

Wake County

Basic

Financial Statements

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS As of June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
ASSETS				
Cash and investments - pooled equity	\$ 472,358,060	\$ 30,505,056	\$ 502,863,116	\$ -
Cash and investments - reserved	-	15,381,776	15,381,776	-
Cash and investments - cash equivalents	2,125,766	750	2,126,516	18,121,472
Taxes receivable (net)	7,775,577	-	7,775,577	-
Accounts receivable (net)	86,540,303	2,364,701	88,905,004	986
Loans receivable	22,238,560	-	22,238,560	-
Accrued interest receivable	2,684,145	291,536	2,975,681	-
Prepaid items	5,039,772	-	5,039,772	-
Inventories	548,401	-	548,401	6,269,448
Net pension asset	1,122,217	-	1,122,217	-
Bond issuance costs	1,925,215	-	1,925,215	-
Deferred outflow of resources	252,918	-	252,918	-
Restricted assets:				
Cash and investments - cash equivalents with fiscal agent	472,773,191	-	472,773,191	-
Capital assets not being depreciated:				
Land	78,180,352	1,875,253	80,055,605	7,451,422
Construction in progress	192,323,764	2,995,192	195,318,956	-
Capital assets (net of accumulated depreciation):				
Landfills	-	6,197,758	6,197,758	-
Buildings	265,945,610	826,101	266,771,711	7,543,564
Improvements	17,393,197	384,371	17,777,568	-
Machinery and equipment	2,792,770	335,130	3,127,900	1,078,625
Vehicles and motorized equipment	12,669,294	-	12,669,294	-
Infrastructure	6,863,539	-	6,863,539	-
Total assets	1,651,552,651	61,157,624	1,712,710,275	40,465,517

WAKE COUNTY, NORTH CAROLINA

(Continued)

STATEMENT OF NET ASSETS
As of June 30, 2010

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Alcoholic Control
Accounts payable and accrued liabilities	\$ 62,732,306	\$ 5,250,846	\$ 67,983,152	\$ 11,445,249
Due to other governmental units	7,080,672	-	7,080,672	-
Accrued interest payable	18,862,991	-	18,862,991	-
Unearned revenues	4,734,078	620	4,734,698	-
Housing loan deferred revenue	21,970,236	-	21,970,236	-
Derivative liability	252,918	-	252,918	-
Long term liabilities:				
Amounts due within one year:				
Capital leases	110,842	-	110,842	-
General obligation bonds - schools	101,605,715	-	101,605,715	-
General obligation bonds - other	13,944,285	-	13,944,285	-
Quality zoning academic bonds	163,461	-	163,461	-
Installment purchases	1,220,488	-	1,220,488	-
Notes payable	299,767	-	299,767	-
Compensated absences payable	12,168,141	57,979	12,226,120	-
Amounts due beyond one year:				
Capital leases	46,253	-	46,253	-
General obligation bonds - schools	1,658,224,361	-	1,658,224,361	-
General obligation bonds - other	182,298,165	-	182,298,165	-
Limited obligation bonds	324,671,699	-	324,671,699	-
Quality zoning academic bonds	980,772	-	980,772	-
Installment purchases	6,961,421	-	6,961,421	-
Other post employment benefits	33,489,385	154,040	33,643,425	793,651
Construction reserves	-	568,988	568,988	-
Closure/post closure costs	-	14,812,788	14,812,788	-
Total liabilities	2,451,817,956	20,845,261	2,472,663,217	12,238,900
NET ASSETS				
Invested in capital assets, net of related debt	46,615,606	12,613,805	59,229,411	16,073,611
Restricted for:				
Future capital needs	282,990,520	-	282,990,520	-
Working capital	-	-	-	2,297,787
Unrestricted (See Note 1.P)	(1,129,871,431)	27,698,558	(1,102,172,873)	9,855,219
Total net assets (deficit)	\$ (800,265,305)	\$ 40,312,363	\$ (759,952,942)	\$ 28,226,617

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	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	\$ 54,937,881	\$ 6,670,497	\$ 2,188,124	\$ (46,079,260)	\$ -	\$ (46,079,260)	
Human services	224,307,656	30,212,823	127,235,785	(66,859,048)	-	(66,859,048)	
Education	472,748,721	-	12,818,821	(459,929,900)	-	(459,929,900)	
Community development and cultural	20,597,071	1,923,791	2,020,859	(16,652,421)	-	(16,652,421)	
Environmental services	8,604,359	1,457,700	259,591	(6,887,068)	-	(6,887,068)	
Public safety	161,889,743	17,949,739	2,700,697	(141,239,307)	-	(141,239,307)	
General services administration	25,927,613	2,663,746	9,250	(23,254,617)	-	(23,254,617)	
Interest on long-term debt	106,695,047	-	-	(106,695,047)	-	(106,695,047)	
Total governmental activities	<u>1,075,708,091</u>	<u>60,878,296</u>	<u>147,233,127</u>	<u>(867,596,668)</u>	<u>-</u>	<u>(867,596,668)</u>	
Business-type activities:							
Solid Waste	<u>24,673,638</u>	<u>22,886,642</u>	<u>1,390,303</u>	<u>-</u>	<u>(396,693)</u>	<u>(396,693)</u>	
Total primary government	<u>\$ 1,100,381,729</u>	<u>\$ 83,764,938</u>	<u>\$ 148,623,430</u>	<u>(867,596,668)</u>	<u>(396,693)</u>	<u>(867,993,361)</u>	
Component unit:							
Board of Alcoholic Control	<u>\$ 60,668,965</u>	<u>\$ 59,747,146</u>	<u>\$ -</u>				<u>\$ (921,819)</u>
General revenues:							
Property taxes				651,480,015	-	651,480,015	-
Sales taxes				104,384,663	-	104,384,663	-
Occupancy and prepared food taxes				30,282,509	-	30,282,509	-
Other taxes				7,633,811	-	7,633,811	-
Grants and contributions not restricted to specific programs				4,410,678	-	4,410,678	-
Unrestricted investment earnings				14,450,011	1,144,867	15,594,878	69,362
Other				(3,964,766)	620,963	(3,343,803)	212,354
Transfers				404,000	(404,000)	-	-
Total general revenues and transfers				<u>809,080,921</u>	<u>1,361,830</u>	<u>810,442,751</u>	<u>281,716</u>
Change in net assets				<u>(58,515,747)</u>	<u>965,137</u>	<u>(57,550,610)</u>	<u>(640,103)</u>
Net assets (deficit), beginning of year				<u>(741,749,558)</u>	<u>39,347,226</u>	<u>(702,402,332)</u>	<u>28,866,720</u>
Net assets (deficit), end of year				<u>\$ (800,265,305)</u>	<u>\$ 40,312,363</u>	<u>\$ (759,952,942)</u>	<u>\$ 28,226,617</u>

WAKE COUNTY, NORTH CAROLINA

(continued)

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2010**

	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	Funds	Governmental
ASSETS								
Cash and investments - pooled equity	\$ 135,465,106	\$ 5,572,059	\$ 4,617,731	\$ 90,524,736	\$ 58,820,967	\$ 148,043,008	\$ 29,314,455	\$ 472,358,062
Cash and investments - cash equivalents	2,125,416	50	300	-	-	-	-	2,125,766
Cash and investments - restricted	-	-	-	44,213,234	260,859,375	121,845,215	45,855,367	472,773,191
Taxes receivable (net)	7,568,377	-	-	-	-	-	207,200	7,775,577
Accounts receivable (net)	54,741,174	245,888	2,627,819	12,818,821	5,770,638	8,197,541	2,138,423	86,540,304
Prepaid expenditures	157,497	12,794	-	3,361,982	-	-	1,507,499	5,039,772
Loans receivable	-	21,970,236	-	-	268,323	-	-	22,238,559
Accrued interest receivable	20,661	228	29,321	1,509,091	-	939,974	184,870	2,684,145
Internal balances (interfund receivable)	747,320	-	-	-	-	-	-	747,320
Inventories	548,401	-	-	-	-	-	-	548,401
TOTAL ASSETS	\$ 201,373,952	\$ 27,801,255	\$ 7,275,171	\$ 152,427,864	\$ 325,719,303	\$ 279,025,738	\$ 79,207,814	\$ 1,072,831,097
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 37,182,407	\$ 179,043	\$ 5,046,503	\$ 161,570	\$ 13,658,344	\$ 103,237	\$ 4,678,298	\$ 61,009,402
Due to other governmental units	91,614	-	83,334	-	-	6,905,725	-	7,080,673
Internal balances (interfund payable)	-	-	-	-	-	-	747,320	747,320
Deferred revenues	11,849,605	21,970,236	-	-	5,183,385	713,618	332,478	40,049,322
Total Liabilities	49,123,626	22,149,279	5,129,837	161,570	18,841,729	7,722,580	5,758,096	108,886,717

WAKE COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2010

	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	\$ 548,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,401
Reserved for noncurrent receivable	464,289	-	-	-	-	-	-	464,289
Reserved for encumbrances	2,661,814	1,863,255	-	-	237,155,066	89,172,758	2,260,917	333,113,810
Reserved by State statute	53,068,635	258,910	2,145,334	17,689,894	855,576	9,137,515	1,787,665	84,943,529
Reserved for register of deeds automation	662,715	-	-	-	-	-	-	662,715
Unreserved:								
Designated for subsequent year's expenditures	2,000,000	-	-	3,327,732	-	-	-	5,327,732
Designated for subsequent year's expenditures - special revenue funds	-	3,529,811	-	-	-	-	2,294,535	5,824,346
Designated for subsequent year's expenditures - capital project funds	-	-	-	-	68,866,932	172,992,885	63,785,051	305,644,868
Designated for subsequent years' debt service	-	-	-	131,248,668	-	-	-	131,248,668
Designated for working capital	92,844,472	-	-	-	-	-	-	92,844,472
Designated for working capital - special revenue funds	-	-	-	-	-	-	3,183,941	3,183,941
Undesignated - special revenue funds	-	-	-	-	-	-	137,609	137,609
Total Fund Balances	152,250,326	5,651,976	2,145,334	152,266,294	306,877,574	271,303,158	73,449,718	963,944,380
TOTAL LIABILITIES AND FUND BALANCES	\$ 201,373,952	\$ 27,801,255	\$ 7,275,171	\$ 152,427,864	\$ 325,719,303	\$ 279,025,738	\$ 79,207,814	\$ 1,072,831,097

WAKE COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet to the Statement of Net Assets As of June 30, 2010

Fund balances - Governmental Funds	\$ 963,944,380
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	576,168,526
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	14,467,222
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,354,845,433)</u>
Net assets (deficit) of governmental activities	<u><u>\$ (800,265,305)</u></u>

WAKE COUNTY, NORTH CAROLINA

(Continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	Major Funds							Total Governmental Funds
	General	Affordable	Major	Debt	County	School	Total	
	Fund	Housing Fund	Facilities Fund	Service Fund	Capital Projects Fund	Capital Fund	Nonmajor Funds	
REVENUES:								
Taxes	\$ 742,217,699	\$ -	\$ 30,243,986	\$ -	\$ 1,517	\$ -	\$ 20,399,438	\$ 792,862,640
Intergovernmental	120,834,844	3,015,339	-	12,818,821	2,458,138	-	12,516,666	151,643,808
Charges for services	57,744,310	263,707	-	-	7,121	-	45,334	58,060,472
Licenses and permits	2,511,430	-	-	-	-	-	-	2,511,430
Investment earnings	83,491	94	131,765	8,508,087	137,177	4,336,533	1,252,861	14,450,008
Miscellaneous	1,493,579	-	-	-	80,833	8,099	6,864	1,589,375
Total Revenues	924,885,353	3,279,140	30,375,751	21,326,908	2,684,786	4,344,632	34,221,163	1,021,117,733
EXPENDITURES:								
Current:								
General administration	40,751,251	-	-	460,500	21,044,849	-	56,208	62,312,808
Human services	213,267,221	4,083,204	-	-	-	-	10,875,631	228,226,056
Education	330,516,774	-	-	-	-	128,062,994	13,812,973	472,392,741
Community development and cultural	24,236,237	-	27,945,446	-	2,351,219	-	790,492	55,323,394
Environmental services	7,762,038	-	-	-	184,086	-	161,366	8,107,490
Public safety	84,794,013	-	-	-	66,723,077	-	22,686,981	174,204,071
General services administration	24,880,503	-	-	-	-	-	14,699	24,895,202
Debt service:								
Principal	-	-	-	110,568,516	-	-	-	110,568,516
Interest	-	-	-	77,807,693	-	-	-	77,807,693
Total Expenditures	726,208,037	4,083,204	27,945,446	188,836,709	90,303,231	128,062,994	48,398,350	1,213,837,971
REVENUES OVER (UNDER) EXPENDITURES	198,677,316	(804,064)	2,430,305	(167,509,801)	(87,618,445)	(123,718,362)	(14,177,187)	(192,720,238)

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	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	\$ 2,568,223	\$ 754,000	\$ -	\$ 158,726,957	\$ 32,669,077	\$ 15,000,000	\$ 16,485,015	\$ 226,203,272
Transfers out	(205,384,972)	-	(2,898,041)	(10,549,077)	(3,407,182)	-	(3,560,000)	(225,799,272)
Bonds issued	-	-	-	-	-	134,910,000	25,800,000	160,710,000
Limited obligation bonds issued	-	-	-	2,169,077	301,310,923	-	-	303,480,000
Refunding bonds issued	-	-	-	383,420,000	-	-	-	383,420,000
Premiums on issuance	-	-	-	84,919,825	11,140,000	-	1,264,355	97,324,180
Payment to refunded bond escrow agent	-	-	-	(449,682,612)	-	-	-	(449,682,612)
Capital leases, notes payable and installment purchases	304,944	-	-	-	-	-	-	304,944
Total Other Financing Sources (Uses)	(202,511,805)	754,000	(2,898,041)	169,004,170	341,712,818	149,910,000	39,989,370	495,960,512
NET CHANGE IN FUND BALANCES	(3,834,489)	(50,064)	(467,736)	1,494,369	254,094,373	26,191,638	25,812,183	303,240,274
Fund Balances at beginning of year	156,084,815	5,702,040	2,613,070	150,771,925	52,783,201	245,111,520	47,637,535	660,704,106
FUND BALANCES AT END OF YEAR	\$ 152,250,326	\$ 5,651,976	\$ 2,145,334	\$ 152,266,294	\$ 306,877,574	\$ 271,303,158	\$ 73,449,718	\$ 963,944,380

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, 2010

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

Net change in fund balances - total governmental funds	\$ 303,240,274
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.	80,748,044
Depreciation expense for the fiscal year being reported	(20,353,887)
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.	(423,356,824)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,224,699
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>(18,053)</u>
Change in net assets of governmental activities	<u><u>\$ (58,515,747)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 759,595,300	\$ 753,250,361	\$ 742,217,699	\$ (11,032,662)
Licenses and permits	4,116,219	2,962,055	2,511,430	(450,625)
Intergovernmental	125,745,977	124,263,483	120,834,844	(3,428,639)
Charges for services	62,026,882	60,519,743	57,744,310	(2,775,433)
Investment earnings	58,954	63,335	83,491	20,156
Miscellaneous	678,668	853,552	1,493,579	640,027
Total Revenues	<u>952,222,000</u>	<u>941,912,529</u>	<u>924,885,353</u>	<u>(17,027,176)</u>
EXPENDITURES:				
Current:				
General administration	42,231,699	41,729,707	40,446,307	1,283,400
Human services	227,552,152	223,378,866	213,267,221	10,111,645
Education	330,516,774	330,516,774	330,516,774	-
Community development and cultural	25,058,504	24,899,463	24,236,237	663,226
Environmental services	8,012,025	7,860,392	7,762,038	98,354
General services administration	27,020,958	27,286,180	24,880,503	2,405,677
Public safety	86,823,873	86,182,273	84,794,013	1,388,260
Total Expenditures	<u>747,215,985</u>	<u>741,853,655</u>	<u>725,903,093</u>	<u>15,950,562</u>
REVENUES OVER EXPENDITURES	<u>205,006,015</u>	<u>200,058,874</u>	<u>198,982,260</u>	<u>(1,076,614)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,378,000	2,561,182	2,568,223	7,041
Transfers out	(206,384,015)	(205,384,972)	(205,384,972)	-
Total Other Financing Sources (Uses)	<u>(205,006,015)</u>	<u>(202,823,790)</u>	<u>(202,816,749)</u>	<u>7,041</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(2,764,916)	(3,834,489)	(1,069,573)
APPROPRIATED FUND BALANCE	-	2,764,916	-	(2,764,916)
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(3,834,489)</u>	<u>\$ (3,834,489)</u>
FUND BALANCE AT BEGINNING OF YEAR			156,084,815	
LESS: EXPENDITURES ASSOCIATED WITH INCEPTION OF NOTE PAYABLES			(304,944)	
ADD: PROCEEDS OF NOTE PAYABLES			304,944	
TOTAL CAPITAL LEASE INCEPTIONS			-	
FUND BALANCE AT END OF YEAR			<u>\$ 152,250,326</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
Occupancy tax	\$ 13,806,000	\$ 13,806,305	\$ 12,976,863	\$ (829,442)
Prepared food tax	18,674,000	18,680,736	17,267,123	(1,413,613)
Total taxes	32,480,000	32,487,041	30,243,986	(2,243,055)
Investment earnings	-	-	131,765	131,765
Total Revenues	32,480,000	32,487,041	30,375,751	(2,111,290)
EXPENDITURES:				
Raleigh hold harmless - occupancy	680,000	680,000	680,000	-
Cary hold harmless - occupancy	670,000	670,000	629,382	40,618
Greater Raleigh Convention and Visitors Bureau	3,595,000	3,595,000	3,394,139	200,861
Centennial Authority operations 7%	1,907,000	1,907,000	1,771,291	135,709
Centennial - Debt service	5,208,000	5,208,000	5,207,934	66
Raleigh annual distribution - \$1M	1,000,000	1,000,000	1,000,000	-
Convention Center	13,987,000	13,987,000	12,462,700	1,524,300
North Carolina Museum of Art	1,000,000	1,000,000	1,000,000	-
Centennial Authority Facility Improvements	1,000,000	1,000,000	1,000,000	-
Green Square	700,000	700,000	700,000	-
St. Augustine's	100,000	100,000	100,000	-
Unallocated	500,000	574,000	-	574,000
Total Expenditures	30,347,000	30,421,000	27,945,446	2,475,554
REVENUES OVER EXPENDITURES	2,133,000	2,066,041	2,430,305	364,264
OTHER FINANCING SOURCES AND (USES):				
Transfers out to General Fund	(974,000)	(907,041)	(907,041)	-
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	832,000	832,000	-	(832,000)
Total other financing sources (uses)	(2,133,000)	(2,066,041)	(2,898,041)	(832,000)
REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(467,736)	\$ (467,736)
Fund Balance at beginning of year			2,613,070	
FUND BALANCES AT END OF YEAR			\$ 2,145,334	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS As of June 30, 2010

	Business-type Activities		
	Enterprise		
	Major Funds		Total Business-type Activities
Solid Waste Operating Fund	South Wake Landfill Partnership Fund		
ASSETS			
Current assets:			
Cash and investments - pooled equity	\$ 28,037,967	\$ 2,467,089	\$ 30,505,056
Cash and investments - reserved	10,848,348	4,533,428	15,381,776
Cash and investments - cash equivalents	-	750	750
Accounts receivable (net)	720,519	1,644,182	2,364,701
Due from other funds	328,630	-	328,630
Accrued interest receivable	244,062	47,474	291,536
Total current assets	<u>40,179,526</u>	<u>8,692,923</u>	<u>48,872,449</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	1,875,253	-	1,875,253
Construction in progress	2,995,192	-	2,995,192
Capital assets (net of accumulated depreciation):			
Landfills	6,197,758	-	6,197,758
Buildings	826,101	-	826,101
Machinery and equipment	335,130	-	335,130
Improvements	384,371	-	384,371
Total non-current assets	<u>12,613,805</u>	<u>-</u>	<u>12,613,805</u>
Total assets	<u>52,793,331</u>	<u>8,692,923</u>	<u>61,486,254</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,653,742	3,597,104	5,250,846
Due to other funds	-	328,630	328,630
Unearned revenues	620	-	620
Total current liabilities	<u>1,654,362</u>	<u>3,925,734</u>	<u>5,580,096</u>
Noncurrent liabilities:			
Compensated absences	54,954	3,025	57,979
Other post employment benefits	125,158	28,882	154,040
Construction reserves	-	568,988	568,988
Closure/postclosure care costs	10,848,348	3,964,440	14,812,788
Total noncurrent liabilities	<u>11,028,460</u>	<u>4,565,335</u>	<u>15,593,795</u>
Total liabilities	<u>12,682,822</u>	<u>8,491,069</u>	<u>21,173,891</u>
NET ASSETS			
Invested in capital assets	12,613,805	-	12,613,805
Unrestricted	27,496,704	201,854	27,698,558
Total net assets	<u>\$ 40,110,509</u>	<u>\$ 201,854</u>	<u>\$ 40,312,363</u>

WAKE COUNTY, NORTH CAROLINA

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-type Activities		
	Enterprise		
	Major Funds		
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities
OPERATING REVENUES:			
Licenses and permits	\$ 2,700	\$ -	\$ 2,700
Charges for services	7,310,615	15,573,327	22,883,942
Miscellaneous	620,963	-	620,963
Total Operating Revenues	<u>7,934,278</u>	<u>15,573,327</u>	<u>23,507,605</u>
OPERATING EXPENSES:			
Cost of service	9,028,522	10,988,420	20,016,942
Administration	1,411,550	876,881	2,288,431
Partner rebates	-	1,906,141	1,906,141
Depreciation and amortization	462,124	-	462,124
Total Operating Expenses	<u>10,902,196</u>	<u>13,771,442</u>	<u>24,673,638</u>
OPERATING INCOME (LOSS)	(2,967,918)	1,801,885	(1,166,033)
NON-OPERATING REVENUES:			
Intergovernmental	1,390,303	-	1,390,303
Investment earnings	986,145	158,722	1,144,867
Total Non-Operating Revenues	<u>2,376,448</u>	<u>158,722</u>	<u>2,535,170</u>
Income (loss) before transfers	(591,470)	1,960,607	1,369,137
TRANSFERS:			
Transfers in	1,287,183	-	1,287,183
Transfers out	(404,000)	(1,287,183)	(1,691,183)
Total Transfers	<u>883,183</u>	<u>(1,287,183)</u>	<u>(404,000)</u>
CHANGE IN NET ASSETS	291,713	673,424	965,137
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>39,818,796</u>	<u>(471,570)</u>	<u>39,347,226</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 40,110,509</u>	<u>\$ 201,854</u>	<u>\$ 40,312,363</u>

WAKE COUNTY, NORTH CAROLINA

(Continued)

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010**

	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	\$ 7,374,457	\$ 16,097,663	\$ 23,472,120
Cash payments to suppliers for goods and services	(10,335,923)	(12,197,097)	(22,533,020)
Cash payments to employees for services	(802,708)	(200,531)	(1,003,239)
Other operating revenues	623,663	-	623,663
Net cash provided (used) by operating activities	<u>(3,140,511)</u>	<u>3,700,035</u>	<u>559,524</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue	1,023,977	-	1,023,977
Transfers in	1,287,183	-	1,287,183
Transfers out	(404,000)	(1,287,183)	(1,691,183)
Net cash provided (used) by noncapital financing activities	<u>1,907,160</u>	<u>(1,287,183)</u>	<u>619,977</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(361,283)	-	(361,283)
Net cash used by capital and related financing activities	<u>(361,283)</u>	<u>-</u>	<u>(361,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	950,739	111,248	1,061,987

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2010

	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	\$ (643,895)	\$ 2,524,100	\$ 1,880,205
Cash and cash equivalents at beginning of year	39,530,210	4,477,167	44,007,377
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 38,886,315	\$ 7,001,267	\$ 45,887,582
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (2,967,918)	\$ 1,801,885	\$ (1,166,033)
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities:			
Depreciation and amortization	462,124	-	462,124
Decrease in accounts receivable	63,842	524,336	588,178
Decrease in prepaid items	2,500	3,500	6,000
Increase/(decrease) in accounts payable and accrued liabilities	(701,059)	1,370,314	669,255
 Total adjustments	 (172,593)	 1,898,150	 1,725,557
 Net cash provided (used) by operating activities	 \$ (3,140,511)	 \$ 3,700,035	 \$ 559,524

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS As of June 30, 2010

	Separation Allowance	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments - pooled equity	\$ 2,180,087	\$ 1,125,704
Accounts receivable (net)	135	30,542
Accrued interest receivable	<u>13,843</u>	<u>3,388</u>
Total assets	<u>2,194,065</u>	<u>1,159,634</u>
LIABILITIES		
Other liabilities	45,215	1,121,909
Due to other governmental units	<u>-</u>	<u>37,725</u>
Total liabilities	<u>45,215</u>	<u>\$ 1,159,634</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 2,148,850</u>	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2010

Additions:	Separation Allowance
Employer Contributions	\$ 745,000
Net investment income	50,881
Total additions	795,881
Deductions:	
Benefits	1,085,801
Net increase	(289,920)
Net assets held in trust for pension benefits:	
Beginning of year	2,438,770
End of year	\$ 2,148,850

**Wake County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010**

**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 \$304,944. This amount represents the expenditures associated with the inception of notes payables 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, 2009.

Ad valorem taxes collected within 30 days after the fiscal year end for the year ended June 30, 2010 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.

The County holds title to certain Wake County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Wake County Board of Education.

Depreciation is computed using the straight-line method. 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 premiums 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.

M. Fund Equity (cont.)

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 (\$2,354,845,433) difference are as follows:

Outstanding long-term debt payable (per Note 10)	\$	(2,336,184,755)
Add:		
Accrued interest payable		(18,862,991)
Payable to granting agency		(1,722,902)
Less:		
Bond issuance costs (to be amortized over life of debt)		<u>1,925,215</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>(2,354,845,433)</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 (\$423,356,824) difference are as follows:

Debt issued or incurred:

General obligation debt - schools issued	\$ (134,910,000)
General obligation debt - other issued	(25,800,000)
Refunding bonds issued	(383,420,000)
Limited obligation bonds issued	(303,480,000)
Premiums on bond issuance - GO Bonds	(75,606,281)
Premiums on bond issuance - LOB Bonds	(21,717,899)
Notes payable issued	(304,944)
Increases in other post employment benefit liability	(14,791,998)
Compensated absences increases	(11,915,106)
Interest expense accrual and other adjustments	(278,054)
Total Increases	<u>(972,224,282)</u>

Principal repayments:

General obligation debt - schools	96,653,654
General obligation debt - other	12,576,346
Refunded bonds	412,900,000
Installment purchase payments	1,175,056
Qualified zone academy bonds	163,461
Current year amortization of bond premiums - GO Bonds	9,003,051
Current year amortization of bond premiums - LOB Bonds	526,200
Notes payable payments	5,177
Capital lease payments	170,973
Decreases in other post employment benefit liability	3,458,943
Compensated absences, decreases	12,234,597
Total Decreases	<u>548,867,458</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (423,356,824)</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 \$80,748,044 difference are as follows:

Capital Asset Aquisitions:	
Capital Asset Increases	\$ 38,299,682
Net increase in construction in progress	<u>62,312,856</u>
Total Increases	100,612,538
Capital Asset Disposals:	
Capital asset decreases	(24,246,689)
Accumulated depreciation related to capital asset disposals	<u>4,382,195</u>
Total Decreases	<u>(19,864,494)</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>\$ 80,748,044</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	\$ (1,760,974,309)
All other	<u>658,801,436</u>
Total unrestricted net assets	<u>\$ (1,102,172,873)</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 \$1,760,974,309. 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 \$17,013,550 to the College for operating purposes during the current year. In addition, the County made debt service payments of \$2,218,076 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, 2010. 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 \$1,771,291 for operations, \$5,207,934 for debt service and \$1,000,000 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, 2010. 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, 2010.

**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 \$640,463,560 and a bank balance of \$622,115,086. Of the bank balance, \$1,602,096 was covered by federal depository insurance and \$620,512,990 in interest-bearing deposits were covered by collateral held under the pooling method.

2. Investments

As of June 30, 2010, 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 Agencies	\$ 325,610,475	\$ 145,403,380	\$ 170,180,495	\$ 10,026,600
Certificates of Deposit	30,000,000	30,000,000	-	-
N.C. Capital Management Trust -Cash portfolio	376,355	376,355	-	-
Total fair value	<u>\$ 355,986,830</u>	<u>\$ 175,779,735</u>	<u>\$ 170,180,495</u>	<u>\$ 10,026,600</u>

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 15% of the portfolio can be in the 2-3 year range and a maximum 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, 2010, 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, 2010. 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, 2010, 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	\$ 18,158,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,000	\$ 18,898,370
Accounts	12,773,313	-	-	-	1,501,886	-	-	14,275,199
Interest	20,661	228	29,321	1,509,091	-	939,974	184,870	2,684,145
Special assessments	13,804	-	-	-	-	-	-	13,804
Intergovernmental	43,964,191	223,416	-	-	1,000,000	8,197,541	1,869,052	55,254,200
Loans receivable	-	22,242,396	-	-	268,323	-	-	22,510,719
Other	6,161,806	50,418	2,627,819	12,818,821	4,613,269	-	269,371	26,541,504
Gross receivables	81,092,145	22,516,458	2,657,140	14,327,912	7,383,478	9,137,515	3,063,293	140,177,941
Less allowance for bad debts	(18,761,933)	(300,106)	-	-	(1,344,517)	-	(532,800)	(20,939,356)
Net total receivables	<u>\$ 62,330,212</u>	<u>\$ 22,216,352</u>	<u>\$ 2,657,140</u>	<u>\$ 14,327,912</u>	<u>\$ 6,038,961</u>	<u>\$ 9,137,515</u>	<u>\$ 2,530,493</u>	<u>\$ 119,238,585</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 \$168,679 and \$113,875, respectively.

**NOTE 5. Receivables
(cont.)**

At the end of the current period, the various components of deferred revenue were as follows:

	General Fund	Affordable Housing Fund	County Capital Project Fund	School Capital Fund	Non Major Funds	Total
Unavailable:						
Taxes receivable	\$ 6,317,194	\$ -	\$ -	\$ -	\$ 207,200	\$ 6,524,394
Other receivables	3,384,912	-	3,435,702	-	-	6,820,614
Total Unavailable	9,702,106	-	3,435,702	-	207,200	13,345,008
Unearned:						
Housing loans receivable	-	21,970,236	-	-	-	21,970,236
Loans receivable	-	-	247,683	-	-	247,683
Prepaid taxes not yet earned	2,104,016	-	-	-	45,278	2,149,294
Prepaid loans not yet earned	-	-	-	-	80,000	80,000
Prepaid revenues not yet earned	43,483	-	1,500,000	-	-	1,543,483
Other cash deferred revenues	-	-	-	713,618	-	713,618
Total Unearned	2,147,499	21,970,236	1,747,683	713,618	125,278	26,704,314
Total Deferred revenues	\$ 11,849,605	\$ 21,970,236	\$ 5,183,385	\$ 713,618	\$ 332,478	\$ 40,049,322

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 have been received but not yet earned.

NOTE 6.
Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 60,761,317	\$ 18,280,345	\$ (861,310)	\$ 78,180,352
Construction in progress	<u>172,242,140</u>	<u>59,726,779</u>	<u>(39,645,155)</u>	<u>192,323,764</u>
Total capital assets, not being depreciated	<u>233,003,457</u>	<u>78,007,124</u>	<u>(40,506,465)</u>	<u>270,504,116</u>
Capital assets, being depreciated:				
Buildings	308,915,332	42,771,904	(5,061,436)	346,625,800
Improvements Other than Buildings	20,715,938	609,517	-	21,325,455
Machinery and equipment	34,247,069	663,454	(90,410)	34,820,113
Vehicles and motorized equipment	32,574,949	3,895,296	(3,923,137)	32,547,108
Infrastructure	<u>10,939,755</u>	<u>-</u>	<u>-</u>	<u>10,939,755</u>
Total capital assets being depreciated	<u>407,393,043</u>	<u>47,940,171</u>	<u>(9,074,983)</u>	<u>446,258,231</u>
Less accumulated depreciation for:				
Buildings	68,501,227	12,803,278	(624,315)	80,680,190
Improvements Other than Buildings	3,378,826	553,432	-	3,932,258
Machinery and equipment	30,099,127	2,017,748	(89,532)	32,027,343
Vehicles and motorized equipment	18,789,404	4,756,760	(3,668,350)	19,877,814
Infrastructure	<u>3,853,547</u>	<u>222,669</u>	<u>-</u>	<u>4,076,216</u>
Total accumulated depreciation	<u>124,622,131</u>	<u>\$ 20,353,887</u>	<u>\$ (4,382,197)</u>	<u>140,593,821</u>
Total capital assets, being depreciated, net	<u>282,770,912</u>			<u>305,664,410</u>
Governmental activities capital assets, net	<u>\$ 515,774,369</u>			<u>\$ 576,168,526</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	2,980,471	14,721	-	2,995,192
Total capital assets, not being depreciated/amortized	<u>4,855,724</u>	<u>14,721</u>	<u>-</u>	<u>4,870,445</u>
Capital assets, being depreciated/amortized:				
Landfills	36,160,688	-	-	36,160,688
Buildings	1,166,846	-	-	1,166,846
Improvements	544,003	-	-	544,003
Machinery and equipment	24,963	346,562	-	371,525
Vehicles and motorized equipment	11,573	-	-	11,573
Total capital assets being depreciated/amortized	<u>37,908,073</u>	<u>346,562</u>	<u>-</u>	<u>38,254,635</u>
Less accumulated depreciation/amortization for:				
Landfills	29,561,550	401,380	-	29,962,930
Buildings	311,542	29,203	-	340,745
Improvements	146,030	13,602	-	159,632
Machinery and equipment	18,456	17,939	-	36,395
Vehicles and motorized equipment	11,573	-	-	11,573
Total accumulated depreciation/amortization	<u>30,049,151</u>	<u>\$ 462,124</u>	<u>\$ -</u>	<u>30,511,275</u>
Total capital assets, being depreciated/amortized, net	<u>7,858,922</u>			<u>7,743,360</u>
Business-type activities capital assets, net	<u>\$ 12,714,646</u>			<u>\$ 12,613,805</u>

**NOTE 6. (Cont.)
Capital Assets**

Depreciation and amortization expenses were charged to functions as follows:

Governmental activities:	
General administration	\$ 3,299,193
Human services	2,005,243
Education	355,980
Community development and cultural	2,905,095
Environmental services	257,836
Public safety	8,181,455
General services administration	<u>3,349,085</u>
Total depreciation expense - Governmental activities	<u>20,353,887</u>
Business-type activities:	
Environmental services - solid waste	<u>462,124</u>
Total depreciation and amortization	<u><u>\$ 20,816,011</u></u>

**NOTE 6. (Cont.)
Capital Assets**

For the 2010 fiscal year, the construction in progress expenditures for governmental activities were as follows:

Construction in Progress:	Expended At June 30, 2010
Automation	\$ 24,770,772
Community Capital Projects	750,000
County Buildings	21,756,445
Criminal Justice	51,026,546
Libraries	6,382,796
Open Space	16,716,579
Parks	4,417,814
Public Safety	27,055,812
Water/Wastewater	37,376,378
Program-wide Projects	<u>2,070,622</u>
Total	<u><u>\$ 192,323,764</u></u>

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

Internal balances in the governmental funds, as of June 30, 2010 are \$747,320. 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, 2010 are \$328,630. 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 2010 to fund debt service payments, capital improvements, economic developments and the County match for State and Federal Grant Programs. The \$404,000 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 \$1,287,183 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	\$ 156,595,957	\$ 22,000,000	\$ 15,000,000	\$ 11,685,015	\$ -	\$ 205,384,972
Major Facilities Fund	907,041	-	991,000	-	-	1,000,000	-	2,898,041
Debt Service Fund	-	-	-	10,549,077	-	-	-	10,549,077
Capital Improvements Fund	1,257,182	650,000	-	-	-	1,500,000	-	3,407,182
Other Governmental Funds	-	-	1,140,000	120,000	-	2,300,000	-	3,560,000
Solid Waste Operating Fund	404,000	-	-	-	-	-	-	404,000
South Wake Partnership Fund	-	-	-	-	-	-	1,287,183	1,287,183
Total transfers in	<u>\$ 2,568,223</u>	<u>\$ 754,000</u>	<u>\$ 158,726,957</u>	<u>\$ 32,669,077</u>	<u>\$ 15,000,000</u>	<u>\$ 16,485,015</u>	<u>\$ 1,287,183</u>	<u>\$ 227,490,455</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.

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 at locations in flood zones. 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, 2010 are as follows:

Property Coverage	Liability
Coverage	Coverage Limits
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 \$6,814,902 reported in the General Fund at June 30, 2010 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 2010 and 2009 are as follows:

Changes in the Fund's Claims Liability

	2010	2009
Beginning of fiscal year liability	\$ 5,707,272	\$ 6,538,695
Workers' Compensation changes in estimates	799,341	(534,408)
Property and liability changes in estimates	124,635	(549,609)
Dental benefits changes in estimates	(1,522)	5,594
Self-insured group medical changes in estimates	185,176	247,000
Balance at fiscal year-end	<u>\$ 6,814,902</u>	<u>\$ 5,707,272</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, 2010, the net book value of the assets acquired through capital leases is \$43,987. The net present value of the future minimum lease payments at June 30, 2010 is \$157,095 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, 2010 were \$2,474,387. The future minimum lease payments for non-cancelable operating leases are \$8,438,068 as detailed below.

At June 30, 2010, 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
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>165,042</u>	<u>\$ 8,438,068</u>
Less: amount representing interest	<u>(7,947)</u>	
Net present value of the future minimum lease payments	<u>\$ 157,095</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, 2010 was \$352,259.

**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 5.40 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 0.12% to 0.55% during the period July 1, 2009 through June 30, 2010. 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, 2010 are comprised of the following:

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%.	\$ 300,000
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 5.10%.	5,700,000
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%.	17,000,000
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%.	24,000,000
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 0.26% at June 30, 2010. 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, 2010. 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%.	1,200,000
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%	4,700,000
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%.	40,000,000
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 0.26% at June 30, 2010. 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 0.28% at June 30, 2010. The maximum interest rate cannot exceed 12%.	57,000,000

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

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%.	\$ 72,440,000
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%.	32,675,000
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%	7,500,000
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%.	161,000,000
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 0.28% at June 30, 2010. 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, 2010. 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%.	48,000,000
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%.	284,000,000
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%.	58,745,000
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%.	168,980,000
2010A Public Improvement Bonds of \$86,295,000 due in periodic installments of \$6,635,000 to \$6,675,000 beginning April 1, 2011 through April 1, 2023, interest of 2.00 to 5.00%.	86,295,000
2010B Public Improvement Recovery Zone Economic Development Bonds of \$39,505,000 due in periodic installments of \$6,330,000 to \$6,635,000 beginning April 1, 2024 through April 1, 2029, interest of 4.80 to 5.40%.	39,505,000
2010C Refunding Bonds of \$383,420,000 due in periodic installments of \$100,000 to \$56,780,000 beginning March 1, 2013 through March 1, 2026, interest of 2.00 to 5.00%.	383,420,000
2010D Public Improvement Qualified School Construction Bonds of \$34,910,000 due June 1, 2027, interest at 5.10%. Annual payments are required to be made into a sinking fund held by US Bank. The deposits and the interest earned on those deposits will be used to make the principal payment in June 2027.	34,910,000
Total general obligation bonds outstanding	<u>\$ 1,794,370,000</u>

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

Limited Obligation Bonds:

The limited obligation bonds reported in Governmental Activities are supported by an annual budgetary appropriation of debt service, unlike general obligation bonds which are collateralized by the full faith, credit and taxing power of the County. Principal and interest requirements will be provided by an appropriation in the Debt Service Fund in the the year in which they become due.

2009 Limited obligation bonds of \$154,620,000, due in annual installments of \$6,180,000 through \$6,185,000 June 2036; interest of 4.75 % to 5.00%, collateralized by the Hammond Road Detention Center	\$ 154,620,000
2010 Limited obligation bonds of \$148,860,000, due in annual installments of \$5,950,000 through \$5,955,000 January 2037; interest of 2.50% to 5.00%, collateralized by the Criminal Justice Center	148,860,000
Total limited obligation bonds outstanding	<u>\$ 303,480,000</u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2010 are as follows:

Year Ending	Principal	Interest	Total
June 30			
2011	\$ 115,550,000	\$ 78,533,665	\$ 194,083,665
2012	116,840,000	77,100,082	193,940,082
2013	116,925,000	71,421,212	188,346,212
2014	114,290,000	65,955,162	180,245,162
2015	114,080,000	60,785,263	174,865,263
2016-2020	643,890,000	216,567,440	860,457,440
2021-2025	477,690,000	87,772,879	565,462,879
2026-2029	95,105,000	8,317,002	103,422,002
	<u>\$ 1,794,370,000</u>	<u>\$ 666,452,705</u>	<u>\$ 2,460,822,705</u>

The annual requirements to amortize capital leases, installment purchases, limited obligation bonds, notes payable and Qualified Zone Academy debt outstanding as of June 30, 2010 are as follows:

June 30	Principal	Interest	Total
2011	\$ 1,794,558	\$ 14,295,373	\$ 16,089,931
2012	7,645,117	14,318,121	21,963,238
2013	13,631,412	14,016,442	27,647,854
2014	13,678,493	13,560,653	27,239,146
2015	13,725,189	13,076,709	26,801,898
2016-2020	62,603,235	57,836,515	120,439,750
2021-2025	60,700,000	43,536,519	104,236,519
2026-2030	60,700,000	28,596,375	89,296,375
2031-2035	60,700,000	13,595,950	74,295,950
2036-2037	18,085,000	1,193,350	19,278,350
	<u>\$ 313,263,004</u>	<u>\$ 214,026,007</u>	<u>\$ 527,289,011</u>

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

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, 2010, such statutory limit of the County was \$9,532,660,016 providing a legal debt margin of \$7,425,483,631. Authorized but unissued general obligation bonds as of June 30, 2010 totaled \$391,870,000. Of this amount \$315,290,000 was for authorized but unissued new general obligation bonds and \$76,580,000 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.

Recovery Zone Economic Development Bonds

In 2010, the County issued Series 2010B Public Improvement Recovery Zone Economic Development Bonds (RZEDBs) totaling \$39.505 million. The issuance was comprised of the County's original allocation of RZEDBs of \$6.3 million and an additional allocation from the State. These bonds are eligible for federal interest subsidy payments equal to 45% of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA).

Qualified School Construction Bonds

In 2010, the County issued Series 2010D Public Improvement Qualified School Construction Bonds totaling \$34.91 million. The issuance was comprised of the County's direct allocation from the U.S. Treasury totaling \$17.304 million in 2009 and \$17.606 million in 2010. These bonds are eligible for federal interest subsidy payments equal to 100% of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA) and the Hiring Incentives to Restore Employment (HIRE) Act.

Advance Refundings:

In May 2010, the County issued \$383,420,000 of general obligation refunding bonds to provide resources that were then placed in an irrevocable trust for generating resources for all future debt service payments associated with \$412,900,000 of 2010 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column on the County's statement of net assets. The net carrying amount of the old debt exceeded the reacquisition price by \$29,480,000. This advance refunding was undertaken to reduce the total debt service payments over the next fifteen years by \$25,794,432 and resulted in an economic gain of \$18,761,044.

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, 2010, there were 16 series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$593 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 August 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, 2010, the swap had a fair value to the County of (\$252,918). Fair value was estimated by the counterparty using mark to market valuations. As of June 30, 2010, the County was not exposed to credit risk because the swap had a negative fair value. The swap counterparty, Bank of America, at June 30, 2010 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. The swap may also be terminated if either party’s credit rating on its long-term unsubordinated debt falls to “Baa1” or lower by Moody’s Investors Service, “BBB+” or lower by Standard and Poor’s, and “BBB+” or lower by Fitch Ratings, or such rating is withdrawn or suspended. 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, 2010 (0.273%) 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
2011	\$ 825,113	\$ 23,668	\$ 142,219	\$ 991,000
2012	857,038	19,116	114,846	991,000
2013	889,893	14,387	86,720	991,000
2014	924,631	9,476	56,893	991,000
2015	960,407	4,374	26,219	991,000
2016	77,694	212	1,264	79,170
Total	\$ 4,534,776	\$ 71,233	\$ 428,161	\$ 5,034,170

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

Changes In Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 1,772,370,000	\$ 544,130,000	\$ 522,130,000	\$ 1,794,370,000	\$ 115,550,000
Plus: Premiums on issuance	95,099,296	75,606,281	9,003,051	161,702,526	N/A
Total general obligation bonds payable	1,867,469,296	619,736,281	531,133,051	1,956,072,526	115,550,000
Limited obligation bonds	-	303,480,000	-	303,480,000	-
Plus: Premiums on issuance	-	21,717,899	526,200	21,191,699	N/A
Total limited obligation bonds payable	-	325,197,899	526,200	324,671,699	-
Qualified Zone Academy Bonds	1,307,694	-	163,461	1,144,233	163,461
Installment Purchases	9,356,965	-	1,175,056	8,181,909	1,220,488
Notes payable	-	304,944	5,177	299,767	299,767
Capital leases	328,068	-	170,973	157,095	110,842
Other post-employment benefits	22,156,330	14,791,998	3,458,943	33,489,385	-
Compensated absences	12,487,632	11,915,106	12,234,597	12,168,141	12,168,141
Total Governmental Activities	<u>\$ 1,913,105,985</u>	<u>\$ 971,946,228</u>	<u>\$ 548,867,458</u>	<u>\$ 2,336,184,755</u>	<u>\$ 129,512,699</u>
Business-type activities:					
Landfill	\$ 14,490,163	\$ 1,646,617	\$ 1,323,992	\$ 14,812,788	N/A
Other post-employment benefits	115,565	54,385	15,910	154,040	-
Compensated absences	53,829	51,563	47,413	57,979	57,979
Total Business-type Activities	<u>\$ 14,659,557</u>	<u>\$ 1,752,565</u>	<u>\$ 1,387,315</u>	<u>\$ 15,024,807</u>	<u>\$ 57,979</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, 2010 this amount, which is not included in the financial statements because the County has no primary responsibility beyond making eligibility determinations, is approximately \$546 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, 2008, 2009, and 2010 were \$8,228,082, \$8,658,698 and \$8,458,208 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 2010 was \$175,096,505. The County's contributions were calculated using the base salary amount of \$174,603,226. The County made contributions amounting to \$8,707,989. Employees made voluntary contributions of \$4,136,595.

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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	57
Active plan members	<u>375</u>
Total	<u><u>432</u></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, 2010, the County contributed \$745,000, or 4.01% 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, 2010 was determined as part of the December 31, 2008 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 open basis. The remaining amortization period at December 31, 2008 was 20 years.

Funded Status and Funding Progress. As of December 31 2009, the most recent actuarial valuation date, the plan was 17.02 percent funded. The actuarial accrued liability for benefits was \$11,387,164, and the actuarial value of assets was \$1,938,530, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,448,634. The covered payroll (annual payroll of active employees covered by the plan) was \$18,562,071, and the ratio of the UAAL to the covered payroll was 50.90 percent

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

Trend Information:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation (asset)
June 30, 2008	\$ 615,112	100.54%	\$ (1,133,847)
June 30, 2009	690,577	100.93%	(1,140,270)
June 30, 2010	763,053	97.63%	(1,122,217)

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	\$ 768,996
Interest on net pension obligation	(82,670)
Adjustment to annual required contribution	<u>76,727</u>
Annual pension cost	763,053
Contributions made	<u>745,000</u>
Decrease in net pension obligation	18,053
Net pension obligation (asset), beginning of year	<u>(1,140,270)</u>
Net pension asset, end of year	<u><u>\$ (1,122,217)</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, 2010 the county's actual and required contributions were \$80,020.

**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, 2010 the County made contributions to the State for death benefits of \$136,049. 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 healthcare benefits, as a single-employer defined benefit plan to retirees of the County. As of April 15, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided that they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. Prior to April 15, 2007, employees qualified for similar level of benefits after at least five years of creditable 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, 2009, the date of the latest actuarial valuation:

Retirees receiving benefits	714
Active plan members	<u>3,826</u>
Total	<u><u>4,540</u></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. Retirees can purchase coverage for their dependents at the County's group rates. 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 \$3,474,853 or 2% of annual covered payroll. The County's medical coverage is self insured, which is administered by an outside provider. There were no contributions made by employees, except for dependant coverage for retirees in the amount of \$537,243.

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	1,002,235
Adjustment to annual required contribution	<u>(822,527)</u>
Annual OPEB cost	14,846,383
Contributions made	<u>3,474,853</u>
Increase in net OPEB obligation	11,371,530
Net OPEB liability, beginning of year	<u>22,271,895</u>
Net OPEB liability, end of year	<u><u>\$ 33,643,425</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2008	\$ 14,918,567	23.0%	\$ 11,485,163
2009	14,666,675	26.5%	22,271,895
2010	14,846,383	23.4%	33,643,425

As of December 31, 2009, 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 \$192,103,016. The covered payroll (annual payroll of active employees covered by the plan) was \$175,306,115, and the ratio of the UAAL to the covered payroll was 139.1%. 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, 2009 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 for pre-Medicare and 9.00 to 5.00 percent for post-Medicare, each over 7 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 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, 2010.

**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 \$21.0 million. The landfill closure and postclosure liability of \$14,812,788 is included in accounts payable and accrued liabilities in the Solid Waste Operating fund and the South Wake Landfill Partnership fund at June 30, 2010. The liability represents a cumulative amount reported to date based on the following facilities.

The North Wake Unlined Landfill and the Feltsonville Unlined Landfill have been closed for approximately twelve 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 Feltsonville 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 Feltsonville 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 has been closed since May 2008. Bids were received and a contract was awarded for closure of the facility in May 2008. The closure construction was successfully completed in 2009. Therefore no further closure funds need to be reserved for fiscal year 2010 or beyond. The County will continue to monitor this facility for post-closure care for an additional 28 years.

The South Wake Subtitle Design Facility began operations in February 2008 and is in its first phase of five total phases. At June 30, 2010; Phase 1 is estimated to be 40% 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 \$6.2 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.
Pollution Remediation
Liability**

During fiscal year 2010, the County received a letter from the North Carolina Department of Environment and Natural Resources Division of Waste Management (NCDENR) regarding post closure activities associated with the closed East Wake Landfill. Groundwater contamination and other volatile compounds have been detected at levels above the State groundwater standards. The County has signed a contract with an Engineering firm to perform a site assessment of the land in question. Prior to the completion of the site assessment, the County is not able to reasonably estimate the entire costs of clean up that may be required. Clean-up activities may include ground water monitoring, landfill gas monitoring and final cap repair. The County may be able to recover a portion of the costs associated with this project related to a certain parcel of land, at this time the amount of recoveries is not known so it was not included in the pollution remediation liability. At June 30, 2010, \$33,100 of pollution remediation liabilities were included in accounts payable and accrued liabilities in the Solid Waste Operating Fund.

**NOTE 21.
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 22.
Subsequent Events**

The County issued \$18,945,000 of General Obligation Public Improvement Bonds, Series 2010E in August 2010. The bonds are due in annual installments of \$1,890,000 to \$1,895,000 beginning August 1, 2011 through August 1, 2020, interest at 2.50% to 4.00%.

The County issued \$17,055,000 of General Obligation Public Improvement Bonds, Series 2010F in August 2010. The bonds are due in annual installments of \$1,895,000 beginning August 1, 2021 through August 1, 2029, interest at 4.15% to 5.40%.

**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 2010, the Board's deposits had a carrying amount of \$17,653,314 and a bank balance of \$17,626,864. 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 \$449,334, is included in cash and cash equivalents.

NOTE 23.
Discretely Presented
Component Unit Disclosure
(cont.)

(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.