

Wake County

Basic

Financial Statements

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION As of June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
ASSETS				
Cash and investments - pooled equity	\$ 513,151,173	\$ 31,889,338	\$ 545,040,511	\$ -
Cash and investments - reserved	4,644,938	19,845,485	24,490,423	-
Cash and investments - cash equivalents	1,006,663	750	1,007,413	14,751,990
Taxes receivable (net)	7,089,734	-	7,089,734	-
Accounts receivable (net)	77,777,854	2,802,445	80,580,299	4,808
Loans receivable	4,206,403	-	4,206,403	-
Accrued interest receivable	589,728	64,457	654,185	-
Prepaid items	4,014,450	1,785	4,016,235	-
Internal balances	10,169	(10,169)	-	-
Inventories	576,089	-	576,089	6,752,737
Net pension asset	718,487	-	718,487	-
Restricted assets:				
Cash and investments - cash equivalents with fiscal agent	308,851,233	-	308,851,233	-
Capital assets not being depreciated:				
Land	111,471,138	1,875,253	113,346,391	8,335,386
Construction in progress	433,377,641	1,902,087	435,279,728	-
Capital assets (net of accumulated depreciation):				
Landfills	-	7,781,927	7,781,927	-
Buildings	267,534,033	738,491	268,272,524	7,271,158
Improvements	18,012,943	343,567	18,356,510	142,986
Machinery and equipment	2,706,361	385,396	3,091,757	512,985
Vehicles and motorized equipment	11,140,781	-	11,140,781	16,939
Computer software	10,774,274	-	10,774,274	-
Infrastructure	10,262,525	-	10,262,525	-
Total assets	1,787,916,617	67,620,812	1,855,537,429	37,788,989
DEFERRED OUTFLOWS OF RESOURCES	64,942	-	64,942	-

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION As of June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
LIABILITIES				
Accounts payable and accrued liabilities	\$ 60,175,041	\$ 3,060,487	\$ 63,235,528	\$ 7,869,299
Due to other governmental units	5,429,795	-	5,429,795	-
Unearned revenues	6,806,403	-	6,806,403	-
Accrued interest payable	24,689,539	-	24,689,539	-
Long term liabilities:				
Amounts due within one year:				
Capital leases	40,927	-	40,927	-
General obligation bonds - schools	113,282,981	-	113,282,981	-
General obligation bonds - other	23,167,019	-	23,167,019	-
Limited obligation bonds	12,140,000	-	12,140,000	-
Quality zoning academic bonds	163,461	-	163,461	-
Installment purchases	1,485,227	-	1,485,227	-
Compensated absences payable	9,500,000	52,000	9,552,000	-
Closure/post closure costs	-	575,000	575,000	-
Risk management liabilities	5,184,744	-	5,184,744	-
Amounts due beyond one year:				
Capital leases	40,311	-	40,311	-
General obligation bonds - schools	1,527,612,288	-	1,527,612,288	-
General obligation bonds - other	296,070,999	-	296,070,999	-
Limited obligation bonds	291,842,042	-	291,842,042	-
Quality zoning academic bonds	490,389	-	490,389	-
Installment purchases	3,842,121	-	3,842,121	-
Other post employment benefits	81,959,990	416,121	82,376,111	1,458,573
Compensated absences payable	1,252,254	16,270	1,268,524	-
Construction reserves	-	417,705	417,705	-
Closure/post closure costs	-	19,270,485	19,270,485	-
Risk management liabilities	2,577,940	3,320	2,581,260	-
Total liabilities	2,467,753,471	23,811,388	2,491,564,859	9,327,872
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	3,315,546	380	3,315,926	-
Derivative liability	64,942	-	64,942	-
Unamortized gains on debt refundings	65,899,158	-	65,899,158	-
Total deferred inflows of resources	69,279,646	380	69,280,026	-
NET POSITION				
Net investment in capital assets	481,647,900	13,026,721	494,674,621	16,279,454
Restricted for:				
Stabilization by state statute	186,979,039	2,113,818	189,092,857	-
Register of deeds automation	339,453	-	339,453	-
Housing programs	1,379,259	-	1,379,259	-
White goods	-	2,428,306	2,428,306	-
Working capital	-	-	-	2,801,698
Unrestricted (See Note 1.P)	(1,419,397,209)	26,240,199	(1,393,157,010)	9,379,965
Total net position (deficit)	\$ (749,051,558)	\$ 43,809,044	\$ (705,242,514)	\$ 28,461,117

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Unit
				Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS						
Primary Government:						
Governmental activities:						
General administration	\$ 57,447,794	\$ 7,831,642	\$ 1,883,518	\$ (47,732,634)	\$ -	\$ (47,732,634)
Human services	210,045,271	21,954,285	103,268,029	(84,822,957)	-	(84,822,957)
Education	423,906,638	-	15,136,373	(408,770,265)	-	(408,770,265)
Community development and cultural	73,419,595	4,698,640	577,185	(68,143,770)	-	(68,143,770)
Environmental services	8,647,932	1,942,165	530,232	(6,175,535)	-	(6,175,535)
Public safety	139,372,822	32,543,421	782,594	(106,046,807)	-	(106,046,807)
General services administration	23,127,651	2,354,779	7,825	(20,765,047)	-	(20,765,047)
Interest on long-term debt	66,354,069	-	-	(66,354,069)	-	(66,354,069)
Total governmental activities	1,002,321,772	71,324,932	122,185,756	(808,811,084)	-	(808,811,084)
Business-type activities:						
Solid Waste	25,376,961	21,836,839	1,601,437	-	(1,938,685)	(1,938,685)
Total primary government	\$ 1,027,698,733	\$ 93,161,771	\$ 123,787,193	(808,811,084)	(1,938,685)	(810,749,769)
Component unit:						
Board of Alcoholic Control	\$ 72,972,740	\$ 72,844,136	\$ -			\$ (128,604)
General revenues:						
Property taxes				675,565,832	-	675,565,832
Sales taxes				127,273,310	-	127,273,310
Occupancy and prepared food taxes				38,158,690	-	38,158,690
Other taxes				9,916,198	-	9,916,198
Grants and contributions not restricted to specific programs				5,294,595	-	5,294,595
Unrestricted investment earnings				2,517,197	85,443	2,602,640
Other				2,056,648	1,227,548	3,284,196
Total general revenues				860,782,470	1,312,991	862,095,461
Transfers				456,000	(456,000)	-
Total general revenues and transfers				861,238,470	856,991	862,095,461
Change in net position				52,427,386	(1,081,694)	51,345,692
Net position (deficit), beginning of year, previously reported				(917,624,319)	43,014,422	(874,609,897)
Restatement of net position (see Note 24)				116,145,375	1,876,316	118,021,691
Net position (deficit), beginning of year, restated				(801,478,944)	44,890,738	(756,588,206)
Net position (deficit), end of year				\$ (749,051,558)	\$ 43,809,044	\$ (705,242,514)

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

WAKE COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	Major Funds							Nonmajor	Total
	General	Affordable	Major	Debt	County	School	Wake Community	Other	
	Fund	Housing	Facilities	Service	Capital Projects	Capital	College Capital	Governmental	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds	Governmental
ASSETS									
Cash and investments - pooled equity	\$ 176,582,374	\$ 4,451,449	\$ 4,668,846	\$ 122,589,910	\$ 70,923,165	\$ 99,405,191	\$ 7,889,097	\$ 22,596,641	\$ 509,106,673
Cash and investments - cash equivalents	1,006,033	30	600	-	-	-	-	-	1,006,663
Cash and investments - restricted	4,644,938	-	-	39,016,877	21,968,347	132,693,418	115,172,590	-	313,496,170
Taxes receivable (net)	6,849,690	-	-	-	-	-	-	240,044	7,089,734
Accounts receivable (net)	61,004,008	189,739	3,360,189	3,814,011	3,965,174	3,731,838	142,426	1,542,122	77,749,507
Prepaid expenditures	541,186	170,720	-	3,298,469	-	-	-	4,075	4,014,450
Loans receivable	4,000,000	-	-	-	206,403	-	-	-	4,206,403
Accrued interest receivable	11,933	113	6,044	522,362	-	18,035	-	25,797	584,284
Internal balances (interfund receivable)	566,963	-	-	-	-	-	-	-	566,963
Inventories	379,368	-	-	-	-	-	-	-	379,368
Total assets	\$ 255,586,493	\$ 4,812,051	\$ 8,035,679	\$ 169,241,629	\$ 97,063,089	\$ 235,848,482	\$ 123,204,113	\$ 24,408,679	\$ 918,200,215
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 41,435,159	\$ 383,172	\$ 6,698,250	\$ 186,429	\$ 9,404,850	\$ 1,146,569	\$ 2,264,289	\$ 1,742,433	\$ 63,261,151
Due to other governmental units	259,218	-	88	-	-	5,169,592	-	-	5,428,898
Unearned revenue	3,600,000	-	-	-	3,206,403	-	-	-	6,806,403
Internal balances (interfund payable)	-	-	-	-	-	-	-	566,963	566,963
Total liabilities	45,294,377	383,172	6,698,338	186,429	12,611,253	6,316,161	2,264,289	2,309,396	76,063,415
DEFERRED INFLOWS OF RESOURCES	13,980,742	-	-	-	3,270,177	-	-	385,344	17,636,263

WAKE COUNTY, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013**

	Major Funds							Nonmajor	Total
	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Wake Community College Capital Fund	Other Governmental Funds	
Fund Balances:									
Non-spendable:									
Inventories	\$ 379,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,368
Noncurrent receivable	280,923	-	-	-	-	-	-	-	280,923
Restricted:									
Stabilization by state statute	60,378,072	3,049,620	1,337,341	7,634,842	13,192,679	97,342,704	142,426	2,965,849	186,043,533
Register of deeds automation	339,453	-	-	-	-	-	-	-	339,453
Housing programs	-	1,379,259	-	-	-	-	-	-	1,379,259
Committed:									
Revaluation reserve	4,093,247	-	-	-	-	-	-	-	4,093,247
Future appropriations from excess									
local ABC revenues	6,400,000	-	-	-	-	-	-	-	6,400,000
Working capital	124,040,311	-	-	-	-	-	-	2,904,480	126,944,791
Assigned:									
Planned expenditures	-	-	-	31,619,016	59,445,049	88,385,082	120,797,398	6,688,326	306,934,871
Future insurance claims	400,000	-	-	-	-	-	-	-	400,000
Future capital projects	-	-	-	-	8,543,931	43,804,535	-	9,155,284	61,503,750
Debt service	-	-	-	129,801,342	-	-	-	-	129,801,342
Total Fund Balances	196,311,374	4,428,879	1,337,341	169,055,200	81,181,659	229,532,321	120,939,824	21,713,939	824,500,537
Total liabilities, deferred inflows of resources, and fund balances	\$ 255,586,493	\$ 4,812,051	\$ 8,035,679	\$ 169,241,629	\$ 97,063,089	\$ 235,848,482	\$ 123,204,113	\$ 24,408,679	\$ 918,200,215

WAKE COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet to the Statement of Net Position As of June 30, 2013

Fund balances - Governmental Funds	\$ 824,500,537
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds less assets related to the Corporate Fleet Internal Service Fund	856,896,894
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	15,039,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,456,983,697)
An internal service fund is used by management to charge the costs of fleet to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>11,495,505</u>
Net position (deficit) of governmental activities	<u><u>\$ (749,051,558)</u></u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	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	Wake Community College Capital Fund		
REVENUES:									
Taxes	\$ 793,285,615	\$ -	\$ 38,158,690	\$ 51,708	\$ 377	\$ -	\$ -	\$ 20,567,456	\$ 852,063,846
Intergovernmental	94,612,804	6,658,047	-	12,964,747	566,781	2,171,627	-	10,505,748	127,479,754
Charges for services	64,535,379	621,063	621,008	-	21,065	-	-	699,152	66,497,667
Fines and forfeitures	-	-	-	-	-	-	-	2,118	2,118
Licenses and permits	4,062,881	-	-	-	-	-	-	-	4,062,881
Investment earnings	10,387	-	15,335	2,422,997	106	23,950	-	42,911	2,515,686
Miscellaneous	1,298,714	-	-	-	6,625	-	-	66,391	1,371,730
Total Revenues	<u>957,805,780</u>	<u>7,279,110</u>	<u>38,795,033</u>	<u>15,439,452</u>	<u>594,954</u>	<u>2,195,577</u>	<u>-</u>	<u>31,883,776</u>	<u>1,053,993,682</u>
EXPENDITURES:									
Current:									
General administration	41,663,173	-	-	354,580	11,837,845	-	-	77,537	53,933,135
Human services	184,720,084	9,658,226	-	-	-	-	-	9,566,960	203,945,270
Education	334,532,675	-	-	-	-	77,218,781	15,662,906	-	427,414,362
Community development and cultural	25,917,801	-	35,854,239	-	7,534,397	-	-	953,459	70,259,896
Environmental services	7,661,402	-	-	-	113,024	-	-	89,978	7,864,404
Public safety	107,763,560	-	-	-	42,300,443	-	-	22,445,818	172,509,821
General services administration	22,421,170	-	-	-	-	-	-	8,598	22,429,768
Debt service:									
Principal	-	-	-	145,652,849	-	-	-	-	145,652,849
Interest	-	-	-	89,523,701	-	-	-	-	89,523,701
Total Expenditures	<u>724,679,865</u>	<u>9,658,226</u>	<u>35,854,239</u>	<u>235,531,130</u>	<u>61,785,709</u>	<u>77,218,781</u>	<u>15,662,906</u>	<u>33,142,350</u>	<u>1,193,533,206</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>233,125,915</u>	<u>(2,379,116)</u>	<u>2,940,794</u>	<u>(220,091,678)</u>	<u>(61,190,755)</u>	<u>(75,023,204)</u>	<u>(15,662,906)</u>	<u>(1,258,574)</u>	<u>(139,539,524)</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	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			Wake Community College Capital Fund
OTHER FINANCING SOURCES (USES):									
Transfers in	\$ 1,599,215	\$ 830,000	\$ -	\$ 193,160,902	\$ 25,549,000	\$ -	\$ 2,500,000	\$ 2,338,000	\$ 225,977,117
Transfers out	(214,112,000)	-	(3,134,215)	(100,000)	(5,696,902)	-	-	(2,478,000)	(225,521,117)
Bonds issued	-	-	-	-	21,000,000	51,165,000	104,250,000	-	176,415,000
Installment purchases issued	-	-	-	-	-	-	-	940,674	940,674
Refunding installment purchases issued	-	-	-	2,234,325	-	-	-	-	2,234,325
Premiums on issuance	-	-	-	26,739,626	-	-	-	-	26,739,626
Payment to refunded escrow agent	-	-	-	(2,234,325)	-	-	-	-	(2,234,325)
Total Other Financing Sources (Uses)	<u>(212,512,785)</u>	<u>830,000</u>	<u>(3,134,215)</u>	<u>219,800,528</u>	<u>40,852,098</u>	<u>51,165,000</u>	<u>106,750,000</u>	<u>800,674</u>	<u>204,551,300</u>
NET CHANGE IN FUND BALANCES	20,613,130	(1,549,116)	(193,421)	(291,150)	(20,338,657)	(23,858,204)	91,087,094	(457,900)	65,011,776
Fund Balances at beginning of year	<u>175,698,244</u>	<u>5,977,995</u>	<u>1,530,762</u>	<u>169,346,350</u>	<u>101,520,316</u>	<u>253,390,525</u>	<u>29,852,730</u>	<u>22,171,839</u>	<u>759,488,761</u>
FUND BALANCES AT END OF YEAR	<u>\$ 196,311,374</u>	<u>\$ 4,428,879</u>	<u>\$ 1,337,341</u>	<u>\$ 169,055,200</u>	<u>\$ 81,181,659</u>	<u>\$ 229,532,321</u>	<u>\$ 120,939,824</u>	<u>\$ 21,713,939</u>	<u>\$ 824,500,537</u>

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, 2013

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

Net change in fund balances - total governmental funds	\$ 65,011,776
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.	54,603,903
Depreciation expense for the fiscal year being reported, less depreciation in Corporate Fleet fund	(15,351,458)
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 position. 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.	(51,025,349)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(685,936)
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.	9,527
An internal service fund is used by management to charge the costs of the County's fleet of vehicles to individual funds. The net revenue of the internal service fund is reported within the governmental activities.	<u>(135,077)</u>
Change in net position of governmental activities	<u><u>\$ 52,427,386</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 779,730,343	\$ 783,947,343	\$ 793,285,615	\$ 9,338,272
Licenses and permits	3,319,455	3,320,455	4,062,881	742,426
Intergovernmental	90,818,923	93,337,482	94,612,804	1,275,322
Charges for services	61,687,528	62,373,295	64,535,379	2,162,084
Investment earnings	49,972	49,972	10,387	(39,585)
Miscellaneous	493,177	515,454	1,298,714	783,260
Total Revenues	936,099,398	943,544,001	957,805,780	14,261,779
EXPENDITURES:				
Current:				
General administration	43,283,548	44,126,775	41,663,173	2,463,602
Human services	181,818,711	187,035,404	184,720,084	2,315,320
Education	334,532,675	334,532,675	334,532,675	-
Community development and cultural	26,192,547	26,343,295	25,917,801	425,494
Environmental services	8,031,780	8,137,977	7,661,402	476,575
General services administration	23,253,299	23,405,015	22,421,170	983,845
Public safety	106,445,440	108,589,481	107,763,560	825,921
Total Expenditures	723,558,000	732,170,622	724,679,865	7,490,757
REVENUES OVER EXPENDITURES	212,541,398	211,373,379	233,125,915	21,752,536
OTHER FINANCING SOURCES (USES):				
Transfers in	2,389,000	1,584,000	1,599,215	15,215
Transfers out	(214,962,000)	(214,112,000)	(214,112,000)	-
Total Other Financing Sources (Uses)	(212,573,000)	(212,528,000)	(212,512,785)	15,215
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(31,602)	(1,154,621)	20,613,130	21,767,751
APPROPRIATED FUND BALANCE	31,602	1,154,621	-	(1,154,621)
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	\$ -	\$ -	20,613,130	\$ 20,613,130
FUND BALANCE AT BEGINNING OF YEAR			175,698,244	
FUND BALANCE AT END OF YEAR			\$ 196,311,374	

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
Occupancy tax	\$ 16,317,000	\$ 17,035,000	\$ 17,292,131	\$ 257,131
Prepared food tax	19,772,000	20,571,000	20,866,559	295,559
Total taxes	36,089,000	37,606,000	38,158,690	552,690
Charges for services	-	679,355	621,008	(58,347)
Investment earnings	-	-	15,335	15,335
Total Revenues	36,089,000	38,285,355	38,795,033	509,678
EXPENDITURES:				
Raleigh hold harmless - occupancy	680,000	680,000	680,044	(44)
Cary hold harmless - occupancy	791,364	826,191	838,514	(12,323)
Greater Raleigh Convention and Visitors Bureau	4,204,070	4,378,205	4,439,821	(61,616)
Centennial Authority operations 7%	2,100,735	2,189,121	2,217,993	(28,872)
Centennial - Debt service	5,207,715	5,207,715	5,203,535	4,180
Raleigh annual distribution - \$1M	1,000,000	1,000,000	1,000,000	-
Convention Center	16,176,116	17,174,526	17,494,977	(320,451)
North Carolina Museum of Art	1,000,000	1,000,000	1,000,000	-
Centennial Authority Facility Improvements	1,000,000	1,679,355	1,679,355	-
Green Square	800,000	800,000	800,000	-
St. Augustine's	100,000	100,000	100,000	-
Cary Sports Venue	400,000	400,000	400,000	-
Total Expenditures	33,460,000	35,435,113	35,854,239	(419,126)
REVENUES OVER EXPENDITURES	2,629,000	2,850,242	2,940,794	90,552
OTHER FINANCING SOURCES AND (USES):				
Transfers out to General Fund	(1,083,000)	(1,128,000)	(1,143,215)	(15,215)
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	445,000	268,758	-	(268,758)
Total other financing sources (uses)	(2,629,000)	(2,850,242)	(3,134,215)	(283,973)
REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(193,421)	\$ (193,421)
Fund Balance at beginning of year			1,530,762	
FUND BALANCE AT END OF YEAR			\$ 1,337,341	

WAKE COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2013**

	Business-type Activities			Governmental Activities
	Enterprise			Internal Service
	Major Funds		Total Business-type Activities	Corporate Fleet Fund
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund		
ASSETS				
Current assets:				
Cash and investments - pooled equity	\$ 29,800,556	\$ 2,088,782	\$ 31,889,338	\$ 4,044,502
Cash and investments - reserved	12,255,331	7,590,154	19,845,485	-
Cash and investments - cash equivalents	-	750	750	-
Accounts receivable (net)	628,309	2,174,136	2,802,445	28,348
Internal balances (interfund receivable)	988,728	125,371	1,114,099	-
Prepaid expenditures	1,785	-	1,785	-
Accrued interest receivable	51,342	13,115	64,457	5,444
Inventories	-	-	-	196,721
Total current assets	<u>43,726,051</u>	<u>11,992,308</u>	<u>55,718,359</u>	<u>4,275,015</u>
Noncurrent assets:				
Capital assets not being depreciated:				
Land	1,875,253	-	1,875,253	-
Construction in progress	1,902,087	-	1,902,087	-
Capital assets (net of accumulated depreciation):				
Landfills	7,781,927	-	7,781,927	-
Buildings	738,491	-	738,491	-
Machinery and equipment	385,396	-	385,396	101,704
Vehicles	-	-	-	8,281,098
Improvements	343,567	-	343,567	-
Total non-current assets	<u>13,026,721</u>	<u>-</u>	<u>13,026,721</u>	<u>8,382,802</u>
Total assets	<u>56,752,772</u>	<u>11,992,308</u>	<u>68,745,080</u>	<u>12,657,817</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,149,943	1,910,544	3,060,487	806,849
Internal balances (interfund payable)	125,371	988,728	1,114,099	-
Total current liabilities	<u>1,275,314</u>	<u>2,899,272</u>	<u>4,174,586</u>	<u>806,849</u>
Noncurrent liabilities:				
Compensated absences	65,269	3,001	68,270	53,231
Other post employment benefits	306,617	109,504	416,121	306,614
Risk management liabilities	2,563	757	3,320	5,787
Construction reserves	-	417,705	417,705	-
Closure/postclosure care costs	12,255,331	7,590,154	19,845,485	-
Total noncurrent liabilities	<u>12,629,780</u>	<u>8,121,121</u>	<u>20,750,901</u>	<u>365,632</u>
Total liabilities	<u>13,905,094</u>	<u>11,020,393</u>	<u>24,925,487</u>	<u>1,172,481</u>
DEFERRED INFLOWS OF RESOURCES	<u>380</u>	<u>-</u>	<u>380</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	13,026,721	-	13,026,721	8,382,802
Restricted:				
Stabilization by state statute	1,118,359	995,459	2,113,818	935,506
White goods	2,428,306	-	2,428,306	-
Unrestricted	26,273,912	(23,544)	26,250,368	2,167,028
Total net position	<u>\$ 42,847,298</u>	<u>\$ 971,915</u>	<u>\$ 43,819,213</u>	<u>\$ 11,485,336</u>
Total net position	\$ 42,847,298	\$ 971,915	\$ 43,819,213	
Adjustment to reflect the consolidation of the Corporate Fleet Fund balances related to Solid Waste	(10,169)	-	(10,169)	
Net position of business-type activities	<u>\$ 42,837,129</u>	<u>\$ 971,915</u>	<u>\$ 43,809,044</u>	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended June 30, 2013

	Business-type Activities		Governmental Activities	
	Enterprise		Internal Service	
	Major Funds		Total Business-type Activities	Corporate Fleet Fund
Solid Waste Operating Fund	South Wake Landfill Partnership Fund			
OPERATING REVENUES:				
Licenses and permits	\$ 7,500	\$ -	\$ 7,500	\$ -
Charges for services	7,585,318	14,244,021	21,829,339	8,331,865
Miscellaneous	1,227,548	-	1,227,548	263,236
Total Operating Revenues	8,820,366	14,244,021	23,064,387	8,595,101
OPERATING EXPENSES:				
Cost of service	9,819,072	10,465,363	20,284,435	4,438,547
Administration	1,611,168	805,745	2,416,913	997,457
Partner rebates	-	2,039,032	2,039,032	-
Depreciation and amortization	632,593	-	632,593	3,300,614
Total Operating Expenses	12,062,833	13,310,140	25,372,973	8,736,618
OPERATING INCOME (LOSS)	(3,242,467)	933,881	(2,308,586)	(141,517)
NON-OPERATING REVENUES:				
Intergovernmental	1,601,437	-	1,601,437	-
Investment earnings	74,275	11,168	85,443	2,452
Total Non-Operating Revenues	1,675,712	11,168	1,686,880	2,452
Income (loss) before transfers	(1,566,755)	945,049	(621,706)	(139,065)
TRANSFERS:				
Transfers in	887,000	-	887,000	-
Transfers out	(456,000)	(887,000)	(1,343,000)	-
Total Transfers	431,000	(887,000)	(456,000)	-
CHANGE IN NET POSITION	(1,135,755)	58,049	(1,077,706)	(139,065)
TOTAL NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY STATED	42,106,737	913,866	43,020,603	11,624,401
Restatement of net position (see Note 24)	1,876,316	-	1,876,316	-
TOTAL NET POSITION, BEGINNING OF YEAR, RESTATED	43,983,053	913,866	44,896,919	11,624,401
TOTAL NET POSITION, END OF YEAR	\$ 42,847,298	\$ 971,915	\$ 43,819,213	\$ 11,485,336
Change in net position	\$ (1,135,755)	\$ 58,049	\$ (1,077,706)	
Adjustment to reflect the consolidation of the Corporate Fleet Fund activities related to Solid Waste	(3,988)	-	(3,988)	
Change in net position of business-type activities	\$ (1,139,743)	\$ 58,049	\$ (1,081,694)	

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

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2013

	Business-type Activities Enterprise		Governmental Activities Internal Service	
	Major Funds			
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities	Corporate Fleet Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 6,897,785	\$ 14,345,803	\$ 21,243,588	\$ 8,325,526
Cash payments to suppliers for goods and services	(8,425,574)	(13,337,087)	(21,762,661)	(4,304,106)
Cash payments to employees for services	(1,065,929)	(243,802)	(1,309,731)	(787,285)
Other operating revenues	1,235,046	-	1,235,046	263,236
Net cash provided (used) by operating activities	(1,358,672)	764,914	(593,758)	3,497,371
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental revenue	1,593,202	-	1,593,202	-
Transfers in	887,000	-	887,000	-
Transfers out	(456,000)	(887,000)	(1,343,000)	-
Net cash provided (used) by noncapital financing activities	2,024,202	(887,000)	1,137,202	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Disposal of capital assets	-	-	-	270,864
Acquisition of capital assets	(25,771)	-	(25,771)	(3,270,506)
Net cash used by capital and related financing activities	(25,771)	-	(25,771)	(2,999,642)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	138,428	25,881	164,309	7,409

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2013

	Business-type Activities Enterprise		Governmental Activities Internal Service	
	Major Funds			
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities	Corporate Fleet Fund
Net increase in cash and cash equivalents	\$ 778,187	\$ (96,205)	\$ 681,982	\$ 505,138
Cash and cash equivalents at beginning of year	41,277,700	9,775,891	51,053,591	3,539,364
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,055,887	\$ 9,679,686	\$ 51,735,573	\$ 4,044,502
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (3,242,467)	\$ 933,881	\$ (2,308,586)	\$ (141,517)
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities:				
Depreciation and amortization	632,593	-	632,593	3,300,614
(Increase)/decrease in accounts receivable	(687,533)	101,782	(585,751)	(6,339)
Increase in prepaid items	(1,785)	-	(1,785)	-
Decrease in inventories	-	-	-	6,965
Increase/(decrease) in accounts payable and accrued liabilities	1,940,520	(270,749)	1,669,771	337,648
Total adjustments	1,883,795	(168,967)	1,714,828	3,638,888
Net cash provided (used) by operating activities	\$ (1,358,672)	\$ 764,914	\$ (593,758)	\$ 3,497,371

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

As of June 30, 2013

	Separation Allowance	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments - pooled equity	\$ 1,491,708	\$ 1,027,128
Accounts receivable (net)	135	52,577
Accrued interest receivable	<u>1,851</u>	<u>847</u>
Total assets	<u>1,493,694</u>	<u>1,080,552</u>
LIABILITIES		
Other liabilities	49,276	1,039,476
Due to other governmental units	<u>-</u>	<u>41,076</u>
Total liabilities	<u>49,276</u>	<u>\$ 1,080,552</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 1,444,418</u>	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2013

	Separation Allowance
Additions:	
Employer Contributions	\$ 960,030
Net investment income	<u>948</u>
Total additions	960,978
Deductions:	
Benefits	<u>1,060,052</u>
Net decrease	(99,074)
Net position held in trust for pension benefits:	
Beginning of year	<u>1,543,492</u>
End of year	<u><u>\$ 1,444,418</u></u>

**Wake County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013**

**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 1212 Wicker Drive, Raleigh, NC 27604.

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

The Statement of Net Position and the Statement of Activities, 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 Facilities Fund is for the collection and distribution of Prepared Food and Beverage and Occupancy Tax proceeds for the purpose of promoting tourism in Wake County. Created by the North Carolina General Assembly in 1991 (Chapter 594 House Bill 703), the tax rate for Prepared Food and Beverage is currently one percent and the Occupancy rate is six percent. Revenues are distributed based on criteria established in the enabling legislation and an Interlocal Agreement approved by the City of Raleigh and Wake 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.

Wake Community College Capital Fund – The Wake Community Capital Fund accounts for the construction and renovation of community college projects financed by County-issued bonds 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:

Internal Service Fund –The County has one internal service fund: the Corporate Fleet Fund, which accounts for the fleet service needs of all County departments.

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

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.

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.

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 position 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.

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 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.

The unexpended bond proceeds of the County's general obligation bonds are classified as restricted assets within the governmental funds because their use is completely restricted to the purpose for which the bonds were originally issued. Money within the General Fund set aside for tax revaluation and register of deeds automation are also classified as restricted assets because their use is restricted per North Carolina General Statutes.

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. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

H. Taxes Receivable - Deferred Inflows of Resources

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, 2012.

Ad valorem taxes collected within 30 days after the fiscal year end for the year ended June 30, 2013 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 inflows of resources 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 inflows of resources on the combined balance sheet. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflows or resources.

I. 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.

J. Inventories and Prepaid Expenditures

Inventories are valued at cost, using the weighted average method. The inventories of the General Fund and the Corporate Fleet Fund consist of expendable supplies and are recorded as expenditures when consumed. The 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.

K. 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
Computer software	3-10 years
Infrastructure	20-50 years

L. 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 position. Bond premiums and discounts 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.

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.

M. 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.

N. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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.

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

The governmental fund types classify fund balances as follows:

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

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

Noncurrent receivable – portion of fund balance that is not an available resource because it represents a receivable that will not be collected in the next fiscal year and therefore is not a spendable resource.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This primarily represents outstanding receivables and encumbrances.

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Housing Programs – portion of fund balance that is restricted by revenue source for CDBG and HOME housing grants.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of the County's Board of Commissioners. Any changes or removal of specific purposes requires majority action by the Board of Commissioners.

Committed for Revaluation Reserve – portion of fund balance that can only be used for Tax Revaluation.

Committed for Future Appropriations from excess local ABC Board Revenues – portion of fund balance that was committed by the Board of Commissioners on June 17, 2013 for additional revenues received from the local ABC Board. Once management determines an appropriate use of these funds, the Board will approve the appropriation.

Committed for Working Capital – General Fund - portion of fund balance that was committed by the Board of Commissioners on May 16, 2011 to comply with the County's fund balance policy to maintain adequate fund balance position to maintain its AAA rating. The policy states that the County should maintain a total General Fund balance of at least fifteen percent (15%) and an amount committed for working capital of at least ten percent (10%) of the following fiscal year's General Fund adopted budget in order to provide the County with adequate working capital and investment income. This commitment is reaffirmed annually in the County's adopted budget.

Committed for Working Capital – Fire Tax Fund – portion of fund balance that the Board and Fire Commission has committed to maintain sufficient cash flow of the fund. This policy was adopted February 25, 2005, and is reaffirmed annually by the Board and Fire Commission.

N. Net Position/Fund Balances (cont.)

Assigned Fund Balance – portion of fund balance that has been constrained to reflect the County’s intended use of resources. These constraints are assigned by the Board of Commissioners or their designee.

Planned expenditures – portion of fund balance that is appropriated in the subsequent year’s budget that is not already classified in restricted or committed. The Board of Commissioners approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$75,000.

Future insurance claims – portion of fund balance that is available for future health, dental or risk management claims. Due to the timing and the nature of these claims, the County may have a surplus of funds at the end of a given fiscal year. These funds are set aside for future unanticipated claims.

Future capital projects – portion of fund balance in a capital project fund that have not yet been assigned to a specific project.

Debt service – portion of fund balance that has been budgeted for future debt service payments.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

Wake County has adopted policies to maintain a AAA bond rating on general obligation debt. One important policy related to the County’s fiscal health is that the County will maintain a fund balance position that rating agencies deem is adequate to meet the County’s needs and challenges. Therefore, the County has adopted a policy that requires management to maintain a total General Fund balance of at least fifteen percent (15%) and an amount committed for working capital of at least ten percent (10%) of the following fiscal year’s General Fund adopted budget in order to provide the County with adequate working capital and investment income. Management is expected to manage the budget so that revenue shortfalls and expenditure increases do not impact the County’s amount committed for working capital. If a catastrophic economic event occurs that results in a deviation of five percent (5%) or more from total budgeted revenue or expenditures, the amount committed for working capital can be reduced by board action. At that time, the Board also will adopt a plan on how to return committed for working capital back to the required level for fiscal health. This commitment is reaffirmed annually in the County’s adopted budget.

**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 position.

The governmental fund balance sheet includes reconciliation between the fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 (\$2,456,983,697) difference are as follows:

Outstanding long-term debt payable (per Note 10)	\$ (2,362,890,009)
Add:	
Accrued interest payable	(23,975,921)
Payable to granting agency	(2,006,301)
Risk management liabilities	(2,572,153)
Less:	
Portion of internal service fund's compensated absences included in Note 10	53,231
Portion of internal service fund's other post employment benefits included in Note 10	306,614
Unamortized portion of deferred inflow of resources related to advanced debt refundings (to be amortized over the life of the debt)	<u>(65,899,158)</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (2,456,983,697)</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 position 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 position. Also, governmental funds report the effect of 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 (\$51,025,349) difference are as follows:

Debt issued or incurred:

General obligation debt - schools issued	\$ (51,165,000)
General obligation debt - other issued	(125,250,000)
Installment purchases issued	(3,175,000)
Premiums on bond issuance - GO Bonds	(26,739,625)
Increases in other post employment benefit liability	(21,556,511)
Increases in other post employment benefit liability - Corporate Fleet Fund	83,963
Increases in compensated absences liability	(9,384,650)
Increases in compensated absences liability - Corporate Fleet Fund	39,353
Change in risk management liabilities	(879,409)
Change in deferred portion of advanced debt refundings	6,390,078
Interest expense accrual and other adjustments	<u>2,263,598</u>
Total Increases	<u>(229,373,203)</u>

Principal repayments:

General obligation debt - schools	112,684,560
General obligation debt - other	17,275,440
Limited obligation bonds	12,140,000
Installment purchase payments	1,336,719
Refunded installment purchases	2,204,654
Qualified zone academy bonds	163,461
Current year amortization of bond premiums - GO Bonds	16,757,126
Current year amortization of bond premiums - LOB Bonds	788,219
Capital lease payments	50,789
Decreases in other post employment benefit liability	4,903,499
Decreases in other post employment benefit liability - Corporate Fleet Fund	(18,344)
Decreases in compensated absences liability	10,100,321
Decreases in compensated absences liability - Corporate Fleet Fund	<u>(38,590)</u>
Total Decreases	<u>178,347,854</u>

Net adjustment to increase net changes in fund balances - total

governmental funds to arrive at changes in net position of governmental activities	<u>\$ (51,025,349)</u>
---	------------------------

**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 \$54,603,903 difference are as follows:

Capital Asset Increases:	
Capital Asset Increases	\$ 12,373,452
Less acquisitions for the Corporate Fleet Fund	(3,270,506)
Net increase in construction in progress	<u>46,058,485</u>
Total Increases	<u>55,161,431</u>
Capital Asset Decreases:	
Capital asset disposals	(4,531,874)
Add disposals for the Corporate Fleet Fund	2,425,342
Accumulated depreciation related to capital asset disposals	3,703,483
Less accumulated depreciation related to capital asset disposals in the Corporate Fleet Fund	<u>(2,154,479)</u>
Total Decreases	<u>(557,528)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 54,603,903</u>

P. Unrestricted (deficit)

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

For school debt	\$ (1,490,731,144)
All other	<u>97,574,134</u>
Total unrestricted net position	<u>\$ (1,393,157,010)</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 less unspent bond proceeds was \$1,490,731,144. 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 Wake County Hospital System, Inc. (Wake Med's) Board of Directors. The County's accountability for this organization does not extend beyond making the appointments. The Hospital, a private, not-for-profit entity, operates as a community general hospital, providing care to indigent patients per an agreement with the County which states that it agrees to provide, on an annual basis, out of pocket indigent cost that equal or exceed 4.8% of its total adjusted revenue.

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

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

Wake Technical Community College

Technical and vocational training beyond the secondary level is provided by Wake Technical Community College, with some financial assistance from the County. The College is a part of the state-wide system of community colleges and technical institutes. The College has a twelve-member Board of Trustees, four of which are appointed by the County Board of Commissioners. The County has no responsibility for the designation of management and exercises no control over the operations of the College beyond its annual appropriation. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County remitted \$16,190,938 to the College for operating purposes during the current year. In addition, the County made debt service payments of \$8,235,513 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, 2013. 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 \$2,217,993 for operations, \$5,203,535 for debt service and \$1,679,355 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, 2013. 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, 2013.

**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 \$447,138,487 and a bank balance of \$451,135,221. Of the bank balance, \$1,270,680 was covered by federal depository insurance and \$449,864,541 in interest-bearing deposits was covered by collateral held under the pooling method.

2. Investments

As of June 30, 2013, 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	\$ 178,561,550	\$ 19,980,400	\$ 84,974,900	\$ 73,606,250
Commercial paper	229,598,027	229,598,027	-	-
Certificates of Deposit	25,000,000	10,000,000	15,000,000	-
N.C. Capital Management Trust - Cash portfolio	1,610,352	1,610,352	-	-
Total fair value	\$ 434,769,929	\$ 261,188,779	\$ 99,974,900	\$ 73,606,250

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, 2013, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings and A1 by Moody's Investors Service. In addition, all of the County's long-term debt carried a credit rating of A or better. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The County's investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated AA+ 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 \$30 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, 2013, 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 Project Fund	School Capital Fund	Wake Community College Capital Fund	Non Major Funds	Totals
Property taxes	\$ 15,161,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 737,038	\$ 15,898,122
Accounts	21,802,517	-	-	-	1,425	-	-	-	21,803,942
Interest	11,933	113	6,044	522,362	-	18,035	-	25,797	584,284
Intergovernmental	50,608,639	165,056	5,629	3,274,011	694,997	3,731,838	142,426	1,449,293	60,071,889
Loans receivable	4,000,000	26,010,960	-	-	206,403	-	-	-	30,217,363
Other	2,165,120	24,683	3,354,560	540,000	4,613,269	-	-	92,829	10,790,461
Gross receivables	93,749,293	26,200,812	3,366,233	4,336,373	5,516,094	3,749,873	142,426	2,304,957	139,366,061
Less allowance for bad debts	(21,883,662)	(26,010,960)	-	-	(1,344,517)	-	-	(496,994)	(49,736,133)
Net total receivables	\$ 71,865,631	\$ 189,852	\$ 3,366,233	\$ 4,336,373	\$ 4,171,577	\$ 3,749,873	\$ 142,426	\$ 1,807,963	\$ 89,629,928

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 \$157,357 and \$136,974, respectively.

At the end of the current period, the various components of deferred inflows of resources related to accounts receivables were as follows:

	General Fund	County Capital Project Fund	School Capital Fund	Non Major Funds	Total
Unavailable:					
Taxes receivable	\$ 5,123,781	\$ -	\$ -	\$ 240,045	\$ 5,363,826
Other receivables	5,686,714	3,270,177	-	-	8,956,891
Total Unavailable	10,810,495	3,270,177	-	240,045	14,320,717
Unearned:					
Prepaid property taxes not yet earned	3,170,247	-	-	145,299	3,315,546
Total Unearned	3,170,247	-	-	145,299	3,315,546
Total deferred inflows of resources	\$ 13,980,742	\$ 3,270,177	\$ -	\$ 385,344	\$ 17,636,263

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**NOTE 6.
Capital Assets**

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

	Beginning Balance	Prior Period Adjustment **	Beginning Balance, restated	Increases	Decreases	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 110,138,651	\$ -	\$ 110,138,651	\$ 1,332,487	\$ -	\$ 111,471,138
Construction in progress	243,688,162	145,923,245	389,611,407	48,962,648	(5,196,414)	433,377,641
Total capital assets, not being depreciated	<u>353,826,813</u>	<u>145,923,245</u>	<u>499,750,058</u>	<u>50,295,135</u>	<u>(5,196,414)</u>	<u>544,848,779</u>
Capital assets, being depreciated:						
Buildings	359,486,082	13,414,380	372,900,462	6,186,521	-	379,086,983
Improvements Other than Buildings	23,870,964	-	23,870,964	-	-	23,870,964
Machinery and equipment	37,847,861	-	37,847,861	834,699	(901,253)	37,781,307
Vehicles and motorized equipment	33,664,247	-	33,664,247	4,430,743	(2,874,707)	35,220,283
Computer Software	10,322,893	-	10,322,893	1,881,253	-	12,204,146
Infrastructure	16,646,129	-	16,646,129	-	(755,914)	15,890,215
Total capital assets being depreciated	<u>481,838,176</u>	<u>13,414,380</u>	<u>495,252,556</u>	<u>13,333,216</u>	<u>(4,531,874)</u>	<u>504,053,898</u>
Less accumulated depreciation for:						
Buildings	100,887,064	117,480	101,004,544	10,548,406	-	111,552,950
Improvements Other than Buildings	5,260,797	-	5,260,797	597,224	-	5,858,021
Machinery and equipment	34,533,447	-	34,533,447	1,420,528	(879,029)	35,074,946
Vehicles and motorized equipment	21,998,295	-	21,998,295	4,678,717	(2,597,510)	24,079,502
Computer software	344,096	-	344,096	1,085,776	-	1,429,872
Infrastructure	5,533,214	-	5,533,214	321,421	(226,945)	5,627,690
Total accumulated depreciation	<u>168,556,913</u>	<u>\$ 117,480</u>	<u>168,674,393</u>	<u>\$ 18,652,072</u>	<u>\$ (3,703,484)</u>	<u>183,622,981</u>
Total capital assets, being depreciated, net	<u>313,281,263</u>		<u>326,578,163</u>			<u>320,430,917</u>
Governmental activities capital assets, net	<u>\$ 667,108,076</u>		<u>\$ 826,328,221</u>			<u>\$ 865,279,696</u>

** See discussion of prior period adjustment in Note 24 in the Notes to the Financial Statements

NOTE 6. (Cont.)
Capital Assets

	Beginning Balance	Prior Period Adjustment **	Beginning Balance, restated	Increases	Decreases	Ending Balance
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 1,875,253	\$ -	\$ 1,875,253	\$ -	\$ -	\$ 1,875,253
Construction in progress	-	1,876,316	1,876,316	25,771	-	1,902,087
Total capital assets, not being depreciated/amortized	<u>1,875,253</u>	<u>1,876,316</u>	<u>3,751,569</u>	<u>25,771</u>	<u>-</u>	<u>3,777,340</u>
Capital assets, being depreciated/amortized:						
Landfills	39,155,880	-	39,155,880	-	-	39,155,880
Buildings	1,166,846	-	1,166,846	-	-	1,166,846
Improvements	544,003	-	544,003	-	-	544,003
Machinery and equipment	751,610	-	751,610	-	-	751,610
Total capital assets being depreciated/amortized	<u>41,618,339</u>	<u>-</u>	<u>41,618,339</u>	<u>-</u>	<u>-</u>	<u>41,618,339</u>
Less accumulated depreciation/amortization for:						
Landfills	30,929,235	-	30,929,235	444,718	-	31,373,953
Buildings	399,192	-	399,192	29,163	-	428,355
Improvements	186,853	-	186,853	13,583	-	200,436
Machinery and equipment	221,085	-	221,085	145,129	-	366,214
Total accumulated depreciation/amortization	<u>31,736,365</u>	<u>\$ -</u>	<u>31,736,365</u>	<u>\$ 632,593</u>	<u>\$ -</u>	<u>32,368,958</u>
Total capital assets, being depreciated/amortized, net	<u>9,881,974</u>		<u>9,881,974</u>			<u>9,249,381</u>
Business-type activities capital assets, net	<u>\$ 11,757,227</u>		<u>\$ 13,633,543</u>			<u>\$ 13,026,721</u>

** See discussion of prior period adjustment in Note 24 in the Notes to the Financial Statements

NOTE 6. (Cont.)
Capital Assets

Depreciation and amortization expenses were charged to functions as follows:

Governmental activities:

General administration	\$ 3,975,647
Human services	1,976,943
Education	355,489
Community development and cultural	2,405,076
Environmental services	365,059
Public safety	6,126,851
General services administration	<u>3,447,007</u>

Total depreciation expense -

Governmental activities	<u>18,652,072</u>
-------------------------	-------------------

Business-type activities:

Environmental services - solid waste	<u>632,593</u>
--------------------------------------	----------------

Total depreciation and amortization	<u><u>\$ 19,284,665</u></u>
-------------------------------------	-----------------------------

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

For the 2013 fiscal year, the construction in progress expenditures for governmental activities were as follows:

Construction in Progress:	
	Expended At 06/30/2013
Automation	\$ 13,977,917
County Building Renovations	27,282,034
Detention Facilities Expansion	154,884,117
Judicial Facilities	172,246,814
Education	3,863,213
Libraries	2,427,461
Open Space Preservation Program	6,238,681
Parks	4,117,275
Public Safety	27,991,333
Water/Wastewater	<u>20,348,796</u>
Total	<u><u>\$ 433,377,641</u></u>

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

As of June 30, 2013, internal balances total \$566,963 in the governmental funds. This represents amounts due to the General Fund by a non-major governmental fund for their share of cash and investments pooled equity. Internal balances in the business-type activities funds, as of June 30, 2013 are \$1,114,099. This represents amounts owed to the Solid Waste Operating Fund from the South Wake Landfill Partnership Fund for the County's share of the South Wake Landfill partnership rebates and amounts owed to the South Wake Landfill Partnership Fund from the Solid Waste Operating Fund for the County's portion of tipping fees owed at June 30, 2013.

The County's General Fund transferred funds during fiscal year 2013 to fund debt service payments, capital improvements, economic developments and the County match for State and Federal Grant Programs. The \$456,000 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 \$887,000 transferred from the South Wake Landfill Partnership Fund to the Solid Waste Operating Fund is for administrative expenses incurred in the Solid Waste Operating Fund on behalf of the South Wake Landfill Fund.

	General Fund	Affordable Housing Fund	Debt Service Fund	County Capital Projects Fund	Wake Community College Capital Funds	Other Governmental Funds	Solid Waste Operating Fund	Total Transfers out
General Fund	\$ -	\$ -	\$ 187,663,000	\$ 25,449,000	\$ 1,000,000	\$ -	\$ -	\$ 214,112,000
Major Facilities Fund	1,143,215	-	991,000	-	-	1,000,000	-	3,134,215
Debt Service Fund	-	-	-	100,000	-	-	-	100,000
Capital Improvements Fund	-	830,000	3,366,902	-	1,500,000	-	-	5,696,902
School Capital Fund	-	-	-	-	-	-	-	-
Other Governmental Funds	-	-	1,140,000	-	-	1,338,000	-	2,478,000
Solid Waste Operating Fund	456,000	-	-	-	-	-	-	456,000
South Wake Partnership Fund	-	-	-	-	-	-	887,000	887,000
Total transfers in	\$ 1,599,215	\$ 830,000	\$ 193,160,902	\$ 25,549,000	\$ 2,500,000	\$ 2,338,000	\$ 887,000	\$ 226,864,117

**NOTE 8.
Risk Management**

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.

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

The County’s group medical coverage is self-insured and 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 no 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 to a retention of \$1,000,000 for each workers' compensation claim and for liability claims. The County purchases commercial excess insurance for claims in excess of its self-insured retentions and other insurance and bonds to cover specific risks and individuals, respectively. The County has a high-deductible policy for property coverage, with a deductible of \$100,000 per occurrence; and \$500,000 per occurrence for locations in flood zones. Claims have not exceeded commercial coverage in any year since the fund was established in 1990. The County distributes claims expenditures to County departments, but does not insurance or bonding costs. Administrative costs, actuarially determined assets to pay ultimate losses and scheduled premiums are covered by the General Fund.

The County's coverage limits, subject to the retentions and deductibles described above, at June 30, 2013 are as follows:

<u>Coverage</u>	<u>Coverage Limits</u>
Property Insurance - Building and Contents	\$ 300,000,000
Flood Insurance	50,000,000
Flood Insurance (flood zone locations)	10,000,000
Earthquake	150,000,000
Workers' Compensation	Statutory
Employers' Liability	1,000,000
General Liability, Public Officials Liability, Law Enforcement Liability and Auto 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 Finance Director 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 \$7,766,004 at June 30, 2013 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. This entire amount is accrued and reported in the government-wide statements in the applicable governmental or business-type activities. A portion of the liability is considered current and is reported in the General fund in the fund financial statements. Changes in the fund's claims liability amount during fiscal years 2012 and 2013 are as follows:

Changes in Claims Liability

	<u>Workers' compensation</u>	<u>Property and Liability</u>	<u>Self-insured group medical</u>	<u>Dental Benefits</u>	<u>Total</u>
Balance, as of June 30, 2011	\$ 5,020,430	\$ 595,838	\$ 2,263,471	\$ 292,288	\$ 8,172,027
Claims incurred, fiscal year 2012	1,709,757	1,032,793	20,029,122	1,840,735	24,612,407
Payments and changes in estimates, fiscal year 2012	<u>2,017,769</u>	<u>803,277</u>	<u>20,376,770</u>	<u>1,989,088</u>	<u>25,186,904</u>
Balance, as of June 30, 2012	4,712,418	825,354	1,915,823	143,935	7,597,530
Claims incurred, fiscal year 2013	1,288,876	653,149	27,284,524	1,825,095	31,051,644
Payments and changes in estimates, fiscal year 2013	<u>1,223,072</u>	<u>259,721</u>	<u>27,570,347</u>	<u>1,830,030</u>	<u>30,883,170</u>
Balance, as of June 30, 2013	<u>\$ 4,778,222</u>	<u>\$ 1,218,782</u>	<u>\$ 1,630,000</u>	<u>\$ 139,000</u>	<u>\$ 7,766,004</u>
Current portion of liability	<u>\$ 3,187,548</u>	<u>\$ 810,490</u>	<u>\$ 1,104,961</u>	<u>\$ 81,745</u>	<u>\$ 5,184,744</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, 2013, the net book value of the assets acquired through capital leases is \$30,036. The net present value of the future minimum lease payments at June 30, 2013 is \$81,238 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, 2013 were \$3,771,829. The future minimum lease payments for non-cancelable operating leases are \$9,862,770 as detailed below.

At June 30, 2013, 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
2014	\$ 43,707	\$ 994,984
2015	28,716	964,416
2016	13,003	940,557
2017	-	942,579
2018	-	891,393
2019-2023	-	3,783,191
2024-2025	-	1,345,649
Total minimum lease payments	<u>85,426</u>	<u>\$ 9,862,769</u>
Less: amount representing interest	<u>(4,188)</u>	
Net present value of the future minimum lease payments	<u>\$ 81,238</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, 2013 was \$235,165.

**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 2.00 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 0.05% to 0.22% during the period July 1, 2012 through June 30, 2013. 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, 2013 are comprised of the following:

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 0.15% at June 30, 2012. 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 0.15% at June 30, 2012. The maximum amount of interest cannot exceed 12%.	45,000,000
2004 Public Improvement Bonds of \$130,000,000 due in annual installments of \$10,000,000 beginning March 1, 2005 through March 1, 2017, interest of 3.00 to 5.00%.	10,000,000
2004 Refunding Bonds of \$114,380,000 due in annual installments of \$2,865,000 to \$23,870,000 beginning March 1, 2007 through March 1, 2015 interest of 4.00 to 5.00%.	6,405,000
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%.	32,360,000
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%.	3,000,000
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%.	92,000,000
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 0.15% at June 30, 2012. 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 0.15% at June 30, 2012. 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%.	36,000,000

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

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%.	\$ 248,000,000
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%.	25,140,000
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%.	144,065,000
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%.	66,350,000
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%.	383,320,000
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
2010E Public Improvement Bonds of \$18,945,000 due in periodic installments of \$1,890,000 to \$1,895,000 beginning August 1, 2011 through August 1, 2020, interest of 2.50 to 4.00%.	15,160,000
2010F Public Improvement Bonds of \$17,055,000 due in periodic installments of \$1,895,000 beginning August 1, 2021 through August 1, 2029, interest of 4.15 to 5.40%.	17,055,000
2011 Public Improvement Bonds of \$116,800,000 due in periodic installments of \$6,100,000 to \$6,150,000 beginning April 1, 2012 through April 1, 2030, interest of 3.00 to 5.00%.	104,550,000
2012A School Bonds of \$96,790,000 due in periodic installments of \$4,990,000 to \$5,100,000 beginning February 1, 2013 through February 1, 2031, interest of 3.00 to 5.00%.	91,800,000
2012B Refunding Bonds of \$75,290,000 due in annual installments of \$5,260,000 to \$27,845,000 beginning February 1, 2018 through February 1, 2021 interest of 5.00%.	75,290,000
2013A School Bonds of \$51,165,000 due in periodic installments of \$2,565,000 to \$2,700,000 beginning May 1, 2014 through May 1, 2032, interest of 2.50 to 5.00%.	51,165,000
2013B Public Improvement Bonds of \$125,250,000 due in periodic installments of \$6,000,000 to \$6,600,000 beginning May 1, 2014 through May 1, 2032, interest of 3.00 to 5.00%.	125,250,000
Total general obligation bonds outstanding	<u>\$ 1,801,325,000</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 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	\$ 142,250,000
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	142,905,000
Total limited obligation bonds outstanding	<u><u>\$ 285,155,000</u></u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2013 are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 136,450,000	\$ 75,995,120	\$ 212,445,120
2015	136,525,000	70,846,445	207,371,445
2016	155,055,000	65,303,458	220,358,458
2017	152,985,000	58,968,967	211,953,967
2018	140,655,000	52,170,715	192,825,715
2019-2023	619,970,000	174,147,305	794,117,305
2024-2028	384,765,000	53,930,265	438,695,265
2029-2033	74,920,000	5,739,485	80,659,485
	<u><u>\$ 1,801,325,000</u></u>	<u><u>\$ 557,101,760</u></u>	<u><u>\$ 2,358,426,760</u></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, 2013 are as follows:

June 30	Principal	Interest	Total
2014	\$ 13,829,615	\$ 13,529,951	\$ 27,359,566
2015	13,860,556	13,051,454	26,912,010
2016	12,975,940	12,552,898	25,528,838
2017	12,895,325	12,095,590	24,990,915
2018	12,633,000	11,602,205	24,235,205
2019-2023	61,258,000	49,462,503	110,720,503
2024-2028	60,700,000	34,595,869	95,295,869
2029-2033	60,700,000	19,616,494	80,316,494
2034-2037	42,365,000	4,814,450	47,179,450
	<u><u>\$ 291,217,436</u></u>	<u><u>\$ 171,321,414</u></u>	<u><u>\$ 462,538,850</u></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, 2013, such statutory limit of the County was \$9,796,012,090 providing a legal debt margin of \$7,558,019,654. Authorized but unissued general obligation bonds as of June 30, 2013 totaled \$145,450,000. Of this amount \$145,450,000 was for authorized but unissued new general obligation³

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 earnings 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 – Wake County Public Schools

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 – Wake County Public Schools

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.

Recovery Zone Academy Bonds/Build America Bonds – Wake Tech Community College

In 2010, the County issued Series 2010F Public Improvement Bonds (Taxable Interest) totaling \$17.055 million. The issuance was comprised of an additional allocation of Recovery Zone Economic Development Bonds (RZEDBs) from the State of \$9,475,000 with the remaining \$7,580,000 designated as Build America Bonds (BABs). As provided in the American Recovery and Reinvestment Act (ARRA), the RZEDBs are eligible for federal interest subsidy payments equal to 45% of the true interest cost of the bonds and the BABs are eligible for federal interest subsidy payments equal to 35% of the true interest cost of the bonds.

Current Refunding of Installment Financing Agreements

In January 2013, the County issued installment financing agreements of \$3,175,000. Of that amount, \$2,255,000 was issued to pay off two previous issues of installment agreements, totaling \$2,204,654. The net proceeds of the refunding component, after payment of \$20,675 in issuance costs, were \$2,234,325. The net carrying amount of the old debt was exceeded by the reacquisition price by \$29,671. The County completed this refunding to reduce its total debt service payments over a period of seven years by \$128,521 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$126,140.

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

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, 2013, there were 17 series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$646 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, 2013, the swap had a fair value to the County of (\$64,942). Fair value was estimated by the counterparty using mark to market valuations. As of June 30, 2013, 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, 2013 was rated “A3” 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, 2013 (0.05%) 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
2014	\$ 924,631	\$ 877	\$ 65,492	\$ 991,000
2015	960,407	405	30,188	991,000
2016	77,694	20	1,456	79,170
Total	\$ 1,962,732	\$ 1,302	\$ 97,136	\$ 2,061,170

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

Changes In Long-Term Liabilities:

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

	Beginning Balance	Prior Period Adjustment **	Beginning Balance, restated	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:							
General obligation bonds	\$ 1,754,870,000	\$ -	\$ 1,754,870,000	\$ 176,415,000	\$ 129,960,000	\$ 1,801,325,000	\$ 136,450,000
Plus: Premiums on issuance	179,799,373	(30,973,585)	148,825,788	26,739,625	16,757,126	158,808,287	N/A
Total general obligation bonds payable	1,934,669,373	(30,973,585)	1,903,695,788	203,154,625	146,717,126	1,960,133,287	136,450,000
Limited obligation bonds	297,295,000	-	297,295,000	-	12,140,000	285,155,000	12,140,000
Plus: Premiums on issuance	19,615,261	-	19,615,261	-	788,219	18,827,042	N/A
Total limited obligation bonds payable	316,910,261	-	316,910,261	-	12,928,219	303,982,042	12,140,000
Qualified Zone Academy Bonds	817,311	-	817,311	-	163,461	653,850	163,461
Installment Purchases	5,693,721	-	5,693,721	3,175,000	3,541,373	5,327,348	1,485,227
Capital leases	132,027	-	132,027	-	50,789	81,238	40,927
Other post-employment benefits	65,306,978	-	65,306,978	21,556,511	4,903,499	81,959,990	-
Compensated absences	11,467,925	-	11,467,925	9,384,650	10,100,321	10,752,254	9,500,000
Total Governmental Activities	<u>\$ 2,334,997,596</u>	<u>\$ (30,973,585)</u>	<u>\$ 2,304,024,011</u>	<u>\$ 237,270,786</u>	<u>\$ 178,404,788</u>	<u>\$ 2,362,890,009</u>	<u>\$ 159,779,615</u>
Business-type activities:							
Landfill	\$ 16,426,769	\$ -	\$ 16,426,769	\$ 3,490,638	\$ 71,922	\$ 19,845,485	\$ 575,000
Other post-employment benefits	327,065	-	327,065	113,951	24,895	416,121	-
Compensated absences	65,944	-	65,944	54,438	52,112	68,270	52,000
Total Business-type Activities	<u>\$ 16,819,778</u>	<u>\$ -</u>	<u>\$ 16,819,778</u>	<u>\$ 3,659,027</u>	<u>\$ 148,929</u>	<u>\$ 20,329,876</u>	<u>\$ 627,000</u>

** See discussion of prior period adjustment in Note 24 in the Notes to the Financial Statements.

**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, 2013 this amount, which is not included in the financial statements because the County has no primary responsibility beyond making eligibility determinations, is approximately \$614 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.
Termination Benefits**

On February 6, 2012, the Board approved an agreement to establish a new Multi-County Area Authority to Manage Mental Health, Substance Abuse and Developmental Disability Services for Durham and Wake County. This agreement merged the Counties, effective July 1, 2012, into a new organization called Alliance Behavioral Healthcare. As a result of the merger, Wake County was required to also divest of behavioral health services, which were transitioned to Alliance Behavioral Health, UNC Healthcare, community stakeholders. Wake County identified 225.5 positions for RIF (Reduction in Force). Of those 225.5 positions, 111 employees opted for the Severance Pay Option. Eligible employees who agreed to the terms and conditions of the severance pay option received a lump sum payment equal to two (2) weeks of pay for every full year of salaried service with the County as of the date of separation, up to a maximum payment equal to forty (40) weeks. The total severance payout for these 111 employees was \$3,174,050, paid as of June 30, 2013. Of this amount, \$2,568,612 is included in the accounts payable and accrued liabilities line item of the General Fund.

**NOTE 14.
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 6.74% and 7.22%, 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, 2011, 2012, and 2013 were \$11,034,875, \$12,124,342 and \$11,816,499, 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 2013 was \$175,232,574. The County's contributions were calculated using the base salary amount of \$175,266,798. The County made contributions amounting to \$8,763,294. Employees made voluntary contributions of \$4,162,437.

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 15.
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, 2012, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	56
Active plan members	398
Total	<u>454</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, 2013, the County contributed \$960,030, or 5.0% 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, 2013 was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% per year to 7.85% per year and (c) an inflation component of 3.00%. 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, 2011 was 20 years.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 9.77 percent funded. The actuarial accrued liability for benefits was \$10,859,126, and the actuarial value of assets was \$1,060,674 resulting in an unfunded actuarial accrued liability (UAAL) of \$9,798,452. The covered payroll (annual payroll of active employees covered by the plan) was \$19,784,097, and the ratio of the UAAL to the covered payroll was 49.53 percent.

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

**NOTE 15. (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, 2011	\$ 972,443	76.61%	\$ (894,774)
June 30, 2012	932,644	80.08%	(708,960)
June 30, 2013	950,503	101.00%	(718,487)

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	\$ 943,658
Interest on net pension obligation	(35,448)
Adjustment to annual required contribution	<u>42,293</u>
Annual pension cost	950,503
Contributions made	<u>960,030</u>
Decrease in net pension obligation	(9,527)
Net pension obligation (asset), beginning of year	<u>(708,960)</u>
Net pension asset, end of year	<u><u>\$ (718,487)</u></u>

**NOTE 16.
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 (LERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and 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 Fund's assets may be used by the Department of State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013 the County's actual and required contributions were \$104,870.

NOTE 17.
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 to 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. Due to a surplus, a decision was made by the State to temporarily stop employer contributions to the plan as of July 1, 2012. The temporary relief is based on the number of years the County has contributed to the plan as of December 31, 2010. Therefore, for the fiscal year ended June 30, 2013 the County made no contributions to the State.

NOTE 18.
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. Employees hired on or after June 30, 2011 are not eligible to participate in the plan. 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, 2011, the date of the latest actuarial valuation:

Retirees receiving benefits	775
Active plan members	3,475
Total	<u>4,250</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 13.69% of annual covered payroll. For the current year, the County contributed \$4,928,394 or 3.0% 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 dependent coverage for retirees in the amount of \$721,621.

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 18. (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	\$ 22,572,789
Interest on net OPEB obligation	2,953,532
Adjustment to annual required contribution	<u>(3,855,859)</u>
Annual OPEB cost	21,670,462
Contributions made	<u>4,928,394</u>
Increase in net OPEB obligation	16,742,068
Net OPEB liability, beginning of year	<u>65,634,043</u>
Net OPEB liability, end of year	<u>\$ 82,376,111</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
2011	\$ 16,560,769	14.8%	\$ 47,760,237
2012	21,916,189	18.4%	65,634,043
2013	21,670,462	22.7%	82,376,111

As of December 31, 2011, 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 \$220,874,828. The covered payroll (annual payroll of active employees covered by the plan) was \$164,876,210, and the ratio of the UAAL to the covered payroll was 134.0%. 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 18. (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, 2011 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, an inflation rate of 3.00% and an annual medical cost trend increase of 9.50 to 5.00 percent for pre-Medicare and 7.00 to 5.00 percent for post-Medicare, each over 7 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 30 years.

**NOTE 19.
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 effect on the financial position of the County as of June 30, 2013.

**NOTE 20.
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 closure and postclosure maintenance and monitoring costs is approximately \$23.0 million. The landfill closure and postclosure liability of \$19,845,485 is included as a line item under the noncurrent liabilities in the Solid Waste Operating Fund and the South Wake Landfill Partnership Fund at June 30, 2013. The liability represents a cumulative amount reported to date based on the following facilities.

The North Wake Unlined Landfill and the Feltonville Unlined Landfill have been closed for approximately fifteen years and no additional closure costs are expected at these facilities. The County is currently responsible for monitoring these sites for an additional 15 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 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 Feltonville 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 Feltonville 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 26 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, 2013, Phase 1 is estimated to be 83% full and will close in or around November, 2014. 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 \$1.2 million as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 21.
Pollution Remediation
Liability**

During fiscal year 2010, the County received notification 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, 2013, \$112,052 of pollution remediation liabilities were included in accounts payable and accrued liabilities in the Solid Waste Operating Fund.

**NOTE 22.
Fund Balance**

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

Total fund balance - General Fund:	\$ 196,311,374
Less:	
Inventories	379,368
Noncurrent receivables	280,923
Stabilization by State Statute	60,378,072
Register of deeds automation	339,453
Revaluation reserve	4,093,247
Local ABC revenues	6,400,000
Working capital	124,040,311
Future insurance claims	400,000
Remaining fund balance	\$ -

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2013 are as follows:

General Fund	Affordable Housing Fund	Major Facilities Fund	Major Funds				Wake Community College Capital Fund	Nonmajor Funds
			Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds		
\$ 2,095,710	\$ 2,689,048	\$ -	\$ -	\$ 15,497,682	\$ 93,592,831	\$ -	\$ 2,675,030	

**NOTE 22. (Cont.)
Fund Balance**

The following schedule provides information regarding the funding for the 15% Uncommitted Funds, as defined in the Interlocal Agreement and Amendments, within the Major Facilities Fund. To the extent that current year revenues are not sufficient for funding these projects, the County anticipates appropriating fund balance. As of June 30, 2013, fund balance in the Major Facilities Fund totaled \$1,337,341, all of which is Restricted by State Statute.

Fiscal Year	Cary Sports Facilities*	NC Art Museum	NC Ballet	NC Museum of Natural Sciences	RBC Center	St.		Total
						Augustine's College Track	Whitewater Park**	
2009	\$ -	\$ 1,000,000	\$ 100,000	\$ 1,900,000	\$ 1,500,000	\$ 300,000	\$ -	\$ 4,800,000
2010	-	1,000,000	-	700,000	1,000,000	100,000	-	2,800,000
2011	-	1,000,000	-	900,000	1,000,000	100,000	-	3,000,000
2012	-	1,000,000	-	900,000	1,000,000	100,000	-	3,000,000
2013	400,000	1,000,000	-	800,000	1,679,355	100,000	-	3,979,355
Payments to Date	400,000	5,000,000	100,000	5,200,000	6,179,355	700,000	-	17,579,355
2014	1,000,000	1,000,000	-	200,000	1,000,000	100,000	150,000	3,450,000
2015	1,000,000	1,000,000	-	200,000	1,000,000	100,000	-	3,300,000
2016	1,300,000	1,000,000	-	400,000	1,000,000	100,000	-	3,800,000
2017	1,700,000	1,000,000	-	-	1,000,000	-	-	3,700,000
2018	2,600,000	-	-	-	2,000,000	-	-	4,600,000
2019	2,000,000	-	-	-	2,000,000	-	-	4,000,000
2020	-	-	-	-	5,000,000	-	-	5,000,000
2021	-	-	-	-	5,500,000	-	-	5,500,000
2022	-	-	-	-	320,645	-	-	320,645
Total	\$ 10,000,000	\$ 9,000,000	\$ 100,000	\$ 6,000,000	\$ 25,000,000	\$ 1,000,000	\$ 150,000	\$ 51,250,000

* Cary Sports Facilities include WakeMed Soccer Park, USA Baseball Complex, and the Cary Tennis Park.

** Appropriations have not yet been made and are pending executed funding agreements.

**NOTE 23.
Change in Accounting
Principles**

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from refunding debt be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized, must be included in current expenditures. Previously deferred bond issuance costs totaling \$1,759,119 were recognized as an expenditure in the current year. See Note 24 for the total restatement of beginning net position.

**NOTE 24.
Prior Period Adjustments**

During the fiscal year ended 2013, the County determined that several prior period adjustments were needed, as follows:

Capital Assets – Certain project expenditures in the County construction in progress funds were not correctly capitalized as capital assets in the Government-wide Statements, for both the Governmental and the Business-type activities.

Refunded Debt – The charge between the refunded debt and the refunding debt was not being deferred in the Government-wide Statements, but recognized in the period that it occurred.

Unamortized Bond Premiums – A portion of the unamortized bond premium was not expensed when the bonds were refunded, causing bond premiums in the Government-wide statements to be overstated.

Bond Issuance Costs – The County implemented *GASB 65 – Items Previously Reported as Assets and Liabilities* – which states that bond issuance costs should no longer be amortized over the life of the bonds, but expensed in the current period.

These items were properly recorded in the fund statements; therefore, beginning fund balances were not affected.

The following schedule provides the detailed information related to the prior period adjustments discussed above.

	Governmental Activities	Business-type Activities	Total
Beginning net position, as previously stated	\$ (917,624,319)	\$ 43,014,422	\$ (874,609,897)
Prior period adjustment related to:			
Capital assets	159,220,145	1,876,316	161,096,461
Refunded debt	(72,289,236)	-	(72,289,236)
Unamortized bond premiums	30,973,585	-	30,973,585
Bond issuance costs	(1,759,119)	-	(1,759,119)
Total adjustments	<u>116,145,375</u>	<u>1,876,316</u>	<u>118,021,691</u>
Beginning net position, as restated	<u>\$ (801,478,944)</u>	<u>\$ 44,890,738</u>	<u>\$ (756,588,206)</u>

**NOTE 25.
Stewardship, Compliance,
and Accountability**

The Major Facilities Fund expenditures were overbudget by \$419,126 and transfers were overbudget by \$15,215. Disbursements in the fund are calculated by the amount of revenue received for occupancy and prepared food and beverage taxes. Tax revenues were overbudget by \$552,690. Final revenues are received after June 30 and the County can no longer legally amend the 2013 budget.

The Capital Area Workforce Development Fund had a deficit fund balance of (\$51,126) as of June 30, 2013. This fund is entirely grant funded from federal sources on a reimbursement basis. Due to the timing of the receipts at year-end, funds were not considered available and therefore, not recognized in the current fiscal year. The County expects over the life of the grants, the entire awarded amount will be received to cure the deficit of the fund.

**NOTE 26.
Subsequent Events**

On October 8, 2013, Wake County voters authorized \$810.0 million of general obligation bonds that, when combined with \$129.9 million of cash funding will support the Wake County Public Schools 2013 Capital Building Program.

**NOTE 27.
Comparative Data**

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.

**NOTE 28.
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, 2013, the Board's deposits had a carrying amount of \$14,286,840 and a bank balance of \$13,609,007. 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 is included in cash and cash equivalents.

(2) Risk Management

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

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

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

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