,902,154	-	20,715,938
Machinery and equipment	32,896,406	1,902,755	(552,092)	34,247,069
Vehicles and motorized equipment	27,415,838	7,284,438	(2,125,327)	32,574,949
Infrastructure	10,939,755	-	-	10,939,755
Total capital assets being depreciated	<u>344,922,825</u>	<u>72,561,928</u>	<u>(10,091,710)</u>	<u>407,393,043</u>
Less accumulated depreciation for:				
Buildings	63,153,180	8,466,017	(3,117,970)	68,501,227
Improvements Other than Buildings	2,525,476	853,350	-	3,378,826
Machinery and equipment	28,692,787	1,958,432	(552,092)	30,099,127
Vehicles and motorized equipment	16,420,405	4,168,628	(1,799,629)	18,789,404
Infrastructure	3,631,185	222,362	-	3,853,547
Total accumulated depreciation	<u>114,423,033</u>	<u>\$ 15,668,789</u>	<u>\$ (5,469,691)</u>	<u>124,622,131</u>
Total capital assets, being depreciated, net	<u>230,499,792</u>			<u>282,770,912</u>
Governmental activities capital assets, net	<u>\$ 485,513,672</u>			<u>\$ 515,774,369</u>

NOTE 6. (Cont.)
Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,875,253	\$ -	\$ -	\$ 1,875,253
Construction in progress	3,864,545	152,255	(1,036,329)	2,980,471
Total capital assets, not being depreciated/amortized	<u>5,739,798</u>	<u>152,255</u>	<u>(1,036,329)</u>	<u>4,855,724</u>
Capital assets, being depreciated/amortized:				
Landfills	35,124,359	1,036,329	-	36,160,688
Buildings	1,166,846	-	-	1,166,846
Improvements	544,003	-	-	544,003
Machinery and equipment	18,254	6,709	-	24,963
Vehicles and motorized equipment	11,573	-	-	11,573
Total capital assets being depreciated/amortized	<u>36,865,035</u>	<u>1,043,038</u>	<u>-</u>	<u>37,908,073</u>
Less accumulated depreciation/amortization for:				
Landfills	29,160,169	401,381	-	29,561,550
Buildings	282,378	29,164	-	311,542
Improvements	132,448	13,582	-	146,030
Machinery and equipment	18,254	202	-	18,456
Vehicles and motorized equipment	11,573	-	-	11,573
Total accumulated depreciation/amortization	<u>29,604,822</u>	<u>\$ 444,329</u>	<u>\$ -</u>	<u>30,049,151</u>
Total capital assets, being depreciated/amortized, net	<u>7,260,213</u>			<u>7,858,922</u>
Business-type activities capital assets, net	<u>\$ 13,000,011</u>			<u>\$ 12,714,646</u>

NOTE 6. (Cont.)
Capital Assets

Depreciation and amortization expenses were charged to functions as follows:

Governmental activities:

General administration	\$ 3,490,144
Human services	1,573,995
Education	355,489
Community development and cultural	2,130,117
Environmental services	256,549
Public safety	4,685,878
General services administration	<u>3,176,617</u>

Total depreciation expense -

Governmental activities	<u>15,668,789</u>
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Business-type activities:

Environmental services - solid waste	<u>444,329</u>
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Total depreciation and amortization	<u><u>\$ 16,113,118</u></u>
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NOTE 6. (Cont.)
Capital Assets

For the 2009 fiscal year, the construction in progress expenditures for governmental activities were as follows:

Construction in Progress:	
	Expended At June 30, 2009
Automation	\$ 22,788,158
Community Capital Projects	500,000
County Buildings	11,079,182
Criminal Justice	60,514,804
Libraries	5,259,188
Open Space	16,716,577
Parks	4,402,524
Public Safety	27,766,505
Water/Wastewater	21,216,342
Program-wide Projects	1,998,860
	<hr/>
Total	\$ 172,242,140
	<hr/> <hr/>

**NOTE 7.
Interfund
Receivables/Payables and
Transfers**

Internal balances in the governmental funds, as of June 30, 2009 are \$310,901. This represents amounts due to the General Fund by a non-major government fund for their share of cash and investments pooled equity and amounts due to the General Fund from the Human Services Agency fund for reimbursements of expenditures. Internal balances in the business-type activities funds, as of June 30, 2009 are \$322,962. This represents amounts owed to the the Solid Waste Operating Fund from the South Wake Landfill Partnership Fund for the County's share of the South Wake Landfill partnership rebate.

The County's General Fund transferred funds during fiscal year 2009 to fund debt service payments, capital improvements, the risk management program, economic developments and the County match for State and Federal Grant Programs. The \$312,000 transferred from the Solid Waste Operating Fund is to cover administrative expenses incurred by the County's General Fund on behalf of the solid waste program. The \$856,719 transferred from the South Wake Landfill Partnership Fund to the Solid Waste Operating Fund is to cover administrative expenses incurred in the Solid Waste Operating Fund on behalf of the South Wake Landfill Fund.

Interfund transfers:

	General Fund	Affordable Housing Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds	Solid Waste Operating Fund	Total Transfers out
General Fund	\$ -	\$ 104,000	\$ 144,738,000	\$ 25,023,000	\$ 30,000,000	\$ 6,281,760	\$ -	\$ 206,146,760
Major Facilities Fund	931,996	-	991,000	-	-	1,000,000	-	2,922,996
Capital Improvements Fund	-	1,000,000	-	-	-	1,500,000	-	2,500,000
Other Governmental Funds	-	-	935,000	-	-	2,438,000	-	3,373,000
Solid Waste Operating Fund	312,000	-	-	-	-	-	-	312,000
South Wake Partnership Fund	-	-	-	-	-	-	856,719	856,719
Total transfers in	<u>\$ 1,243,996</u>	<u>\$ 1,104,000</u>	<u>\$ 146,664,000</u>	<u>\$ 25,023,000</u>	<u>\$ 30,000,000</u>	<u>\$ 11,219,760</u>	<u>\$ 856,719</u>	<u>\$ 216,111,475</u>

**NOTE 8.
Risk Management**

**A. Property, Liability,
Workers'
Compensation and
Self-Insured Employee
Medical Coverages**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; on-the-job injuries to employees; and natural disasters, as discussed below.

In fiscal year 2008, the County began accounting for and finances both its uninsured and insured risks of loss in the General Fund. Prior to fiscal year 2008 this function was accounted for and financed in a Risk Management Fund (internal service fund). Effective August 1, 2005, the County's group medical coverage went from fully insured to self-insured which is administered by an outside provider. The County also provides self-insured dental to its employees and dependents. There is no limit for in-network services and a \$1,000,000 lifetime limit for out-of-network services for each covered employee/dependent's medical costs. The cost of providing medical coverage to participating employees and dependents is charged to benefiting funds as premiums. These premiums are an estimate of expected average claims per individual. The County is self-insured up to a maximum of \$600,000 for each workers' compensation claim and up to \$1,000,000 for other liability claims. The County has a high-deductible policy for property. The deductible is \$100,000 for each property damage claim and \$500,000 for flood property claims. The County purchases commercial excess insurance for claims in excess of its self-insured retention and for other insurance and bonds to cover specific risks and officials, respectively. Settled claims have not exceeded this commercial coverage in any year since the fund was established in 1990. The County elects not to distribute claims and insurance coverage expenses to the County departments except for deductibles on auto and property claims. Administrative costs and actuarially determined assets to pay ultimate losses and scheduled premiums are covered by the General Fund.

The County's property and liability coverage at June 30, 2009 are as follows:

Property Coverage	Liability
<u>Coverage</u>	<u>Coverage Limits</u>
Property Insurance - Building and Contents	\$ 300,000,000
Flood Insurance	\$ 150,000,000
Workers' Compensation	Statutory
Employers' Liability	\$ 1,000,000
General Liability, Public Officials Liability, Law Enforcement Liability, Auto Liability and Excess Liability	\$ 10,000,000

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are covered by a commercial crime policy with limits of \$1,000,000. The Director of Finance and the Tax Collector are covered by individual fidelity bonds of \$500,000 each.

**A. Property, Liability,
Workers'
Compensation and
Self-Insured Employee
Medical Coverages
(cont.)**

The claims liability of \$5,707,272 reported in the General Fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The claims liability is actuarially determined and includes an estimate for claims incurred but not reported. Changes in the fund's claims liability amount in fiscal years 2009 and 2008 are as follows:

Changes in the Fund's Claims Liability

	2009	2008
Beginning of fiscal year liability	\$ 6,538,695	\$ 6,360,999
Workers' Compensation changes in estimates	(534,408)	4,415
Property and liability changes in estimates	(549,609)	616,093
Dental benefits changes in estimates	5,594	27,488
Self-insured group medical changes in estimates	247,000	(470,300)
Balance at fiscal year-end	<u>\$ 5,707,272</u>	<u>\$ 6,538,695</u>

**NOTE 9.
Capital Lease Obligations
and Operating Leases**

The County leases certain equipment under lease agreements that are classified as capital leases for accounting purposes in accordance with GAAP. Obligations of these lease agreements are accounted for in the governmental activities of the government-wide statements. At June 30, 2009, the net book value of the assets acquired through capital leases is \$80,228. The net present value of the future minimum lease payments at June 30, 2009 is \$328,068 as detailed below.

The County also leases buildings and office facilities as well as various equipment under non-cancelable operating leases. The total costs for all operating lease expenditures for the year ended June 30, 2009 were \$2,429,899. The future minimum lease payments for non-cancelable operating leases are \$10,851,498 as detailed below.

At June 30, 2009, future minimum lease payments due under capital leases and operating leases with initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year Ending June 30	Capital Leases	Operating Leases
2010	\$ 185,202	\$ 2,413,430
2011	116,223	2,308,552
2012	30,340	2,288,363
2013	11,756	2,196,388
2014	6,723	896,275
2015	-	748,490
Total minimum lease payments	<u>350,244</u>	<u>\$ 10,851,498</u>
Less: amount representing interest	<u>(22,176)</u>	
Present value of net minimum lease payments	<u>\$ 328,068</u>	

The county leases office space under operating lease agreements with terms generally less than one year. Minimum future rentals on non-cancelable lease with terms in excess of one year are not material to the County's financial statements. Rental revenue for the year ended June 30, 2009 was \$307,756.

**NOTE 10.
Long-term Debt**

General Obligation Bonds:

The general obligation bonds reported in Governmental Activities are collateralized by the full faith, credit and taxing power of the County. The County has issued both fixed and variable rate bonds. The fixed rate bonds bear interest at rates varying from 3.00 percent to 5.25 percent. The variable rate is reset weekly by the remarketing agent based on the minimum rate of interest necessary to enable the remarketing agent to remarket all of the weekly rate bonds in the secondary market. The rate ranged from 0.25% to 7.90% during the period July 1, 2008 through June 30, 2009. Principal and interest requirements will be provided by an appropriation in the Debt Service Fund in the year in which they become due.

General obligation bonds serviced by the General Fund and payable at June 30, 2009 are comprised of the following:

2000 School Bonds of \$24,000,000 due in annual installments of \$1,000,000 to \$4,000,000 through February 2015; interest of 5.2% to 5.25%.	\$ 1,000,000
2001 Criminal Justice Facility Bonds of \$8,000,000 due in annual installments of \$300,000 to \$1,200,000 through August 2017, interest of 4.4% to 4.75%.	600,000
2001 School Bonds of \$150,000,000 due in annual installments of \$5,700,000 to \$22,800,000 through August 2017, interest of 4.5% to 5.25%.	11,400,000
2002 Public Improvement Bonds of \$188,000,000 due in annual installments of \$8,500,000 to \$34,000,000 through March 2019, interest of 4.00 to 4.75%.	25,500,000
2003A Public Improvement Bonds of \$122,890,000 due in annual installments of \$8,000,000 to \$17,555,000 through April 2015, interest of 3.00 to 5.00%.	48,000,000
2003B Public Improvement Bonds of \$55,000,000 due in periodic installments of \$10,000,000 to \$30,000,000 beginning in April 2016 through April 2018, interest is variable with a rate of 0.25% at June 30, 2009. The maximum amount of interest cannot exceed 12%.	55,000,000
2003C Public Improvement Bonds of \$45,000,000 due in annual installments of \$13,000,000 to \$32,000,000 beginning in April 2019 through April 2020, interest is variable with a rate of 0.28% at June 30, 2009. The maximum amount of interest cannot exceed 12%.	45,000,000
2003A Refunding Bonds of \$83,145,000 due in annual installments of \$945,000 to \$16,100,000 beginning February 1, 2004 through February 1, 2011 interest of 3.00 to 5.00%.	19,900,000
2003B Criminal Justice Facilities Bonds of \$8,000,000 due in annual installments of \$400,000 to \$550,000 beginning February 1, 2004 through February 1, 2022, interest of 3.00 to 5.00%	6,000,000
2004 Public Improvement Bonds of \$130,000,000 due in annual installments of \$10,000,000 beginning March 1, 2005 through March 1, 2017, interest of 3.00 to 5.00%.	80,000,000

NOTE 10. (Cont.)
Long-term Debt

2004A Variable Rate School Bonds of \$67,000,000 due in periodic installments of \$29,000,000 to \$38,000,000 beginning April 1, 2018 through April 1, 2019, interest is variable with a rate of 0.55% at June 30, 2009. The maximum interest rate which cannot exceed 12%.	\$ 67,000,000
2004B Variable Rate School Bonds of \$57,000,000 due in periodic installments of \$17,000,000 to \$40,000,000 beginning April 1, 2020 through April 1, 2021, interest is variable with a rate of 0.25% at June 30, 2009. The maximum interest rate cannot exceed 12%.	57,000,000
2004 Refunding Bonds of \$114,380,000 due in annual installments of \$2,865,000 to \$23,870,000 beginning March 1, 2007 through March 1, 2015 interest of 4.00 to 5.00%.	84,410,000
2005 Refunding Bonds of \$33,020,000 due in annual installments of \$50,000 to \$22,290,000 beginning February 1, 2006 through February 1, 2017 interest of 3.00 to 5.00%.	32,760,000
2005 School Bonds of \$41,000,000 due in annual installments of \$1,500,000 to \$6,000,000 through May 2023, interest of 3.25 to 5.00%	36,500,000
2007 Public Improvement Bonds of \$455,000,000 due in periodic installments of \$23,000,000 to \$35,000,000 beginning March 1, 2009 through March 1, 2025, interest of 4.25 to 5.00%.	432,000,000
2007A Variable Rate School Bonds of \$50,000,000 due in periodic installments of \$13,000,000 to \$21,000,000 beginning March 1, 2024 through March 1, 2026, interest is variable with a rate of 0.30% at June 30, 2009. The maximum interest rate cannot exceed 12%.	50,000,000
2007B Variable Rate School Bonds of \$50,000,000 due in periodic installments of \$8,000,000 to \$21,000,000 beginning March 1, 2022 through March 1, 2024, interest is variable with a rate of 0.28% at June 30, 2009. The maximum interest rate cannot exceed 12%.	50,000,000
2009A Public Improvement Bonds of \$135,000,000 due in periodic installments of \$6,000,000 to \$24,000,000 beginning March 1, 2012 through March 1, 2026, interest of 4.00 to 5.00%.	135,000,000
2009B Public Improvement Bonds of \$300,000,000 due in periodic installments of \$7,000,000 to \$26,000,000 beginning March 1, 2010 through March 1, 2025, interest of 4.00 to 5.00%.	300,000,000
2009C Refunding Bonds of \$66,320,000 due in annual installments of \$7,575,000 to \$14,150,000 beginning March 1, 2010 through March 1, 2015 interest of 4.00 to 5.00%.	66,320,000
2009D Refunding Bonds of \$168,980,000 due in annual installments of \$6,545,000 to \$36,945,000 beginning February 1, 2012 through February 1, 2018 interest of 3.00 to 4.00%.	<u>168,980,000</u>
Total general obligation bonds outstanding	<u><u>\$ 1,772,370,000</u></u>

**NOTE 10. (Cont.)
Long-term Debt**

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2009 are as follows:

June 30	Principal	Interest	Total
2010	\$ 109,230,000	\$ 75,236,231	\$ 184,466,231
2011	108,875,000	74,600,613	183,475,613
2012	110,205,000	69,443,182	179,648,182
2013	110,190,000	64,096,063	174,286,063
2014	110,010,000	58,963,763	168,973,763
2015-2019	617,710,000	215,582,787	833,292,787
2020-2024	483,150,000	88,694,848	571,844,848
2025-2027	123,000,000	6,385,936	129,385,936
	<u>\$ 1,772,370,000</u>	<u>\$ 653,003,423</u>	<u>\$ 2,425,373,423</u>

The annual requirements to amortize capital leases, installment purchase and Qualified Zone Academy debt outstanding as of June 30, 2009 are as follows:

June 30	Principal	Interest	Total
2010	\$ 1,509,248	\$ 364,583	\$ 1,873,831
2011	1,494,791	310,061	1,804,852
2012	1,460,118	258,851	1,718,969
2013	1,491,412	208,973	1,700,385
2014	1,538,494	156,858	1,695,352
2015-2019	3,498,664	215,145	3,713,809
	<u>\$ 10,992,727</u>	<u>\$ 1,514,471</u>	<u>\$ 12,507,198</u>

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8 percent of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2009, such statutory limit of the County was \$9,328,842,040 providing a legal debt margin of \$7,031,307,381. Authorized but unissued general obligation bonds as of June 30, 2009 totaled \$514,500,000. Of this amount \$476,000,000 was for authorized but unissued new general obligation bonds and \$38,500,000 was for authorized but unissued refunding bonds.

Qualified Zone Academy Bonds:

In 2003, the County issued \$3,002,077 of Qualified Zone Academy Bonds as authorized by State Law [G.S. 16A-20]. These are installment financing agreements that are secured by the fixtures and improvements at Needham Broughton High School. The County is obligated to make annual debt service fund payments of \$163,461 through December 2016. The scheduled payments by the County assume projected earning at a fixed rate of 4.02%. If the trustee fails to earn projected amounts, the County shall pay, in addition to its scheduled payments, the amount such that total payments in the Debt Service Fund shall equal \$3,002,077.

Conduit Debt Obligations:

Wake County Industrial Facilities and Pollution Control Financing Authority (the “Authority”) has used industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from the payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State of North Carolina, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there were 16 series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$597 million.

Interest Rate Swap:

As part of the acquisition by the County of an 85% interest in Five County Stadium pursuant to an Interlocal Agreement dated December 19, 2002, the County assumed the obligations of the Town of Zebulon under an Installment Financing Agreement (“Original Agreement”) dated as of February 1, 1999. Effective April 20, 2004, the County entered into an Amended and Restated Installment Financing Agreement (“Amended Agreement”) and pay-fixed, receive-variable interest rate swap (“Swap”) for the purpose of refinancing the Original Agreement. The initial principal amount of the Amended Agreement was \$9,000,000 and the initial notional amount of the Swap was \$9,000,000. The notional value of the swap and the principal amount of the associated debt decline annually. The final maturity of the Amended Agreement and Swap is July 1, 2015. The interest rate on the Amended Agreement is 60.45% of one-month LIBOR plus 1.12%. Under the Swap, the County receives 60.45% of one-month LIBOR plus 1.12% (the same as the interest rate on the Amended Agreement) and pays 3.78%, effectively converting the Amended Agreement from variable-rate to fixed-rate. At June 30, 2009, the swap had a fair value to the County of \$30,737.41. Fair value was estimated by the counterparty using mark to market valuations. As of June 30, 2009, the County was exposed to credit risk because the swap had a positive fair value. The swap counterparty, Bank of America, at June 30, 2009 was rated “Aa3” by Moody’s Investors Service, “A+” by Standard and Poor’s, and “A+” by Fitch Ratings. Since the variable interest rate the County pays on the Amended Agreement and the variable interest rate the counterparty pays to the County on the swap are based on the same calculation, the net interest rate is the 3.78% fixed swap rate and there is no interest rate or basis risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the County being required to make or being entitled to receive an unanticipated termination payment.

Swap payments and associated debt –Using the variable interest rate as of June 30, 2009 (0.3233%) and assuming the rate remains the same for the term of the agreement, debt service requirements of the Amended Agreement debt and net swap payments would be as follows:

	Amended Variable Rate Installment Purchase Agreement			
	Principal	Variable Rate Interest	Interest Rate Swaps, Net	Total
2010	\$ 794,376	\$ 33,184	\$ 163,440	\$ 991,000
2011	825,113	27,998	137,889	991,000
2012	857,038	22,613	111,349	991,000
2013	889,893	17,020	84,087	991,000
2014	924,631	11,209	55,160	991,000
2015-2016	1,038,101	5,425	26,645	1,070,171
Total	\$ 5,329,152	\$ 117,449	\$ 578,570	\$ 6,025,171

**NOTE 10. (Cont.)
Long-term Debt**

Changes In Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 1,434,595,000	\$ 670,300,000	\$ 332,525,000	\$ 1,772,370,000	\$ 109,230,000
Plus: Premiums on issuance	45,256,275	54,456,200	4,613,179	95,099,296	N/A
Total general obligation bonds payable	1,479,851,275	724,756,200	337,138,179	1,867,469,296	109,230,000
Qualified Zone Academy Bonds	1,471,155	-	163,461	1,307,694	163,461
Installment Purchases	8,472,500	1,940,000	1,055,535	9,356,965	1,174,813
Capital leases	419,418	82,210	173,560	328,068	170,973
Other post-employment benefits	11,435,719	14,590,572	3,869,961	22,156,330	-
Compensated absences	11,847,298	11,640,570	11,000,236	12,487,632	12,487,632
Total Governmental Activities	<u>\$ 1,513,497,365</u>	<u>\$ 753,009,552</u>	<u>\$ 353,400,932</u>	<u>\$ 1,913,105,985</u>	<u>\$ 123,226,879</u>
Business-type activities:					
Landfill	\$ 17,192,967	\$ 2,819,910	\$ 5,522,714	\$ 14,490,163	N/A
Other post-employment benefits	49,444	76,103	9,982	115,565	-
Compensated absences	51,223	42,724	40,118	53,829	53,829
Total Business-type Activities	<u>\$ 17,293,634</u>	<u>\$ 2,938,737</u>	<u>\$ 5,572,814</u>	<u>\$ 14,659,557</u>	<u>\$ 53,829</u>

**NOTE 11.
Additional Social Welfare
Expenditures**

The following amount was paid on behalf of the County by the State from Federal and State funds. The human services payments were disbursed directly to vendors and individual recipients. For the year ended June 30, 2009 this amount, which is not included in the financial statements because the County has no primary responsibility beyond making eligibility determinations, is approximately \$599 million.

**NOTE 12.
Compliance Audits of Federal
and State Assisted Programs**

The County participates in a number of federal and State grant programs which are subject to audit in accordance with Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", the Single Audit Act Amendments of 1996, and the State Single Audit Implementation Act. The County expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

**NOTE 13.
Multiple-Employer Pension
Plan Obligations**

Local Governmental Employees' Retirement System

Plan Description. Wake County 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 their beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 5.27%, respectively, of annual covered payroll. The contribution requirements of members and of Wake County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2007, 2008, and 2009 were \$7,671,139, \$8,228,082 and \$8,658,698 respectively. The contributions made by the County equaled the required contributions for each year.

Supplemental Retirement Income Plan

Plan Description. Wake County 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 all employees of the County who are employed at least half time. Article 5 of the G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The County's total payroll in fiscal year 2009 was \$177,834,378. The County's contributions were calculated using the base salary amount of \$178,044,580. The County made contributions amounting to \$8,902,229. Employees made voluntary contributions of \$4,453,972.

Funding Policy. This Supplemental Retirement Income Plan is provided through the Local Government Employees' Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that the County contribute an amount equal to 5 percent of the employee's base salary each month for all law enforcement officers. Wake County also makes a 5 percent contribution for all other employees employed at least half time. All covered employees may make voluntary contributions to the plan. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

**NOTE 14.
Law Enforcement Officers'
Special Separation Allowance**

Plan Description. Wake County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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. The Separation Allowance is reported in the County's financial statements as a pension trust fund and a separate report is not issued.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	53
Active plan members	<u>359</u>
Total	<u>412</u>

Basis of Accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at fair value. Certain longer-term United States Government and Agency securities are valued at the last reported sales price.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the fiscal year ended June 30, 2009, the County contributed \$697,000, or 3.87% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed by the General Fund.

The annual required contribution for the fiscal year ended June 30, 2009 was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% per year to 12.3% per year. (B) Included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percent of pay on an closed basis. The remaining amortization period at December 31, 2007 was 20 years.

**NOTE 14. (Cont.)
Law Enforcement Officers'
Special Separation Allowance**

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (asset)
June 30, 2007	\$548,740	116.08%	(\$ 1,130,521)
June 30, 2008	\$615,112	100.54%	(1,133,847)
June 30, 2009	\$690,577	100.93%	(1,140,270)

The County's annual pension cost and net pension obligation (asset) to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 693,913
Interest on net pension obligation	(82,204)
Adjustment to annual required contribution	<u>78,868</u>
Annual pension cost	690,577
Contributions made	<u>697,000</u>
Decrease in net pension obligation	(6,423)
Net pension obligation (asset), beginning of year	<u>(1,133,847)</u>
Net pension asset, end of year	<u><u>\$ (1,140,270)</u></u>

**NOTE 15.
Register of Deeds'
Supplemental
Pension Fund**

Plan Description. Wake County also contributes to the Registers of Deeds' Supplemental Pension Fund (FUND), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish an amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three (93%) of the amount in the fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Funds assets may be used by the Department of State Treasurer in administering the Fund. For the fiscal year ended June 30, 2009 the county's actual and required contributions were \$75,552.

NOTE 16.
Post-Employment Benefits

The County has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Government Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of these employees' who die in active service after one year of contributing membership in the System, or who die within 180 days after termination of service or retirement and have at least one year of contributing membership in the system at the time of death are eligible to receive death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior the employee's death; however, the benefit may not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State of North Carolina.

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 County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2009 the County made contributions to the State for death benefits of \$137,441. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust are not separated between the post-employment benefit amount and the other benefit amount, as the amounts cannot be reasonably estimated..

NOTE 17.
Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, Wake County has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five to twenty years of continuous service with the County, depending on date of hire. Retirees are eligible to receive the same benefits as active County employees. The County pays the costs of coverage for these benefits as incurred on a pay-as-you-go basis. Also, retirees can purchase coverage for their dependents at the County's group rates.

Membership in the plan included the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees receiving benefits	699
Active plan members	<u>3,771</u>
Total	<u>4,470</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.53% of annual covered payroll. For the current year , the County contributed \$3,879,943 or 2% of annual covered payroll. The County's medical coverage is self insured, which is administered by an outside provider. There no contributions made by employees, except for dependant coverage for retirees in the amount of \$476,482.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the County's General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

**NOTE 17. (Cont.)
Other Post-Employment
Benefits**

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

Annual required contribution	\$ 14,666,675
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	14,666,675
Contributions made	<u>3,879,943</u>
Increase in net OPEB obligation	10,786,732
Net OPEB liability, beginning of year	<u>11,485,163</u>
Net OPEB liability, end of year	<u><u>\$ 22,271,895</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2009	\$ 14,666,675	26.5%	\$ 22,271,895

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$179,179,404. The covered payroll (annual payroll of active employees covered by the plan) was \$171,841,892. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTE 17. (Cont.)
Other Post-Employment
Benefits**

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

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent over 7 years. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

**NOTE 18.
Commitments and
Contingencies**

The County is a party to some pending civil actions which are being vigorously defended. The County Attorney estimates that the potential liability resulting from such litigation not covered by insurance or barred by sovereign immunity is not material and would not have a substantial adverse affect on the financial position of the County as of June 30, 2009.

**NOTE 19.
Closure and Postclosure
Landfill Costs**

The County owns six solid waste landfills which are accounted for in the Solid Waste Operating Fund and the South Wake Landfill Partnership Fund. State and Federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The current estimate of postclosure maintenance and monitoring costs is approximately \$27.2 million. The landfill closure and postclosure liability of \$14,490,163 is included in accounts payable and accrued liabilities in the Solid Waste Operating fund and the South Wake Landfill Partnership fund at June 30, 2009. The liability represents a cumulative amount reported to date based on the following facilities.

The North Wake Unlined Landfill and the Feltonsville Unlined Landfill have been closed for approximately eleven years and no additional closure costs are expected at these facilities. The County is currently responsible for monitoring these sites for an additional 19 years for post-closure care. In fiscal year 2009 the County detected a small amount of groundwater contamination during its assessment process. The County has developed a Corrective Action Plan which addresses this issue. The preliminary estimates of the costs associated with the corrective action plan are included in the post-closure estimates for these facilities.

Both the North Wake and Feltonsville Construction and Demolition facilities stopped accepting waste in fiscal year 2004. The North Wake Construction and Demolition facility reached capacity in August 2003. Bids were received and a contract was awarded for closure of the facility in late 2003. The closure construction was successfully completed in early 2004. Therefore no further closure funds need to be reserved for fiscal year 2005 or beyond. Post-closure costs associated with this facility will be covered by the post-closure funds set aside for the adjacent Subtitle D and unlined landfill. The closure contract for the Feltonsville Construction and Demolition facility was bid and awarded in fiscal year 2004. The closure construction was completed in fiscal year 2005. No further closure funds need to be reserved in fiscal year 2005 or beyond. Post-closure costs associated with this facility will be covered by the post-closure funds set aside for the adjacent unlined landfill.

The North Wake Subtitle Design Facility reached capacity in May 2008. Bids were received and a contract was awarded for closure of the facility in May 2008. As of June 30, 2009, the final closure was substantially complete and only the final payment to the contractor was recognized as a liability for closure costs. The County will continue to monitor this facility for post-closure care for an additional 29 years.

The South Wake Subtitle Design Facility began operations in February 2008 and is in its first phase of five total phases. Phase 1 is estimated to be 28% full and will close in or around June, 2013. The entire landfill is estimated to close June 2037. The County will recognize the remaining estimated cost of closure and post-closure care costs of \$7.1 million as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 20.
Comparative
Data/Reclassifications**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide an enhanced understanding of the County's financial position or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**NOTE 21.
Subsequent Events**

The County issued \$154,620,000 of Limited Obligation Bonds on July 23, 2009. The bonds consist of Serial Bonds and Term Bonds. The Serial Bonds are due in annual installments of \$180,000 to \$6,185,000 beginning June 1, 2012 through June 1, 2032, interest at 2.00% to 5.00%. The Term Bonds are due June 1, 2032 and June 1, 2036 in the amount of \$17,315,000 and \$24,735,000, respectively. Interest for the Term Bonds is 5.00%.

**NOTE 22.
Stewardship, Compliance and
Accountability**

The South Wake Landfill Partnership Fund had a deficit fund balance of (\$455,258) as of June 30, 2009. This fund accounts for the activities of the South Wake Landfill and the East Wake Transfer Station, which both opened in fiscal year 2008, and are still in their start up phase. The County anticipates that the deficit will be cured over time as the landfill and transfer station becomes more established.

**NOTE 23.
Discretely Presented
Component Unit Disclosure**

(1) Deposits and Investment

The deposits and investments of the ABC Board are governed by the same North Carolina General Statutes and generally accepted accounting principles that are applicable to the County. These statutes and other reporting requirements are found in Note 4.

Deposits: At June 30 2009, the Board's deposits had a carrying amount of \$9,747,824 and a bank balance of \$10,919,564. All of the bank balance was either insured by federal depository insurance, or collateralized under the pooling method.

Investments: State law [G.S. 159-30(c)] authorized the Board 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), an SEC registered (2a-7) money market mutual fund.

The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. This investment, valued at \$6,454,658, is included in cash and cash equivalents.

(2) Risk Management

The ABC Board 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 ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member is bonded in the amount of \$100,000, secured by a corporate surety.

In accordance with G.S. 18B-803(b) and (c), the store manager and employees are bonded for \$100,000.