



# Comprehensive Annual Financial Report for the year ended June 30, 2015



***Wake County  
North Carolina***

***Comprehensive Annual  
Financial Report***

***for the fiscal year ended June 30, 2015***

***Prepared by the Wake County Finance Department***

**Wake County  
Board of Commissioners**



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*Chair*  
District 5



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District 1



**Caroline  
Sullivan**  
*Vice Chair*  
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*Denise Hogan      Clerk to the Board*  
*Johnna Rogers      Deputy County Manager*  
*David Ellis      Deputy County Manager*  
*Susan McCullen      Finance Director*

# Wake County North Carolina

## Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015

Prepared by the Wake County Finance Department:

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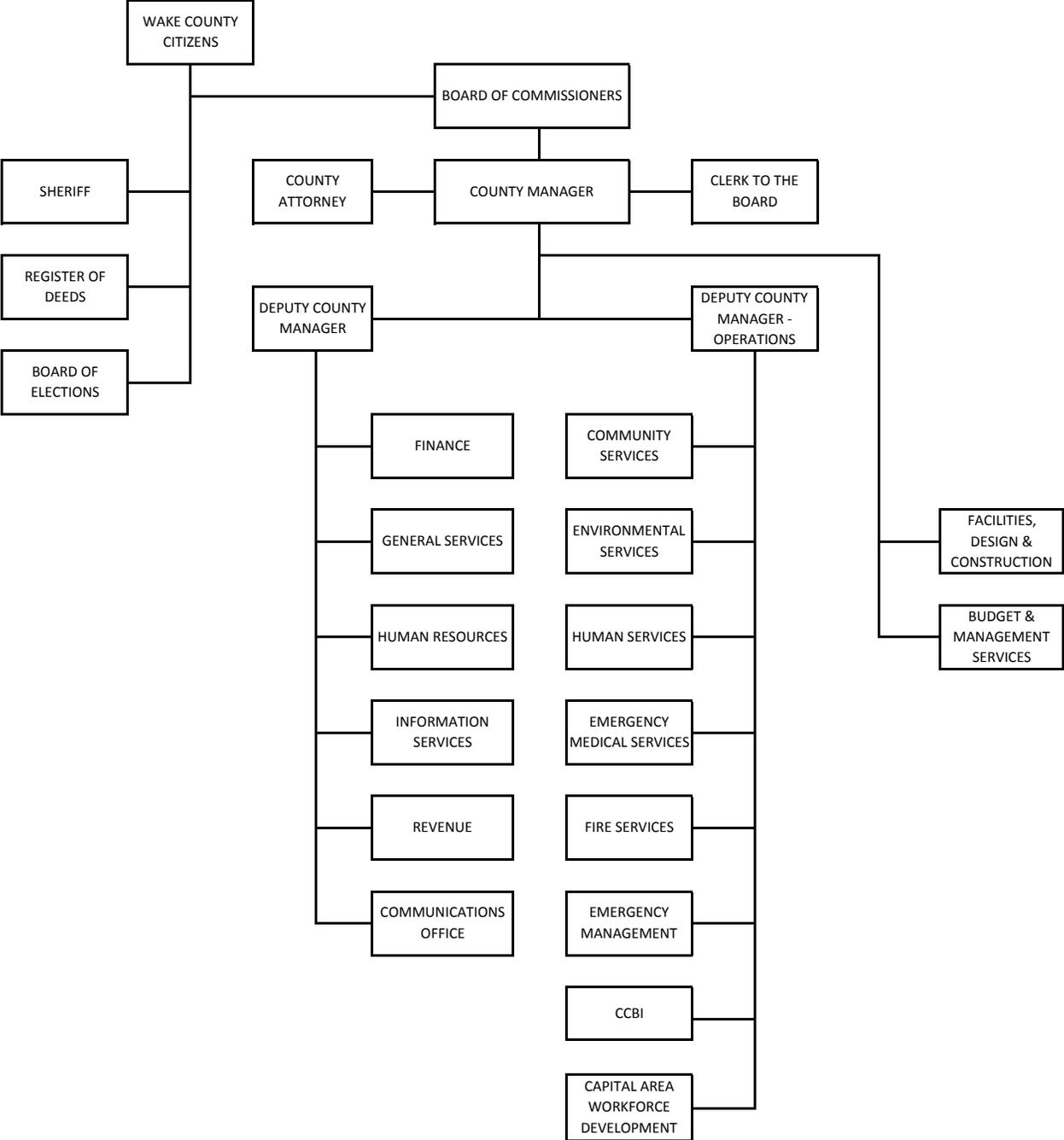
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# WAKE COUNTY ORGANIZATION CHART





November 23, 2015

Residents of Wake County  
The Honorable Members of the Board of County  
Commissioners  
Wake County, North Carolina

Continuing the County's strong foundation of fiscal strength is a key objective of the Wake County Board of Commissioners. This Comprehensive Annual Financial Report (financial statements) of Wake County, North Carolina, for the fiscal year ended June 30, 2015, reflects the County's continued achievement in meeting that objective. The County, like all other local governments in the State, is required by state law to publish a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Each year this document is prepared to fulfill that requirement, as well as to provide details about how the County receives, spends and accounts for its resources and provide key indicators of the County's financial condition.

The County's Finance Department prepares the financial statements and assumes all responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to both protect the County's assets from loss, theft or misuse and help ensure that information is reliable for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the County's controls have been designed to provide reasonable, rather than absolute assurance that the financial statements are free of material misstatements. Wake County officials believe the data and presentation are fair and accurate, and that everything necessary is included in this document to gain an understanding of the County's financial activities over the last fiscal year.

Wake County Government's financial statements have been audited by Elliott Davis Decosimo, PLLC, a firm of licensed certified public

accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with generally accepted accounting principles. The report of the independent auditor is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. This is to be done with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

Wake County is required to present a Management's Discussion and Analysis (MD&A) as an introduction to the financial information. This analysis immediately follows the auditor's opinion and provides an overview and analysis of the County's significant transactions in fiscal year 2015. The purpose of the MD&A is to aid readers in understanding the financial impacts and their relationships as detailed in the financial statements and schedules provided. This letter of transmittal is written to compliment and not supplant the MD&A.

#### **FINANCIAL REPORTING ENTITY**

The financial statements include all funds of Wake County, including all activities considered to be part of (controlled by or dependent on) the County. Control by, or dependence on, the County was determined in accordance with the criteria established by the Governmental Accounting

Standards Board (GASB) and included in the GASB's guidance in defining the governmental reporting entity.

The financial reporting entity includes all funds of Wake County, as well as its component units. Component units are legally separate entities for which Wake County is financially accountable.

Proprietary funds are used to account for a government's continuing business-type organizations and activities. The Wake County Board of Alcoholic Beverage Control is a component unit of Wake County and is presented as a proprietary fund. Most of the generally accepted accounting principles of proprietary funds are those applicable to similar private businesses.

### **PROFILE OF WAKE COUNTY**

The County, chartered in 1771, covers an area of 864 square miles. It is the second most populous county in the State with approximately 1 million residents. The County seat, the City of Raleigh ("*Raleigh*"), is also the State capital. The Town of Cary ("*Cary*") is also in the County. The collective population of Raleigh and Cary is approximately 60% of the County's population. There are also ten smaller municipalities located in the County.

The County's topography is characterized by low, rolling hills in the northwest, changing gradually to level land in the southeast. The location, geography and climate make Wake County an enjoyable place to live, work, learn and play, while also contributing significantly to the economic viability of the region. The proximity of Research Triangle Park, major educational centers, warm climate, and easy access to recreation and cultural events have helped make the County a part of the fastest growing MSA in the State and among the fastest growing regions in the nation.

Wake County is continually highlighted in the pages of national publications as one of the best places to call home. Some of those accolades include:

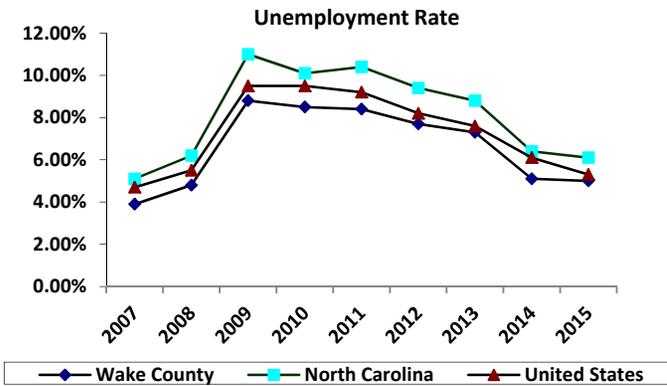
- **#1 Metro for Life Science Clusters** (Raleigh-Durham, NC) Business Facilities, August 2015
- **#2 Best Large City to Live In** (Raleigh, NC) WalletHub, August 2015
- **#2 Best City for Business and Careers** (Raleigh, NC) Forbes, July 2015
- **#6 Top New Hub for Economic Growth** (Raleigh, NC) Bloomberg, June 2015
- **#2 Easiest Place to Find a Job** (Raleigh, NC) Forbes, November 2014
- **#1 U.C. City Attracting the Most Families** (Raleigh, NC) Forbes, September 2014
- **#2 Best Big City for Young Professionals** (Raleigh, NC) Forbes, August 2014
- **#1 Best Place for Business in 2014** (Raleigh-Cary, NC) Forbes, July 2014

### **FACTORS AFFECTING FINANCIAL CONDITION**

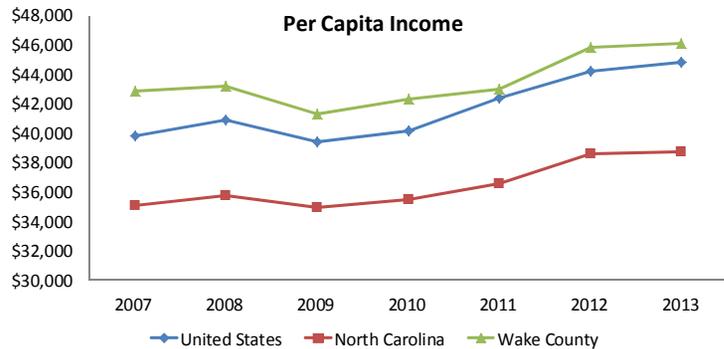
A multitude of factors influence the County's strong financial condition, including low unemployment as compared to the state and the nation; the County's broad and diverse economy; the stabilizing influence of the principal executive, judicial and regulatory offices of State government and other State institutions located in the County; an average per capita income that is higher than the state and the United States; and a growing economic base evidenced by increases in building permits and assessed tax value.

#### **Unemployment Rates**

On June 30, 2015, the unemployment rate was 5.0%, compared with 6.1% for the state and 5.3% for the nation. Wake County's recovery from the significant recession of the latter 2000's occurred at a faster pace than the nation and state. Now, in a return of economic stabilization and growth, the County's unemployment rate remains lower than North Carolina and the United States.



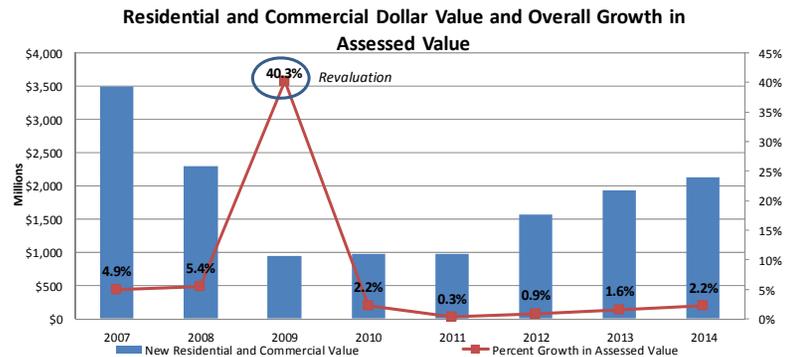
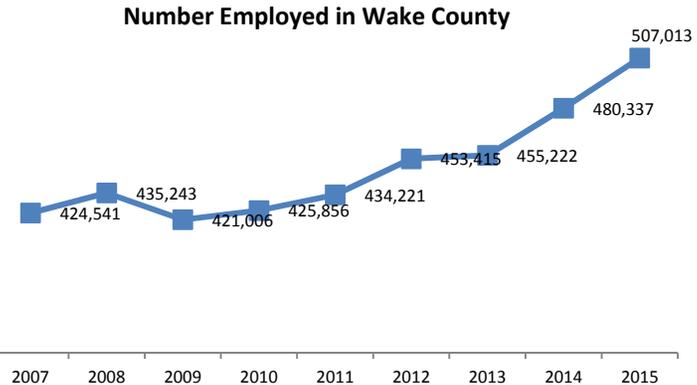
Our residents' per capita income, as reported by the U.S. Bureau of Economic Analysis, also shows increases and relative strength relative to the state and the nation.



### Job Growth and Investment

Job growth remains strong. Wake County continues to attract diverse companies creating new jobs. Wake County Economic Development reports that 75 different companies (24 new and 51 expanding) announced a total of 3,107 new jobs worth a total of \$516.9 million of new investment. In addition, prior announcements such as Met Life have met or exceeded hiring targets established. Such job announcements allow the county to

continue to experience growth in the number of employed in Wake County and increases in both residential and commercial assessed value.



### Economic Diversity

Approximately 25% of the renowned Research Triangle Park, home of many technology and research companies, is located in the County. The County's economic profile is a mixture of manufacturing, service industries, health care, educational institutions, and State and local government. The principal executive, judicial and regulatory offices of State government and other State institutions are located in the County. Further, light manufacturing of telecommunications equipment, pharmaceuticals,

electrical and machine parts, and electronic components contribute to a diversified economic base. The County is also a regional wholesale and retail trade center.

Major highlights of the County's commercial, industrial and institutional profile include:

- The Research Triangle Park (the “RTP”), a nationally recognized center for research and light manufacturing, is partially located in the County. The RTP's primary objective is to attract research-related institutions to the area, and is currently home to approximately 190 organizations including International Business Machines Corporation, GlaxoSmithKline, Cisco Systems, Nortel Networks, RTI International, Fidelity Investments, National Institute of Environmental Health Sciences, United States Environmental Protection Agency, Biogen IDEC and NetApp. The organizations in the RTP employ an estimated 39,000 employees. Source: Research Triangle Foundation of North Carolina website.
- Six public and private institutions of higher education are located within the County, including North Carolina State University (the “University”) in Raleigh. The University has an enrollment of approximately 34,000 students and is engaged in graduate and undergraduate education, research and extension programs. It employs approximately 8,000 employees. The University's unique research park, Centennial Campus, hosts more than 60 companies, government agencies and research and academic units.
- The County is also home to Wake Technical Community College (“Wake Tech”), which is part of the North Carolina Community College System. The mission of Wake Tech is to provide education and training for the workforce. Enrollment for the 2014-2015 academic year at Wake Tech was 29,025 students in curriculum education and 40,929 students in continuing education.
- Three acute care hospital systems are located in the County and employ over 13,000 employees. Source: 2013 State Medical Facilities Plan; Department of Health and Human Services website, February 2013.

- The County's population is highly educated. According to the U.S. Census Bureau, in 2013 the percentage of the County's adult population with a high school degree or higher was 92% and the percentage of the County's adult population with a B.A. degree or higher was 49%. Source: U.S. Census Bureau American Community Survey, U.S. Census website, December 2014.

### **Long-Term Planning and Community Improvement Plan**

Wake County's prudent financial planning and sound management policies are hallmarks of its financial strength. The County relies on its goals and objectives to guide long-term decision making and works with its partners to achieve them. To maintain its sound financial footing, the County practices long-term capital planning to ensure the needs of its citizens are met while maintaining financial policy targets to ensure the County's continued success as a triple-A rated government, as determined by the three rating agencies. The County's policy targets include both fund balance policies for the general fund and debt service fund, as the County's commitment to long-term planning holistically looks both to determine future approaches to the County's needs.

The primary goal of the Community Improvement Plan (CIP) is to ensure that the County is investing in infrastructure for a growing community and that quality services continue to be delivered to Wake County citizens in a timely and efficient manner. The County ensures effective and efficient service delivery through investments in renovations and new capital improvements that preserve the integrity of facilities, maintain the quality of current capital assets, and provide new services when needed.

Wake County's capital funding program leverages debt financing to expand the County's ability to support capital projects. The County's triple-A bond rating from all three rating agencies allows the County to receive lower interest rates on debt issued for capital expenditures. Three fundamental strategies are key to the success of the program: 1) dedicating a funding stream specifically to capital comprised of 19.90 cents of the County's property tax rate and a portion of sales tax revenue; 2) maintaining a financing ratio of 80% debt and 20% cash; and 3) adhering to the County's operating revenues fund balance policy of maintaining a fund balance of at least 30% of general fund and debt service fund combined revenues. Dedicating annual revenue streams for a capital program requires a great

deal of fiscal discipline. It also is essential for the success of the long-term capital program and to deliver quality services to the current and future residents of Wake County. This means setting aside a percentage of the property and sales tax proceeds each year to fund current and future capital payments. The dedicated stream of revenue is critical to the integrity of the debt and capital financial model, as it ensures that funds are available to pay for additional debt service payments.

In North Carolina, counties are statutorily responsible for providing facilities for both public K-12 and community colleges. Wake County, home to the 16<sup>th</sup> largest school district in the nation with more than 155,000 students, and the state's largest community college, requires significant investment to maintain existing facilities and invest in additional facilities for enrollment growth. Accordingly, over 80% County's outstanding \$2 billion of debt is for education related capital costs.

During fiscal year 2015, significant additions to the County's debt and capital program were adopted and implemented. The adopted budget included an increase of 4.4 cents in the County's property tax rate to support the debt and capital related costs of the Wake County Public School System CIP 2013 building program. Wake County voters authorized \$810 million of general obligations bonds in October 2013 in support of this building program; during FY 2015 the County issued \$370.24 million of bonds and allocated another \$67 million of cash funding for WCPSS capital projects. In FY 2015, \$58 million in general obligation bonds in support of the Wake Tech 2012 building program and \$11 million of bonds for the libraries building program was also issued. Voters approved these bonds in bond referenda in 2012 and 2007, respectively. More information about the County's debt financed programs, or other projects included in its Community Improvement Plan are available online at <http://www.wakegov.com/budget/past/fy15/Pages/default.aspx>.

#### **OTHER ACCOMPLISHMENTS**

In August, the County reached a population of one millions residents. Wake County's current growth rate is 62 people per day, making it the second-largest county in North Carolina and 46th most populous county in the United States.

Since August 2014, the Open Space Program has acquired 1,033 new acres and continues to work to open almost 900 acres up to public access.

#### **AWARDS AND ACKNOWLEDGMENTS**

##### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Wake County for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This marks the 31st consecutive year in which the County has received this recognition. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The GFOA award is valid for a period of one year.

##### ***Acknowledgments***

We appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of this document. We would like to thank all members of the department who contributed to its preparation and the County's independent certified public accountants, Elliott Davis Decosimo, PLLC, for their assistance. The cooperation of each County department is appreciated as we work together to conduct the County's financial operations. We also express our appreciation to the members of the Wake County Board of Commissioners for their continued support as the County continues to conduct its financial activities in a responsible, transparent, and progressive manner.

Respectfully submitted,

***Jim Hartmann***

Jim Hartmann  
County Manager

***Susan McCullen***

Susan McCullen, CPA  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Wake County  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO