

Wake County

Basic

Financial Statements

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION As of June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
ASSETS				
Cash and investments - pooled equity	\$ 504,033,823	\$ 34,187,629	\$ 538,221,452	\$ -
Cash and investments - reserved	5,128,872	23,235,855	28,364,727	-
Cash and investments - cash equivalents	1,065,513	750	1,066,263	14,890,458
Taxes receivable (net)	3,558,192	-	3,558,192	-
Accounts receivable (net)	85,400,040	2,919,638	88,319,678	-
Loans receivable (net)	3,239,762	1,805,271	5,045,033	-
Accrued interest receivable	257,235	32,193	289,428	-
Prepaid items	3,996,226	1,400	3,997,626	259,077
Internal balances	11,562	(11,562)	-	-
Inventories	448,717	-	448,717	7,703,789
Net pension asset	498,536	-	498,536	-
Restricted assets:				
Cash and investments - cash equivalents with fiscal agent	185,319,432	-	185,319,432	-
Capital assets not being depreciated:				
Land	123,411,409	382,327	123,793,736	8,441,817
Construction in progress	104,127,507	3,599,587	107,727,094	-
Capital assets (net of accumulated depreciation):				
Landfills	-	7,337,209	7,337,209	-
Buildings	589,497,768	709,320	590,207,088	7,455,614
Improvements	17,414,895	329,966	17,744,861	131,770
Machinery and equipment	2,768,888	395,246	3,164,134	372,212
Vehicles and motorized equipment	12,097,313	-	12,097,313	13,212
Computer software	21,772,374	-	21,772,374	-
Infrastructure	9,940,660	-	9,940,660	-
Total assets	<u>1,673,988,724</u>	<u>74,924,829</u>	<u>1,748,913,553</u>	<u>39,267,949</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>21,602</u>	<u>-</u>	<u>21,602</u>	<u>-</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION As of June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Board of Alcoholic Control
LIABILITIES				
Accounts payable and accrued liabilities	\$ 49,218,800	\$ 5,455,884	\$ 54,674,684	\$ 8,545,724
Due to other governmental units	6,664,715	-	6,664,715	-
Unearned revenues	3,500,000	-	3,500,000	-
Accrued interest payable	23,055,320	-	23,055,320	-
Long term liabilities:				
Amounts due within one year:				
Capital leases	31,451	2,099	33,550	-
General obligation bonds - schools	113,754,160	-	113,754,160	-
General obligation bonds - other	22,770,840	-	22,770,840	-
Limited obligation bonds	12,140,000	-	12,140,000	-
Quality zoning academic bonds	163,461	-	163,461	-
Installment purchases	1,666,611	-	1,666,611	-
Compensated absences payable	11,129,883	80,658	11,210,541	-
Closure/post closure costs	-	6,719,000	6,719,000	-
Risk management liabilities	5,387,197	9,587	5,396,784	-
Amounts due beyond one year:				
Capital leases	19,842	3,778	23,620	-
General obligation bonds - schools	1,396,504,067	-	1,396,504,067	-
General obligation bonds - other	273,300,160	-	273,300,160	-
Limited obligation bonds	278,913,822	-	278,913,822	-
Quality zoning academic bonds	326,928	-	326,928	-
Installment purchases	3,662,510	-	3,662,510	-
Other post employment benefits	97,807,565	511,749	98,319,314	1,683,196
Construction reserves	-	845,005	845,005	-
Closure/post closure costs	-	16,325,633	16,325,633	-
Risk management liabilities	2,576,787	-	2,576,787	-
Total liabilities	2,302,594,119	29,953,393	2,332,547,512	10,228,920
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	1,449,801	100	1,449,901	-
Derivative liability	21,602	-	21,602	-
Unamortized gains on debt refundings	59,544,685	-	59,544,685	-
Total deferred inflows of resources	61,016,088	100	61,016,188	-
NET POSITION				
Net investment in capital assets	514,397,874	12,753,655	527,151,529	16,414,625
Restricted for:				
Stabilization by state statute	152,495,807	4,392,652	156,888,459	-
Register of deeds automation	402,853	-	402,853	-
Housing programs	1,638,957	-	1,638,957	-
White goods	-	2,712,151	2,712,151	-
Working capital	-	-	-	3,007,289
Unrestricted (See Note 1.P)	(1,358,535,372)	25,112,878	(1,333,422,494)	9,617,115
Total net position (deficit)	\$ (689,599,881)	\$ 44,971,336	\$ (644,628,545)	\$ 29,039,029

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Board of Alcoholic Control
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
FUNCTIONS/PROGRAMS							
Primary Government:							
Governmental activities:							
General government	\$ 61,161,278	\$ 7,145,238	\$ 1,892,488	\$ (52,123,552)	\$ -	\$ (52,123,552)	
Human services	199,440,132	20,072,420	102,589,574	(76,778,138)	-	(76,778,138)	
Education	455,501,432	12,483	17,457,029	(438,031,920)	-	(438,031,920)	
Community development and cultural	75,733,446	6,163,223	661,337	(68,908,886)	-	(68,908,886)	
Environmental services	9,125,293	(254,415)	807,674	(8,572,034)	-	(8,572,034)	
Public safety	152,696,724	31,253,703	1,389,125	(120,053,896)	-	(120,053,896)	
General services administration	26,653,029	3,065,362	13,360	(23,574,307)	-	(23,574,307)	
Interest on long-term debt	65,867,422	-	-	(65,867,422)	-	(65,867,422)	
Total governmental activities	<u>1,046,178,756</u>	<u>67,458,014</u>	<u>124,810,587</u>	<u>(853,910,155)</u>	<u>-</u>	<u>(853,910,155)</u>	
Business-type activities:							
Solid Waste	27,271,943	22,641,326	1,638,999	-	(2,991,618)	(2,991,618)	
Total primary government	<u>\$ 1,073,450,699</u>	<u>\$ 90,099,340</u>	<u>\$ 126,449,586</u>	<u>(853,910,155)</u>	<u>(2,991,618)</u>	<u>(856,901,773)</u>	
Component unit:							
Board of Alcoholic Control	<u>\$ 77,633,142</u>	<u>\$ 78,189,519</u>	<u>\$ -</u>				<u>\$ 556,377</u>
General revenues:							
Property taxes				704,500,482	-	704,500,482	-
Sales taxes				141,340,059	-	141,340,059	-
Occupancy and prepared food taxes				41,270,144	-	41,270,144	-
Other taxes				11,435,136	-	11,435,136	-
Grants and contributions not restricted to specific programs				9,977,509	-	9,977,509	-
Unrestricted investment earnings				2,239,488	196,199	2,435,687	7,166
Gain on sale of capital assets				-	1,805,271	1,805,271	-
Other				2,192,694	2,558,760	4,751,454	14,369
Total general revenues				<u>912,955,512</u>	<u>4,560,230</u>	<u>917,515,742</u>	<u>21,535</u>
Transfers				406,320	(406,320)	-	-
Total general revenues and transfers				<u>913,361,832</u>	<u>4,153,910</u>	<u>917,515,742</u>	<u>21,535</u>
Change in net position				<u>59,451,677</u>	<u>1,162,292</u>	<u>60,613,969</u>	<u>577,912</u>
Net position (deficit), beginning of year				<u>(749,051,558)</u>	<u>43,809,044</u>	<u>(705,242,514)</u>	<u>28,461,117</u>
Net position (deficit), end of year				<u>\$ (689,599,881)</u>	<u>\$ 44,971,336</u>	<u>\$ (644,628,545)</u>	<u>\$ 29,039,029</u>

WAKE COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	Major Funds							Nonmajor	Total
	General	Affordable	Major	Debt	County	School	Wake Community	Other	
	Fund	Housing	Facilities	Service	Capital Projects	Capital	College Capital	Governmental	Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds	Funds
ASSETS									
Cash and investments - pooled equity	\$ 185,453,468	\$ 3,964,688	\$ 4,740,589	\$ 104,464,318	\$ 73,885,655	\$ 91,353,962	\$ 11,618,115	\$ 24,858,202	\$ 500,338,997
Cash and investments - cash equivalents	1,064,883	30	600	-	-	-	-	-	1,065,513
Cash and investments - restricted	5,128,872	-	-	27,290,253	17,248,779	49,963,207	90,817,192	-	190,448,303
Taxes receivable (net)	3,411,262	-	-	-	-	-	-	146,930	3,558,192
Accounts receivable (net)	77,082,441	135,730	3,917,159	-	452,662	1,956,717	780	1,822,479	85,367,968
Loans receivable	2,404,000	-	-	-	185,762	-	-	650,000	3,239,762
Accrued interest receivable	5,724	138	2,716	226,770	-	7,114	-	12,714	255,176
Internal balances (interfund receivable)	440,709	-	-	-	-	-	-	-	440,709
Prepaid expenditures	546,325	158,085	-	3,291,701	-	-	-	-	3,996,111
Inventories	360,691	-	-	-	-	-	-	-	360,691
Total assets	\$ 275,898,375	\$ 4,258,671	\$ 8,661,064	\$ 135,273,042	\$ 91,772,858	\$ 143,281,000	\$ 102,436,087	\$ 27,490,325	\$ 789,071,422
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 35,538,848	\$ 252,566	\$ 7,663,212	\$ 20,917	\$ 2,700,294	\$ 2,247,169	\$ 3,093,070	\$ 1,393,425	\$ 52,909,501
Due to other governmental units	236,406	-	-	-	-	6,428,309	-	-	6,664,715
Unearned revenue	-	-	-	-	3,500,000	-	-	-	3,500,000
Internal balances (interfund payable)	-	-	-	-	-	-	-	440,709	440,709
Total liabilities	35,775,254	252,566	7,663,212	20,917	6,200,294	8,675,478	3,093,070	1,834,134	63,514,925
DEFERRED INFLOWS OF RESOURCES	7,675,460	-	-	-	349,304	-	-	162,683	8,187,447

WAKE COUNTY, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2014

	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	\$ 360,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,691
Prepaid expenditures	546,325	158,085	-	3,291,701	-	-	-	-	3,996,111
Noncurrent receivable	240,801	-	-	-	-	-	-	-	240,801
Restricted:									
Stabilization by state statute	81,561,725	2,209,063	997,852	226,770	6,055,590	57,319,389	780	3,685,025	152,056,194
Register of deeds automation	402,853	-	-	-	-	-	-	-	402,853
Housing programs	-	1,638,957	-	-	-	-	-	-	1,638,957
Committed:									
Revaluation reserve	3,120,450	-	-	-	-	-	-	-	3,120,450
Future appropriations from excess local ABC revenues	2,650,000	-	-	-	-	-	-	-	2,650,000
Working capital	137,792,533	-	-	-	-	-	-	2,977,920	140,770,453
Assigned:									
Planned expenditures	5,372,283	-	-	-	55,851,063	66,471,228	1,280,392	14,980,671	143,955,637
Future insurance claims	400,000	-	-	-	-	-	-	-	400,000
Future capital projects	-	-	-	-	23,316,607	10,814,905	98,061,845	3,849,892	136,043,249
Debt service	-	-	-	131,733,654	-	-	-	-	131,733,654
Total Fund Balances	232,447,661	4,006,105	997,852	135,252,125	85,223,260	134,605,522	99,343,017	25,493,508	717,369,050
Total liabilities, deferred inflows of resources, and fund balances	\$ 275,898,375	\$ 4,258,671	\$ 8,661,064	\$ 135,273,042	\$ 91,772,858	\$ 143,281,000	\$ 102,436,087	\$ 27,490,325	\$ 789,071,422

WAKE COUNTY, NORTH CAROLINA

Reconciliation of the Balance Sheet to the Statement of Net Position As of June 30, 2014

Fund balances - Governmental Funds	\$ 717,369,050
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	872,275,089
Taxes and other receivables will be collected after year-end, but are not available to pay for current-period expenditures and therefore are deferred in the funds	6,737,646
Net pension assets from the LEO Special Separation allowance resulting from contributions greater than the amount of annual required contributions are not financial resources and therefore not reported in the funds	498,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,297,867,417)
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>11,387,215</u>
Net deficit of governmental activities	<u>\$ (689,599,881)</u>

WAKE COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	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	\$ 838,704,603	\$ -	\$ 41,240,331	\$ -	\$ 520	\$ -	\$ -	\$ 21,436,833	\$ 901,382,287
Intergovernmental	100,120,404	5,502,986	-	10,657,055	614,596	6,799,974	-	11,093,082	134,788,097
Charges for services	63,892,407	491,783	-	12,483	838,268	-	-	1,837,259	67,072,200
Fines and forfeitures	-	-	-	-	-	-	-	4,084	4,084
Licenses and permits	4,701,663	-	-	-	-	-	-	-	4,701,663
Investment earnings	46,776	(368)	20,419	2,023,018	299	51,489	-	82,072	2,223,705
Miscellaneous	1,438,478	-	-	-	-	-	-	753,826	2,192,304
Total Revenues	1,008,904,331	5,994,401	41,260,750	12,692,556	1,453,683	6,851,463	-	35,207,156	1,112,364,340
EXPENDITURES:									
Current:									
General government	43,990,791	-	-	294,713	10,145,121	-	-	71,563	54,502,188
Human services	180,846,040	7,247,175	-	-	-	-	-	9,737,959	197,831,174
Education	343,686,958	-	-	-	-	100,921,442	25,281,807	-	469,890,207
Community development and cultural	26,959,932	-	38,372,234	-	9,647,487	-	-	1,457,047	76,436,700
Environmental services	8,301,441	-	-	-	-	-	-	53,393	8,354,834
Public safety	114,486,371	-	-	-	10,816,431	-	-	21,472,009	146,774,811
General services administration	25,317,452	-	-	-	-	-	-	14,755	25,332,207
Debt service:									
Principal	-	-	-	152,250,703	-	-	-	-	152,250,703
Interest	-	-	-	90,030,119	-	-	-	-	90,030,119
Total Expenditures	743,588,985	7,247,175	38,372,234	242,575,535	30,609,039	100,921,442	25,281,807	32,806,726	1,221,402,943
REVENUES OVER (UNDER) EXPENDITURES	265,315,346	(1,252,774)	2,888,516	(229,882,979)	(29,155,356)	(94,069,979)	(25,281,807)	2,400,430	(109,038,603)

WAKE COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	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	\$ 2,500,145	\$ 830,000	\$ -	\$ 196,079,904	\$ 35,664,000	\$ -	\$ 3,685,000	\$ 2,487,043	\$ 241,246,092
Transfers out	(231,693,000)	-	(3,228,005)	-	(2,467,043)	(856,820)	-	(2,594,904)	(240,839,772)
Installment purchases issued	-	-	-	-	-	-	-	1,487,000	1,487,000
Capital leases, notes payable and installment purchases	13,796	-	-	-	-	-	-	-	13,796
Total Other Financing Sources (Uses)	(229,179,059)	830,000	(3,228,005)	196,079,904	33,196,957	(856,820)	3,685,000	1,379,139	1,907,116
NET CHANGE IN FUND BALANCES	36,136,287	(422,774)	(339,489)	(33,803,075)	4,041,601	(94,926,799)	(21,596,807)	3,779,569	(107,131,487)
Fund Balances at beginning of year	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
FUND BALANCES AT END OF YEAR	\$ 232,447,661	\$ 4,006,105	\$ 997,852	\$ 135,252,125	\$ 85,223,260	\$ 134,605,522	\$ 99,343,017	\$ 25,493,508	\$ 717,369,050

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, 2014

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

Net change in fund balances - total governmental funds	\$ (107,131,487)
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.	36,200,755
Depreciation expense for the fiscal year being reported, less depreciation in Corporate Fleet fund	(20,822,559)
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.	159,116,280
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,583,071)
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.	(219,951)
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>(108,290)</u>
Change in net position of governmental activities	<u><u>\$ 59,451,677</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 825,306,421	\$ 826,279,421	\$ 838,704,603	\$ 12,425,182
Licenses and permits	3,624,386	3,868,641	4,701,663	833,022
Intergovernmental	87,813,713	88,936,266	100,120,404	11,184,138
Charges for services	61,400,880	62,335,541	63,892,407	1,556,866
Investment earnings	45,259	45,259	46,776	1,517
Miscellaneous	1,325,201	1,325,166	1,438,478	113,312
Total Revenues	<u>979,515,860</u>	<u>982,790,294</u>	<u>1,008,904,331</u>	<u>26,114,037</u>
EXPENDITURES:				
Current:				
General administration	46,625,492	46,962,136	43,976,995	2,985,141
Human services	183,356,024	187,460,923	180,846,040	6,614,883
Education	343,686,958	343,686,958	343,686,958	-
Community development and cultural	27,029,888	27,330,064	26,959,932	370,132
Environmental services	8,675,487	8,694,737	8,301,441	393,296
General services administration	25,656,059	25,998,605	25,317,452	681,153
Public safety	115,327,092	116,316,673	114,486,371	1,830,302
Total Expenditures	<u>750,357,000</u>	<u>756,450,096</u>	<u>743,575,189</u>	<u>12,874,907</u>
REVENUES OVER EXPENDITURES	<u>229,158,860</u>	<u>226,340,198</u>	<u>265,329,142</u>	<u>38,988,944</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,434,140	2,473,140	2,500,145	27,005
Transfers out	(231,593,000)	(231,693,000)	(231,693,000)	-
Total Other Financing Sources (Uses)	<u>(229,158,860)</u>	<u>(229,219,860)</u>	<u>(229,192,855)</u>	<u>27,005</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(2,879,662)	36,136,287	39,015,949
APPROPRIATED FUND BALANCE	-	2,879,662	-	(2,879,662)
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>36,136,287</u>	<u>\$ 36,136,287</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>196,311,374</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 232,447,661</u>	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
Occupancy tax	\$ 17,546,000	\$ 18,330,000	\$ 19,213,443	\$ 883,443
Prepared food tax	21,496,000	22,016,000	22,026,888	10,888
Total taxes	39,042,000	40,346,000	41,240,331	894,331
Charges for services	-	-	-	-
Investment earnings	-	-	20,419	20,419
Total Revenues	39,042,000	40,346,000	41,260,750	914,750
EXPENDITURES:				
Raleigh hold harmless - occupancy	680,000	680,000	680,000	-
Cary hold harmless - occupancy	850,992	888,787	931,852	(43,065)
Greater Raleigh Convention and Visitors Bureau	4,502,138	4,691,187	4,906,510	(215,323)
Centennial Authority operations 7%	2,276,276	2,348,885	2,391,070	(42,185)
Centennial - Debt service	5,209,350	5,209,350	5,207,606	1,744
Raleigh annual distribution - \$1M	1,000,000	1,000,000	1,000,000	-
Convention Center	18,157,244	18,977,299	19,455,196	(477,897)
North Carolina Museum of Art	1,000,000	1,000,000	1,000,000	-
Centennial Authority Facility Improvements	1,000,000	1,500,000	1,500,000	-
Green Square	200,000	200,000	200,000	-
St. Augustine's	100,000	100,000	100,000	-
Cary Sports Venue	1,000,000	1,000,000	1,000,000	-
Total Expenditures	35,976,000	37,595,508	38,372,234	(776,726)
REVENUES OVER EXPENDITURES	3,066,000	2,750,492	2,888,516	138,024
OTHER FINANCING SOURCES AND (USES):				
Transfers out to General Fund	(1,171,000)	(1,210,000)	(1,237,005)	(27,005)
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	96,000	450,508	-	(450,508)
Total other financing sources (uses)	(3,066,000)	(2,750,492)	(3,228,005)	(477,513)
REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(339,489)	\$ (339,489)
Fund Balance at beginning of year			1,337,341	
FUND BALANCE AT END OF YEAR			\$ 997,852	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of June 30, 2014

	Business-type Activities		Governmental Activities	
	Enterprise		Internal Service	
	Major Funds			
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities	Corporate Fleet Fund
ASSETS				
Current assets:				
Cash and investments - pooled equity	\$ 31,513,441	\$ 2,674,188	\$ 34,187,629	\$ 3,694,828
Cash and investments - reserved	14,256,875	8,978,980	23,235,855	-
Cash and investments - cash equivalents	-	750	750	-
Accounts receivable (net)	818,519	2,101,119	2,919,638	32,073
Loan receivable	1,805,271	-	1,805,271	-
Internal balances (interfund receivable)	198,871	125,114	323,985	-
Prepaid expenditures	1,400	-	1,400	115
Accrued interest receivable	25,508	6,685	32,193	2,059
Inventories	-	-	-	88,026
Total current assets	<u>48,619,885</u>	<u>13,886,836</u>	<u>62,506,721</u>	<u>3,817,101</u>
Noncurrent assets:				
Capital assets not being depreciated:				
Land	382,327	-	382,327	-
Construction in progress	3,599,587	-	3,599,587	-
Capital assets (net of accumulated depreciation):				
Landfills	7,337,209	-	7,337,209	-
Buildings	709,320	-	709,320	-
Machinery and equipment	395,246	-	395,246	163,267
Vehicles	-	-	-	8,592,458
Improvements	329,966	-	329,966	-
Total non-current assets	<u>12,753,655</u>	<u>-</u>	<u>12,753,655</u>	<u>8,755,725</u>
Total assets	<u>61,373,540</u>	<u>13,886,836</u>	<u>75,260,376</u>	<u>12,572,826</u>

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of June 30, 2014

	Business-type Activities		Governmental Activities	
	Enterprise		Internal Service	
	Major Funds			
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities	Corporate Fleet Fund
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,460,213	2,995,671	5,455,884	707,653
Internal balances (interfund payable)	125,114	198,871	323,985	-
Total current liabilities	<u>2,585,327</u>	<u>3,194,542</u>	<u>5,779,869</u>	<u>707,653</u>
Noncurrent liabilities:				
Amounts due within one year:				
Capital leases	2,099	-	2,099	-
Compensated absences	77,099	3,559	80,658	56,451
Closure/postclosure care costs	719,000	6,000,000	6,719,000	-
Risk management liabilities	9,501	86	9,587	55,990
Amounts due beyond one year:				
Capital leases	3,778	-	3,778	-
Other post employment benefits	377,079	134,670	511,749	377,079
Construction reserves	-	845,005	845,005	-
Closure/postclosure care costs	13,537,875	2,787,758	16,325,633	-
Total noncurrent liabilities	<u>14,726,431</u>	<u>9,771,078</u>	<u>24,497,509</u>	<u>489,520</u>
Total liabilities	<u>17,311,758</u>	<u>12,965,620</u>	<u>30,277,378</u>	<u>1,197,173</u>
DEFERRED INFLOWS OF RESOURCES	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	12,753,655	-	12,753,655	8,755,725
Restricted:				
Stabilization by state statute	3,397,193	995,459	4,392,652	439,613
White goods	2,712,151	-	2,712,151	-
Unrestricted	<u>25,198,683</u>	<u>(74,243)</u>	<u>25,124,440</u>	<u>2,180,315</u>
Total net position	<u>\$ 44,061,682</u>	<u>\$ 921,216</u>	<u>\$ 44,982,898</u>	<u>\$ 11,375,653</u>
Total net position	\$ 44,061,682	\$ 921,216	\$ 44,982,898	
Adjustment to reflect the consolidation of the Corporate Fleet Fund balances related to Solid Waste	<u>(11,562)</u>	<u>-</u>	<u>(11,562)</u>	
Net position of business-type activities	<u>\$ 44,050,120</u>	<u>\$ 921,216</u>	<u>\$ 44,971,336</u>	

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

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended June 30, 2014

	Business-type Activities		Governmental Activities	
	Enterprise		Internal Service	
	Major Funds			
	Solid Waste Operating Fund	South Wake Landfill Partnership Fund	Total Business-type Activities	Corporate Fleet Fund
OPERATING REVENUES:				
Licenses and permits	\$ 6,400	\$ -	\$ 6,400	\$ -
Charges for services	7,975,334	14,659,592	22,634,926	8,424,930
Gain on sale of capital assets	1,805,271	-	1,805,271	-
Miscellaneous	2,558,760	-	2,558,760	5,530
Total Operating Revenues	12,345,765	14,659,592	27,005,357	8,430,460
OPERATING EXPENSES:				
Cost of service	11,285,046	10,802,257	22,087,303	4,146,819
Administration	1,588,203	823,200	2,411,403	1,074,170
Partner rebates	-	2,129,551	2,129,551	-
Depreciation and amortization	642,293	-	642,293	3,334,937
Total Operating Expenses	13,515,542	13,755,008	27,270,550	8,555,926
OPERATING INCOME (LOSS)	(1,169,777)	904,584	(265,193)	(125,466)
NON-OPERATING REVENUES:				
Intergovernmental	1,638,999	-	1,638,999	-
Investment earnings	159,693	36,506	196,199	15,783
Total Non-Operating Revenues	1,798,692	36,506	1,835,198	15,783
Income (loss) before transfers	628,915	941,090	1,570,005	(109,683)
TRANSFERS:				
Transfers in	991,789	-	991,789	-
Transfers out	(406,320)	(991,789)	(1,398,109)	-
Total Transfers	585,469	(991,789)	(406,320)	-
CHANGE IN NET POSITION	1,214,384	(50,699)	1,163,685	(109,683)
TOTAL NET POSITION, BEGINNING OF YEAR,	42,847,298	971,915	43,819,213	11,485,336
TOTAL NET POSITION, END OF YEAR	\$ 44,061,682	\$ 921,216	\$ 44,982,898	\$ 11,375,653
Change in net position	\$ 1,214,384	\$ (50,699)	\$ 1,163,685	
Adjustment to reflect the consolidation of the Corporate Fleet Fund activities related to Solid Waste	(1,393)	-	(1,393)	
Change in net position of business-type activities	\$ 1,212,991	\$ (50,699)	\$ 1,162,292	

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, 2014

	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	\$ 6,775,566	\$ 14,732,866	\$ 21,508,432	\$ 8,421,205
Cash payments to suppliers for goods and services	(8,425,863)	(11,585,830)	(20,011,693)	(4,325,418)
Cash payments to employees for services	(1,046,495)	(223,951)	(1,270,446)	(762,299)
Other operating revenues	4,370,431	-	4,370,431	5,530
Net cash provided by operating activities	1,673,639	2,923,085	4,596,724	3,339,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental revenue	1,633,143	-	1,633,143	-
Transfers in	991,789	-	991,789	-
Transfers out	(406,320)	(991,789)	(1,398,109)	-
Net cash provided (used) by noncapital financing activities	2,218,612	(991,789)	1,226,823	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Disposal of capital assets	1,510,494	-	1,510,494	756,247
Acquisition of capital assets	(1,873,170)	-	(1,873,170)	(4,464,107)
Principal payments of capital lease	(673)	-	(673)	-
Net cash used by capital and related financing activities	(363,349)	-	(363,349)	(3,707,860)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	185,527	42,936	228,463	19,168

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, 2014

	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 (decrease) in cash and cash equivalents	\$ 3,714,429	\$ 1,974,232	\$ 5,688,661	\$ (349,674)
Cash and cash equivalents at beginning of year	42,055,887	9,679,686	51,735,573	4,044,502
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 45,770,316	\$ 11,653,918	\$ 57,424,234	\$ 3,694,828
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,169,777)	\$ 904,584	\$ (265,193)	\$ (125,466)
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities:				
Depreciation and amortization	642,293	-	642,293	3,334,937
(Increase)/decrease in accounts receivable	(1,199,768)	73,274	(1,126,494)	(3,725)
(Increase)/decrease in prepaid items	385	-	385	(115)
Decrease in inventories	-	-	-	108,695
Increase in accounts payable and accrued liabilities	3,400,506	1,945,227	5,345,733	24,692
Total adjustments	2,843,416	2,018,501	4,861,917	3,464,484
Net cash provided (used) by operating activities	\$ 1,673,639	\$ 2,923,085	\$ 4,596,724	\$ 3,339,018

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of June 30, 2014

	Separation Allowance	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments - pooled equity	\$ 1,321,874	\$ 633,177
Accounts receivable (net)	-	3,388,307
Accrued interest receivable	<u>740</u>	<u>366</u>
Total assets	<u>1,322,614</u>	<u>4,021,850</u>
LIABILITIES		
Other liabilities	67,465	669,966
Due to other governmental units	<u>-</u>	<u>3,351,884</u>
Total liabilities	<u>67,465</u>	<u>\$ 4,021,850</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 1,255,149</u>	

WAKE COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2014

	Separation Allowance
Additions:	
Employer Contributions	\$ 960,030
Net investment income	<u>5,072</u>
Total additions	965,102
Deductions:	
Benefits	<u>1,154,371</u>
Net decrease	(189,269)
Net position held in trust for pension benefits:	
Beginning of year	<u>1,444,418</u>
End of year	<u><u>\$ 1,255,149</u></u>

**Wake County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014**

**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 statements 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. Eliminations have been made to minimize the double counting of internal activities. Interfund activities between the governmental activities and the business-type activities have not been eliminated. 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. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 College 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.

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

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.

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 net 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, 2013.

Ad valorem taxes collected within 30 days after the fiscal year end for the year ended June 30, 2014 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 of 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 non-spendable fund balance, 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

Landfills are amortized annually based on the estimated remaining useful life.

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 liabilities are liquidated in the funds in which 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.

Prepaid expenditures – portion of fund balance that is not an available resource because it represents payments to vendors that are applicable to future accounting periods.

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. In the fiscal year 2015 adopted budget, the Board created a reserve for \$3,750,000 to increase the appropriation to Wake County Public Schools to increase locally funded teacher supplement scale. This portion is included in Assigned fund balance – planned expenditures. Once management determines an appropriate use of the remaining 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.

The County’s standard practice when an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the restricted funds should be spent first, followed in order by committed funds, then assigned funds, and finally unassigned funds, if available, unless the Board has provided otherwise in its commitment or assigned actions.

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 the following fund balance policies.

General Fund - management will 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.

Operating Funds – The County will maintain a combined general fund and debt service fund total fund balance of at least 30% of general fund and debt service fund combined revenues.

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 (\$2,297,867,417) difference are as follows:

Outstanding long-term debt payable (per Note 10)	\$ (2,212,191,300)
Less:	
Accrued interest payable	(22,341,702)
Payable to granting agency	(1,712,050)
Risk management liabilities	(2,511,210)
Add:	
Portion of internal service fund's compensated absences included in Note 10	56,451
Portion of internal service fund's other post employment benefits included in Note 10	377,079
Unamortized portion of deferred inflow of resources related to advanced debt refundings (to be amortized over life of debt)	<u>(59,544,685)</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (2,297,867,417)</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 \$159,116,280 difference are as follows:

Debt issued or incurred:	
Installment purchases issued	\$ (1,487,000)
Capital leases issued	(13,796)
Increases in other post employment benefit liability	(21,450,946)
Increases in other post employment benefit liability - Corporate Fleet Fund	92,065
Increases in compensated absences liability	(10,368,387)
Increases in compensated absences liability - Corporate Fleet Fund	43,289
Change in risk management liabilities	60,943
Change in deferred portion of advanced debt refundings	6,354,473
Interest expense accrual and other adjustments	<u>1,928,473</u>
Total Increases	<u>(24,840,886)</u>
Principal repayments:	
General obligation debt - schools	113,282,981
General obligation debt - other	23,167,019
Limited obligation bonds	12,140,000
Installment purchase payments	1,485,227
Qualified zone academy bonds	163,461
Current year amortization of bond premiums - GO Bonds	17,354,060
Current year amortization of bond premiums - LOB Bonds	788,220
Capital lease payments	43,741
Decreases in other post employment benefit liability	5,603,371
Decreases in other post employment benefit liability - Corporate Fleet Fund	(21,603)
Decreases in compensated absences liability	9,990,758
Decreases in compensated absences liability - Corporate Fleet Fund	<u>(40,069)</u>
Total Decreases	<u>183,957,166</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u><u>\$ 159,116,280</u></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 \$36,200,755 difference are as follows:

Capital Asset Increases:	
Capital Asset Increases	\$ 11,975,761
Less acquisitions for the Corporate Fleet Fund	(4,464,107)
Net increase in construction in progress	<u>29,715,128</u>
Total Increases	<u>37,226,782</u>
Capital Asset Decreases:	
Capital asset disposals	(6,589,429)
Add disposals for the Corporate Fleet Fund	2,877,641
Accumulated depreciation related to capital asset disposals	4,807,155
Less accumulated depreciation related to capital asset disposals in the Corporate Fleet Fund	<u>(2,121,394)</u>
Total Decreases	<u>(1,026,027)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 36,200,755</u>

P. Unrestricted (deficit)

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

For school debt	\$ (1,448,728,109)
All other	<u>115,305,615</u>
Total unrestricted net position	<u>\$ (1,333,422,494)</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 \$1,448,728,109. 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 College is reported as a component unit of the State. 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 \$13,530,431 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, 2014. 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 Authority is reported as a component unit of the State. 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 \$2,391,070 for operations, \$5,207,606 for debt service and \$1,500,000 for facility improvements from the Occupancy and Prepared Food/Beverage taxes for the Authority. The County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2014. 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, 2014. Complete financial statements for the Bureau may be obtained at the Greater Raleigh Convention and Visitors Bureau, PO Box 1879, Raleigh, NC 27602.

**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 \$311,688,350 and a bank balance of \$313,144,393. Of the bank balance, \$1,101,583 was covered by federal depository insurance and \$312,042,810 in interest-bearing deposits was covered by collateral held under the pooling method.

2. Investments

As of June 30, 2014, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than		
		2 Years	2 - 3 Years	3 - 5 Years
U.S. Government Treasuries	\$ 49,015,634	\$ 49,015,634	\$ -	\$ -
U.S. Government Agencies	391,712,649	274,193,149	53,075,650	64,443,850
N.C. Capital Management Trust - Cash portfolio	2,510,292	2,510,292	-	-
Total fair value	<u>\$ 443,238,575</u>	<u>\$ 325,719,075</u>	<u>\$ 53,075,650</u>	<u>\$ 64,443,850</u>

Interest Rate Risk. The County does not have a formal investment policy in place, but 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. The County has no formal policy regarding credit risk, but has an informal investment policy that limits the County's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2014, the County's had no investments in commercial paper. 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, 2014. 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 has no formal policy regarding concentration risk, but has an informal investment policy that limits the amount of commercial paper and certificates of deposits to \$30 million that is allowed in any one issuer's name.

Custodial Credit Risk: For an investment, the custodial 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. The County has no formal policy on custodial credit risk. At June 30, 2014, 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	\$ 11,707,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,690	\$ 12,361,878
Accounts	18,554,192	-	-	-	54,450	-	-	-	18,608,642
Intergovernmental	67,748,015	129,898	5,231	-	103,225	1,956,717	780	1,701,411	71,645,277
Other	3,055,972	55,950	3,911,928	-	4,614,611	-	-	121,069	11,759,530
Loans receivable	2,404,000	27,827,983	-	-	185,762	-	-	650,000	31,067,745
Interest	5,724	138	2,716	226,770	-	7,114	-	12,714	255,176
Gross receivables	103,475,091	28,013,969	3,919,875	226,770	4,958,048	1,963,831	780	3,139,884	145,698,248
Less allowance for bad debts	(20,571,664)	(27,878,101)	-	-	(4,319,624)	-	-	(507,761)	(53,277,150)
Net total receivables	\$ 82,903,427	\$ 135,868	\$ 3,919,875	\$ 226,770	\$ 638,424	\$ 1,963,831	\$ 780	\$ 2,632,123	\$ 92,421,098

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 \$162,500 and \$137,273, 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	Non Major Funds	Total
Unavailable:				
Taxes receivable	\$ 2,350,616	\$ -	\$ 146,930	\$ 2,497,546
Other receivables	3,890,796	349,304	-	4,240,100
Total Unavailable	6,241,412	349,304	146,930	6,737,646
Unearned:				
Prepaid property taxes not yet earned	1,434,048	-	15,753	1,449,801
Total Unearned	1,434,048	-	15,753	1,449,801
Total deferred inflows of resources	\$ 7,675,460	\$ 349,304	\$ 162,683	\$ 8,187,447

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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 111,471,138	\$ 11,940,271	\$ -	\$ 123,411,409
Construction in progress	433,377,641	30,162,627	(359,412,761)	104,127,507
Total capital assets, not being depreciated	<u>544,848,779</u>	<u>42,102,898</u>	<u>(359,412,761)</u>	<u>227,538,916</u>
Capital assets, being depreciated:				
Buildings	379,086,983	337,244,584	-	716,331,567
Improvements Other than Buildings	23,870,964	-	-	23,870,964
Machinery and equipment	37,781,307	2,334,382	(3,237,214)	36,878,475
Vehicles and motorized equipment	35,220,283	6,310,052	(3,352,215)	38,178,120
Computer Software	12,204,146	13,111,734	-	25,315,880
Infrastructure	15,890,215	-	-	15,890,215
Total capital assets being depreciated	<u>504,053,898</u>	<u>359,000,752</u>	<u>(6,589,429)</u>	<u>856,465,221</u>
Less accumulated depreciation for:				
Buildings	111,552,950	15,280,849	-	126,833,799
Improvements Other than Buildings	5,858,021	598,048	-	6,456,069
Machinery and equipment	35,074,946	1,296,399	(2,261,758)	34,109,587
Vehicles and motorized equipment	24,079,502	4,546,702	(2,545,397)	26,080,807
Computer software	1,429,872	2,113,634	-	3,543,506
Infrastructure	5,627,690	321,865	-	5,949,555
Total accumulated depreciation	<u>183,622,981</u>	<u>\$ 24,157,497</u>	<u>\$ (4,807,155)</u>	<u>202,973,323</u>
Total capital assets, being depreciated, net	<u>320,430,917</u>			<u>653,491,898</u>
Governmental activities capital assets, net	<u>\$ 865,279,696</u>			<u>\$ 881,030,814</u>

NOTE 6. (Cont.)
Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,875,253	\$ -	\$ (1,492,926)	\$ 382,327
Construction in progress	1,902,087	1,697,500	-	3,599,587
Total capital assets, not being depreciated/amortized	<u>3,777,340</u>	<u>1,697,500</u>	<u>(1,492,926)</u>	<u>3,981,914</u>
Capital assets, being depreciated/amortized:				
Landfills	39,155,880	-	-	39,155,880
Buildings	1,166,846	-	-	1,166,846
Improvements	544,003	-	-	544,003
Machinery and equipment	751,610	164,653	-	916,263
Total capital assets being depreciated/amortized	<u>41,618,339</u>	<u>164,653</u>	<u>-</u>	<u>41,782,992</u>
Less accumulated depreciation/amortization for:				
Landfills	31,373,953	444,718	-	31,818,671
Buildings	428,355	29,171	-	457,526
Improvements	200,436	13,601	-	214,037
Machinery and equipment	366,214	154,803	-	521,017
Total accumulated depreciation/amortization	<u>32,368,958</u>	<u>\$ 642,293</u>	<u>\$ -</u>	<u>33,011,251</u>
Total capital assets, being depreciated/amortized, net	<u>9,249,381</u>			<u>8,771,741</u>
Business-type activities capital assets, net	<u>\$ 13,026,721</u>			<u>\$ 12,753,655</u>

NOTE 6. (Cont.)
Capital Assets

Depreciation and amortization expenses were charged to functions as follows:

Governmental activities:

General administration	\$ 5,194,668
Human services	1,947,373
Education	355,980
Community development and cultural	2,645,940
Environmental services	359,808
Public safety	10,189,107
General services administration	<u>3,464,621</u>

Total depreciation expense -

Governmental activities	<u>24,157,497</u>
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Business-type activities:

Environmental services - solid waste	<u>642,293</u>
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Total depreciation and amortization	<u><u>\$ 24,799,790</u></u>
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NOTE 6. (Cont.)
Capital Assets

For the 2014 fiscal year, the construction in progress expenditures for governmental activities were as follows:

Construction in Progress:	Expended At 06/30/2014
Automation	\$ 2,905,018
Crabtree Creek Watershed	172,473
Detention Facilities Expansion	12,080,988
Eastwind Development Property	510,332
EMS Station	108,155
Fire Stations	3,706,571
Inpatient Psychiatric Unit	23,853,146
Jeffcoat/Penny Road Tract Open Space	313,088
Jordan Lake Water Reclamation	5,487,895
Judicial Facilities	11,168,895
Libraries	2,391,721
Little River Reservoir	14,860,902
Medlin Farms	383,787
Mitchell Open Space	187,191
RTP Offsite Infrastructure Improvements	1,769
Schools	18,607,964
Sheriff Communications Center	1,874,915
Security Improvements	3,504,079
Southeast Regional Park	2,008,618
	<hr/>
	\$ 104,127,507
	<hr/> <hr/>

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

As of June 30, 2014, internal balances total \$440,709 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, 2014 are \$323,985. 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, 2014.

The County's General Fund transferred funds during fiscal year 2014 to fund debt service payments, capital improvements, economic developments and the County match for State and Federal Grant Programs. The \$406,320 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 \$991,789 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	\$ -	\$ -	\$ 193,844,000	\$ 35,664,000	\$ 2,185,000	\$ -	\$ -	\$ 231,693,000
Major Facilities Fund	1,237,005	-	991,000	-	-	1,000,000	-	3,228,005
Capital Improvements Fund	-	830,000	-	-	1,500,000	137,043	-	2,467,043
School Capital Fund	856,820	-	-	-	-	-	-	856,820
Other Governmental Funds	-	-	1,244,904	-	-	1,350,000	-	2,594,904
Solid Waste Operating Fund	406,320	-	-	-	-	-	-	406,320
South Wake Partnership Fund	-	-	-	-	-	-	991,789	991,789
Total transfers in	<u>\$ 2,500,145</u>	<u>\$ 830,000</u>	<u>\$ 196,079,904</u>	<u>\$ 35,664,000</u>	<u>\$ 3,685,000</u>	<u>\$ 2,487,043</u>	<u>\$ 991,789</u>	<u>\$ 242,237,881</u>

**NOTE 8.
Risk Management**

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

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

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 distribute 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, 2014 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.

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

The claims liability of \$7,973,571 at June 30, 2014 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 2013 and 2014 are as follows:

Changes in Claims Liability

	Workers' compensation	Property and Liability	Self-insured group medical	Dental Benefits	Total
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	4,778,222	1,218,782	1,630,000	139,000	7,766,004
Claims incurred, fiscal year 2014	1,323,988	552,771	21,395,000	1,780,000	25,051,759
Payments and changes in estimates, fiscal year 2014	<u>559,669</u>	<u>829,523</u>	<u>21,619,000</u>	<u>1,836,000</u>	<u>24,844,192</u>
Balance, as of June 30, 2014	<u>\$ 5,542,541</u>	<u>\$ 942,030</u>	<u>\$ 1,406,000</u>	<u>\$ 83,000</u>	<u>\$ 7,973,571</u>
Current portion of liability	<u>\$ 3,393,198</u>	<u>\$ 576,617</u>	<u>\$ 1,370,720</u>	<u>\$ 56,249</u>	<u>\$ 5,396,784</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, 2014, the net book value of the assets acquired through capital leases is \$33,230. The net present value of the future minimum lease payments at June 30, 2014 is \$51,293 for Governmental activities and \$5,877 for Business-type activities, 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, 2014 were \$3,259,468. The future minimum lease payments for non-cancelable operating leases are \$10,641,315 as detailed below.

At June 30, 2014, 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 - Governmental	Capital Leases - Business-type	Operating Leases
2015	\$ 33,174	\$ 2,382	\$ 1,400,618
2016	17,461	2,382	1,434,719
2017	2,901	1,588	1,449,111
2018	-	-	1,320,720
2019	-	-	1,104,083
2020-2024	-	-	3,857,472
2025	-	-	744,310
Total minimum lease payments	<u>53,536</u>	<u>6,352</u>	<u>\$ 11,311,033</u>
Less: amount representing interest	<u>(2,243)</u>	<u>(475)</u>	
Net present value of the future minimum lease payments	<u>\$ 51,293</u>	<u>\$ 5,877</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, 2014 was \$534,269.

**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 2.50% to 5.40%. 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 0.03% to 0.12% during the period July 1, 2013 through June 30, 2014. 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, 2014 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 0.04% at June 30, 2014. 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 0.04% at June 30, 2014. The maximum amount of interest cannot exceed 12%.	45,000,000
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%.	2,865,000
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%.	32,235,000
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%.	1,500,000
2007 Public Improvement Bonds of \$455,000,000 due in periodic installments of \$23,000,000 to \$35,000,000 beginning March 1, 2009 through March 1, 2025, interest of 4.25 to 5.00%.	69,000,000
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 0.08% at June 30, 2014. 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 0.08% at June 30, 2014. 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%.	30,000,000
2009B Public Improvement Bonds of \$300,000,000 due in periodic installments of \$7,000,000 to \$26,000,000 beginning March 1, 2010 through March 1, 2025, interest of 4.00 to 5.00%.	238,000,000

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

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%.	\$ 10,990,000
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%.	110,770,000
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%.	59,715,000
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%.	377,275,000
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%.	13,265,000
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%.	98,400,000
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%.	86,700,000
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%.	48,600,000
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%.	118,800,000
Total general obligation bonds outstanding	<u>\$ 1,664,875,000</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	\$ 136,065,000
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	136,950,000
Total limited obligation bonds outstanding	<u><u>\$ 273,015,000</u></u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2014 are as follows:

Year Ending	Principal	Interest	Total
June 30			
2015	\$ 136,525,000	\$ 69,746,445	\$ 206,271,445
2016	155,055,000	63,563,287	218,618,287
2017	152,985,000	57,014,351	209,999,351
2018	140,655,000	50,691,834	191,346,834
2019	141,315,000	45,623,597	186,938,597
2020-2024	593,450,000	146,207,755	739,657,755
2025-2029	298,745,000	37,749,224	336,494,224
2030-2034	46,145,000	2,841,540	48,986,540
	<u><u>\$ 1,664,875,000</u></u>	<u><u>\$ 473,438,033</u></u>	<u><u>\$ 2,138,313,033</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, 2014 are as follows:

June 30	Principal	Interest	Total
2015	\$ 14,001,523	\$ 13,082,494	\$ 27,084,017
2016	13,119,122	12,582,161	25,701,283
2017	13,039,158	12,121,571	25,160,729
2018	12,777,000	11,624,989	24,401,989
2019	12,491,000	11,071,640	23,562,640
2020-2024	61,833,000	46,567,283	108,400,283
2025-2029	60,700,000	31,591,219	92,291,219
2030-2034	60,700,000	16,626,300	77,326,300
2035-2037	30,225,000	2,700,400	32,925,400
	<u><u>\$ 278,885,803</u></u>	<u><u>\$ 157,968,057</u></u>	<u><u>\$ 436,853,860</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, 2014, such statutory limit of the County was \$10,194,119,298 providing a legal debt margin of \$7,299,908,495. Authorized but unissued general obligation bonds as of June 30, 2014 totaled \$950,450,000. This entire amount was for authorized but unissued new general obligation bonds.

Qualified Zone Academy Bonds:

In 2003, the County issued \$3,002,077 of Qualified Zone Academy Bonds as authorized by State Law [G.S. 16A-20]. These are installment financing agreements that are secured by the fixtures and improvements at Needham Broughton High School. The County is obligated to make annual debt service fund payments of \$163,461 through December 2016. The scheduled payments by the County assume projected 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.

Defeased Debt

In prior years, the County has defeased various general obligation bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2014, the amount of defeased debt outstanding was \$362,500,000.

**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, 2014, there were 17 series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$644 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, 2014, the swap had a fair value to the County of (\$21,602). Fair value was estimated by the counterparty using mark to market valuations. As of June 30, 2014, 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, 2014 was rated “A2” 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, 2014 (0.06%) 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
2015	\$ 960,407	\$ 485	\$ 30,108	\$ 991,000
2016	77,694	23	1,453	79,170
Total	<u>\$ 1,038,101</u>	<u>\$ 508</u>	<u>\$ 31,561</u>	<u>\$ 1,070,170</u>

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

Changes In Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 1,801,325,000	\$ -	\$ 136,450,000	\$ 1,664,875,000	\$ 136,525,000
Plus: Premiums on issuance	158,808,287	-	17,354,060	141,454,227	N/A
Total general obligation bonds payable	1,960,133,287	-	153,804,060	1,806,329,227	136,525,000
Limited obligation bonds	285,155,000	-	12,140,000	273,015,000	12,140,000
Plus: Premiums on issuance	18,827,042	-	788,220	18,038,822	N/A
Total limited obligation bonds payable	303,982,042	-	12,928,220	291,053,822	12,140,000
Qualified Zone Academy Bonds	653,850	-	163,461	490,389	163,461
Installment Purchases	5,327,348	1,487,000	1,485,227	5,329,121	1,666,611
Capital leases	81,238	13,796	43,741	51,293	31,451
Other post-employment benefits	81,959,990	21,450,946	5,603,371	97,807,565	-
Compensated absences	10,752,254	10,368,387	9,990,758	11,129,883	11,129,883
Total Governmental Activities	<u>\$ 2,362,890,009</u>	<u>\$ 33,320,129</u>	<u>\$ 184,018,838</u>	<u>\$ 2,212,191,300</u>	<u>\$ 161,656,406</u>
Business-type activities:					
Landfill	\$ 19,845,485	\$ 3,830,384	\$ 631,236	\$ 23,044,633	\$ 6,719,000
Capital leases	-	6,550	673	5,877	2,099
Other post-employment benefits	416,121	124,946	29,318	511,749	-
Compensated absences	68,270	66,005	53,617	80,658	80,658
Total Business-type Activities	<u>\$ 20,329,876</u>	<u>\$ 4,027,885</u>	<u>\$ 714,844</u>	<u>\$ 23,642,917</u>	<u>\$ 6,801,757</u>

**NOTE 11.
Additional Social Welfare
Expenditures**

The following amount was paid on behalf of the County by the State from Federal and State funds. The human services payments were disbursed directly to vendors and individual recipients. For the year ended June 30, 2014 this amount, which is not included in the financial statements because the County has no primary responsibility beyond making eligibility determinations, is approximately \$633 million.

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

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

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

Local Governmental Employees' Retirement System

Plan Description. Wake County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and their beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, 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, 2012, 2013, and 2014 were \$12,124,342, \$11,816,499 and \$12,231,569, 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 2014 was \$172,353,585. The County's contributions were calculated using the base salary amount of \$172,322,095. The County made contributions amounting to \$8,616,511. Employees made voluntary contributions of \$4,015,300.

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

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

Plan Description. Wake County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's financial statements as a pension trust fund and a separate report is not issued.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	61
Active plan members	390
Total	<u>451</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 and refunds 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, 2014, 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, 2014 was determined as part of the December 31, 2012 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 dollar of pay on an open basis. The remaining amortization period at December 31, 2012 was 20 years.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 8.52 percent funded. The actuarial accrued liability for benefits was \$11,216,046, and the actuarial value of assets was \$955,207 resulting in an unfunded actuarial accrued liability (UAAL) of \$10,260,839. The covered payroll (annual payroll of active employees covered by the plan) was \$19,752,864, and the ratio of the UAAL to the covered payroll was 51.95 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 14. (Cont.)
Law Enforcement Officers'
Special Separation Allowance**

Trend Information:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation (asset)
June 30, 2012	\$ 932,644	80.08%	\$ (708,960)
June 30, 2013	950,503	101.00%	(718,487)
June 30, 2014	1,179,981	81.36%	(498,536)

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	\$ 1,160,997
Interest on net pension obligation	(35,924)
Adjustment to annual required contribution	<u>54,908</u>
Annual pension cost	1,179,981
Contributions made	<u>960,030</u>
Decrease in net pension obligation	219,951
Net pension obligation (asset), beginning of year	<u>(718,487)</u>
Net pension asset, end of year	<u><u>\$ (498,536)</u></u>

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

Plan Description. Wake County also contributes to the Registers of Deeds' Supplemental Pension Fund (FUND), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish 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, 2014 the County's actual and required contributions were \$85,839.

**NOTE 16.
Post-Employment Benefits**

The County has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Government Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of these employees' who die in active service after one year of contributing membership in the System, or who die within 180 days after termination of service or retirement and have at least one year of contributing membership in the system at the time of death are eligible to receive death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior 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, 2014 the County made no contributions to the State.

**NOTE 17.
Other Post-Employment Benefits**

Plan Description. In addition to providing pension benefits, Wake County has elected to provide healthcare benefits, as a single-employer defined benefit plan to retirees of the County. As of April 15, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided that they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. Prior to April 15, 2007, employees qualified for similar level of benefits after at least five years of creditable service with the County depending on date of hire. 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, 2013, the date of the latest actuarial valuation:

Retirees receiving benefits	781
Active plan members	<u>2,961</u>
Total	<u><u>3,742</u></u>

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

The current ARC rate is 15.80% of annual covered payroll. For the current year, the County contributed \$5,632,689 or 3.9% 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 \$817,555.

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

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

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

Annual required contribution	\$	22,789,029
Interest on net OPEB obligation		3,706,925
Adjustment to annual required contribution		<u>(4,920,062)</u>
Annual OPEB cost		21,575,892
Contributions made		<u>5,632,689</u>
Increase in net OPEB obligation		15,943,203
Net OPEB liability, beginning of year		<u>82,376,111</u>
Net OPEB liability, end of year	\$	<u><u>98,319,314</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2012	\$ 21,916,189	18.4%	\$ 65,634,043
2013	21,670,462	22.7%	82,376,111
2014	21,575,892	26.1%	98,319,314

As of December 31, 2013, 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 \$208,880,026. The covered payroll (annual payroll of active employees covered by the plan) was \$144,193,316, and the ratio of the UAAL to the covered payroll was 144.9%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. 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 18.
Commitments and
Contingencies**

The County is a party to some pending civil actions which are being vigorously defended. The County Attorney estimates that the potential liability resulting from such litigation not covered by insurance or barred by sovereign immunity is not material and would not have a substantial adverse effect on the financial position of the County as of June 30, 2014.

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

The County owns six solid waste landfills which are accounted for in the Solid Waste Operating Fund and the South Wake Landfill Partnership Fund. State and Federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The current estimate of closure and postclosure maintenance and monitoring costs is approximately \$23.7 million. The landfill closure and postclosure liability of \$23,044,633 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, 2014. 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 sixteen 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. 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 24 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, 2014, Phase 1 is estimated to be 87% full and will close in or around spring 2016. 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 \$.8 million as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 20.
Pollution Remediation
Liability**

During fiscal year 2010, the County received 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. NCDENR has issued a Facility Compliance Inspection Report requiring the County to implement corrective action to address five deficiencies. The County has completed the necessary corrective action in addressing two of the five deficiencies related to leachate seep repairs and recordation of landfill permits. The three deficiencies remaining pertain to the condition of the existing soil landfill cap. Necessary repairs shall improve the soil cap performance and comply with the regulatory requirements. 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, 2014, \$697,463 of pollution remediation liabilities were included in accounts payable and accrued liabilities in the Solid Waste Construction Fund.

**NOTE 21.
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:	\$ 232,447,661
Less:	
Inventories	360,691
Prepaid expenditures	546,325
Noncurrent receivables	240,801
Stabilization by State Statute	81,561,725
Register of deeds automation	402,853
Revaluation reserve	3,120,450
Local ABC revenues	2,650,000
Working capital	137,792,533
Planned expenditures	5,372,283
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, 2014 are as follows:

General Fund	Affordable Housing Fund	Major Facilities Fund	Major Funds				Wake Community College Capital Fund	Nonmajor
			Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds		
\$ 4,699,802	\$ 2,073,195	\$ -	\$ -	\$ 9,266,470	\$ 55,355,558	\$ -	\$ 2,343,915	

**NOTE 21. (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, 2014, fund balance in the Major Facilities Fund totaled \$997,852 all of which is Restricted by State Statute.

Fiscal Year	Cary Sports Facilities*	NC Art Museum	NC Museum of Natural Sciences	PNC Arena	St. Augustine's		Total
					College Track	Whitewater Park**	
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
2014	1,000,000	1,000,000	200,000	1,500,000	100,000	-	3,800,000
Payments to Date	1,400,000	5,000,000	3,500,000	6,179,355	500,000	-	16,579,355
2015	1,000,000	1,000,000	200,000	1,000,000	100,000	150,000	3,450,000
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	-	-	-	5,320,645	-	-	5,320,645
Total	\$ 10,000,000	\$ 8,000,000	\$ 4,100,000	\$ 23,500,000	\$ 700,000	\$ 150,000	\$ 46,450,000

* 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 22.
Related Party
Transaction**

The County has been working with the City of Raleigh and the Wake County Board of Education (WCPSS) on a master plan involving 43 acres of landfill property. The proposed uses for this property includes a WCPSS elementary school, City of Raleigh athletic fields and community center and an EMS Station. In 2010, the parties signed an Interlocal Agreement and have been focused on the joint planning and development of the property to meet all parties needs. During 2014, the County sold the respective parcels to both the City of Raleigh and the WCPSS for the original acquisition price of the County, which was \$54,000 per acre.

**NOTE 23.
Stewardship, Compliance,
and Accountability**

Public safety communications was over budget by \$24,740 within the General Fund. This is due to a shortfall in interdepartmental charges to/recovered costs. User departments were billed lower than budget in FY 2014, due to the purchase of certain capital equipment being deferred. Management opted to defer this purchase until after relocation of Raleigh Wake Communications Center to their new facility, which is currently under construction.

The Major Facilities Fund expenditures were overbudget by \$776,726 and transfers were overbudget by \$27,005. 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 \$883,443. Final revenues are received after June 30 and the County can no longer legally amend the 2014 budget.

The Capital Area Workforce Development Fund had a deficit fund balance of (\$50,544) as of June 30, 2014. 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.

The Solid Waste Operating Fund expenditures were overbudget by \$291,079. The primary reason for this relates to post-closure cost estimates, that are finalized after June 30, came in higher than expected.

**NOTE 24.
Subsequent Events**

On July 18, 2014, the County secured an Installment Financing Agreement for \$1.1 million to fund telecommunications equipment. On August 19, 2014, the County issued \$345,240,000 fixed-rate general obligation bonds. The proceeds of these bonds will be used for Wake County Public Schools capital projects (\$334.24 million) and Library capital projects (\$11 million).

**NOTE 25.
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 26.
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, 2014, the Board's deposits had a carrying amount of \$14,425,762 and a bank balance of \$19,034,129. 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.

NOTE 26. (Cont.)
Discretely Presented
Component Unit Disclosure

(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.