

City of Raleigh, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2012





About the Cover:

This year's cover includes photographs of a number of Raleigh special events and facilities which highlight the year-round economic vitality that has resulted from the City's investments throughout the city.

From left to right, starting at the top:

1. City of Raleigh mounted police officers are frequent sights at Downtown's most popular events. That is because the elevation allows officers to oversee large crowds.
2. Pullen Park, North Carolina's first public park originally opened in 1887. To protect this invaluable resource, the City gave the popular amusement center for Raleigh families a major renovation. It re-opened in November 2011 and has received rave reviews every day since.
3. Downtown Raleigh, featuring the Raleigh Convention Center and the Cree Shimmer Wall, sparkles by night.
4. Raleigh's current Amtrak train station served more than 192,000 passengers in 2011. The ridership far exceeds the station's capacity. In September 2012, it was announced that the station will be replaced by a new Union Station that has been fully funded through federal, state and local sources.
5. Downtown Raleigh's Contemporary Art Museum displays the most contemporary works of art and design. The museum hosts several monthly community family-oriented events, many of which correspond with First Fridays and Family Sundays.
6. The major widening of Falls of Neuse Road in north Raleigh is an example of Raleigh's ongoing investment and expansion of existing roads to protect the City's quality of life and economic health.
7. The North Carolina Museum of Natural Sciences' expansion and reopening in April 2012 is additional evidence of Downtown Raleigh's revitalization. The museum's new 80,000 square-foot wing includes the Nature Research Center and features the SECU Daily Planet, a three-story multimedia space that links virtual to real nature.
8. Located Downtown, the Red Hat Amphitheater and Festival Site has hosted more than 50 national and regional shows since opening in 2010.

Photos courtesy of the City of Raleigh



CITY OF RALEIGH
NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Prepared by the Finance Department
Perry E. James, III Chief Financial Officer





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INTRODUCTORY SECTION





Raleigh City Council 2011-2012



First row: Russ Stephenson, Nancy McFarlane, Eugene Weeks
Second row: Randall Stagner, Mary-Ann Baldwin
Third Row: Thomas Crowder, Bonner Gaylord, John Odom

Nancy McFarlane - Mayor

Russ Stephenson - Mayor Pro Tem, At Large

Eugene Weeks - District C

Randall Stagner - District A

John Odom - District B

Thomas Crowder - District D

Bonner Gaylord - District E

Mary-Ann Baldwin - At Large

City Administrative, Legal and Financial Staff



J. Russell Allen
City Manager

J. Russell Allen
City Manager

Julian B. Prosser, Jr.
Assistant City Manager

Daniel A. Howe
Assistant City Manager

Thomas A. McCormick, Jr.
City Attorney

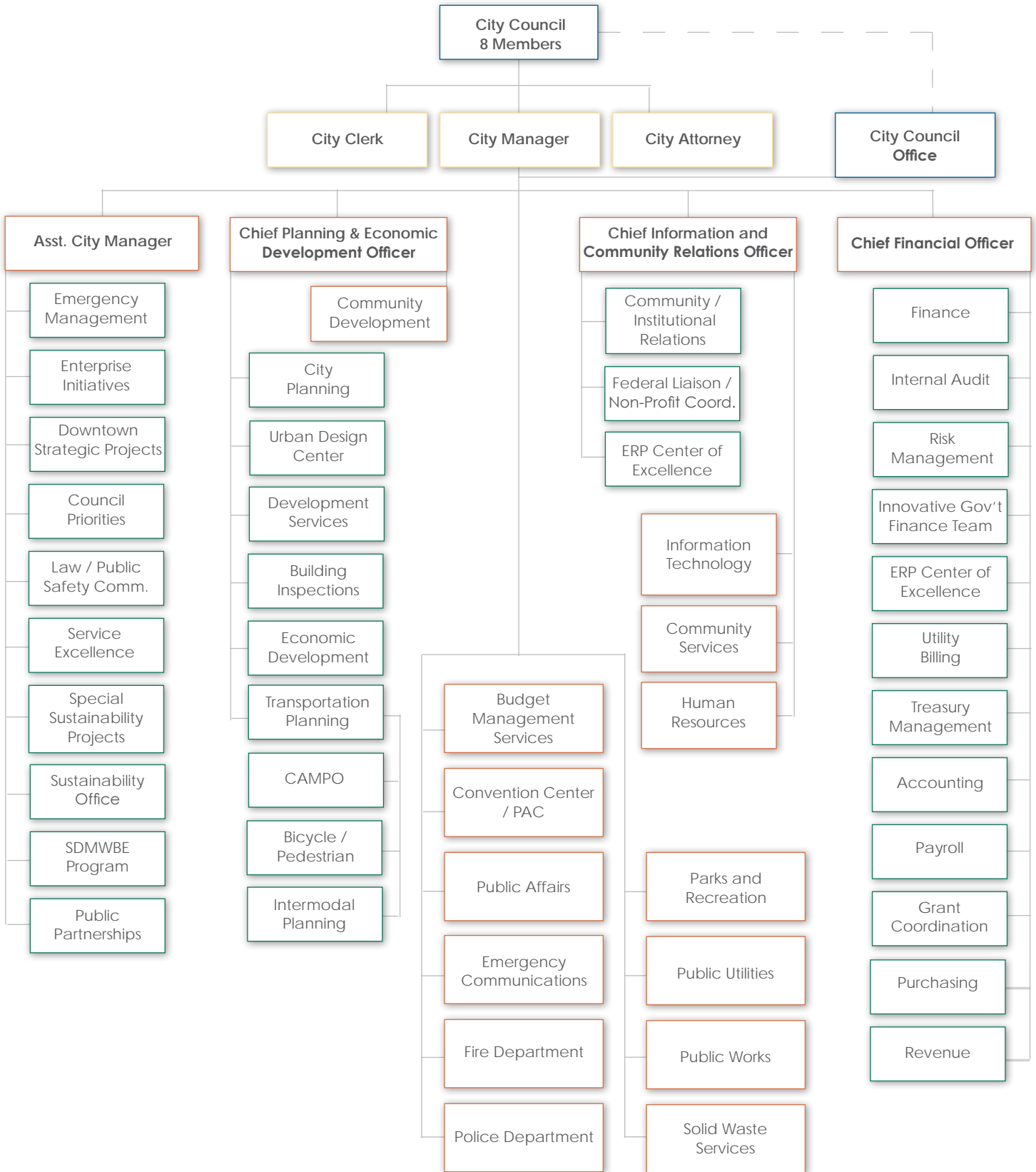
Gail G. Smith
City Clerk

Perry E. James, III
Chief Financial Officer



Perry E. James, III
Chief Financial Officer

City-Wide Organization Chart



October 30, 2012



To The Honorable Mayor and Members of the City Council and Citizens of the City of Raleigh, North Carolina

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2012. State law requires that all general-purpose local governments annually 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. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

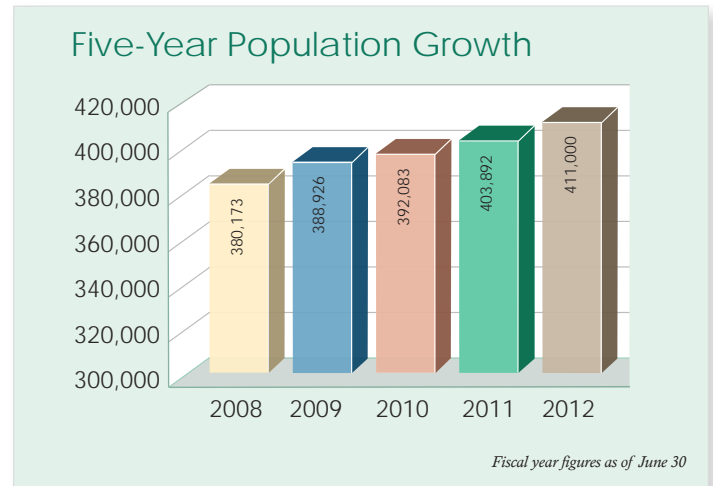
The City's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent auditor concluded, based upon their audit, that the City's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of 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, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of City of Raleigh

Raleigh is situated in the heart of the State of North Carolina, in a section called the Piedmont region, 150 miles from the Atlantic Ocean and 190 miles from the Great Smoky Mountains. The City, the county seat of Wake County and the capital of North Carolina, covers an area of more than 180 square miles and has an estimated population of 411,000. The City forms one point of the Research Triangle Park developed in 1959 for industrial, governmental and scientific research, with Chapel Hill and Durham at the other two points. The City is located in a metropolitan area consisting of Wake, Durham, Orange, Franklin, Chatham and Johnston counties. The population for this area is estimated to be 1,633,000, which reflects a 32.1% increase over the past decade.



The North Carolina General Assembly purchased land for the original site of the City for the specific purpose of being the Capital of North Carolina. The City was established in 1792 by an act of the General Assembly and has utilized a council-manager form of government since 1947. The Mayor and two Council members are elected at-large, and the remaining five Council members are elected from five districts within the City. The Mayor and Council members serve two-year terms and all have an equal vote. The City Council sets policies, enacts ordinances and appoints the City Manager. The City Manager administers the daily operations and programs of the City through the department heads, other staff members and employees.

The City provides the full range of governmental services, including police and fire protection, street construction and maintenance, a comprehensive solid waste program, water and sanitary sewer services, parks, recreation and cultural services, a variety of transportation and public works programs, and other traditional support activities. Extended planning on the City's infrastructure needs occurs on an ongoing basis resulting in the present infrastructure being in excellent condition.

The City is empowered to levy a property tax on real and certain personal properties located within its boundaries. Subject to various stipulations set by the North Carolina General Assembly, it is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The Annual Budget serves as the foundation of the City's financial planning and control. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than each June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may approve transfers of appropriations within a fund up to \$10,000, while transfers between \$10,000 and \$50,000 require approval from the City Manager. Transfers greater than \$50,000 and transfers of appropriations between funds require approval of the City Council.

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Raleigh continues to be widely recognized by independent sources as one of the nation's most attractive metropolitan areas. Recent accolades include:

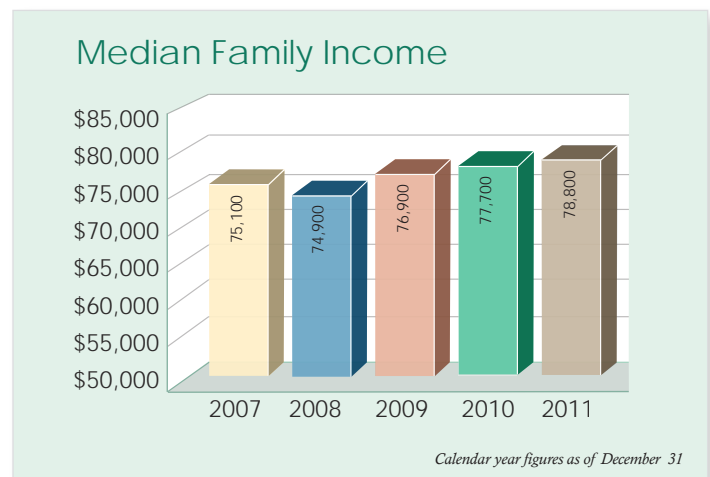
- 2nd on list of "10 Fastest-Growing U.S. Cities" (April, 2012 – CNNMoney)
- 2nd on list of "Best Places for Business and Careers" (June, 2012 – Forbes)
- 2nd on list of "America's Best Cities for Young Professionals" (July, 2011 – Forbes)
- 3rd on list of "10 Best Cities for Raising a Family" (January, 2012 – 24/7 Wall St.)

The Raleigh area's excellent business environment, its nationally ranked universities, and the outstanding health care facilities are some of the many attributes that attract people to the area. The mild climate, diverse work force and proximity to Research Triangle Park, a nationally recognized epicenter of innovation in more than a dozen industries, combine to make the City a great place to live. The City has experienced moderate growth in population, land area and commercial activity over the past several years, becoming the 43rd largest city in the United States. As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers, including Federal and State government, higher education, information technology and retail trade. The City is the home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in North Carolina.

As reported to Council during the fiscal year 2013 budget process, actual results for fiscal year 2012 showed signs of positive revenue growth even as service demands also have increased. Locally, the unemployment rate at June 30, 2012 was 7.4%, which represents a decrease from the June 2011 rate of 8.1%. Median family incomes have stayed relatively flat, increasing in 2011 to \$78,800 from \$77,700 in 2010.

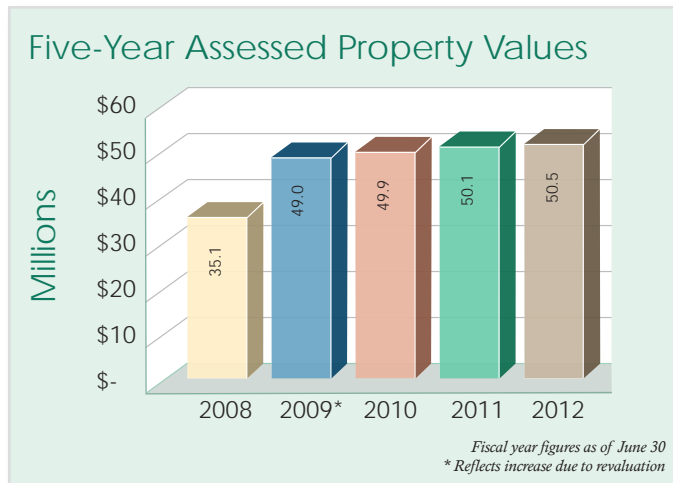
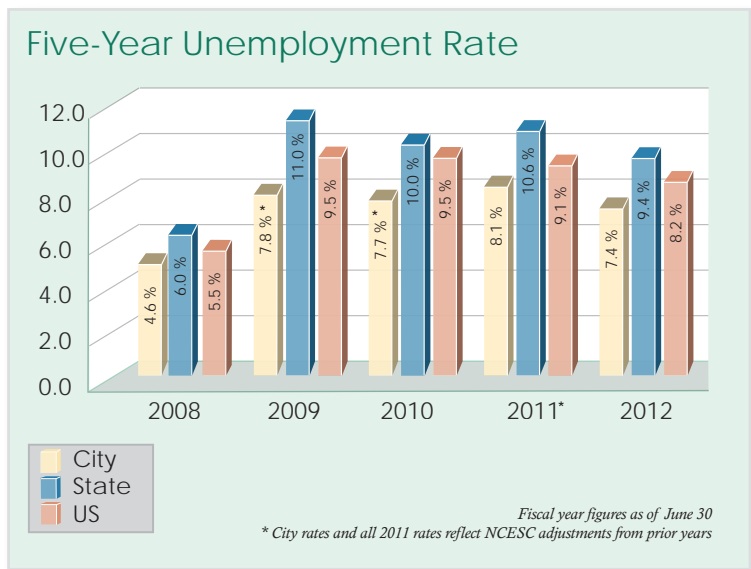
County-wide retail sales have increased approximately 6.3% from 2011 to 2012, increasing sales tax receipts of the City by 9.7% over that period. Construction activity from 2011 to 2012 has increased, while the value of construction permits significantly increased 63.6% from \$824 million in 2011 to \$1.3 billion in 2012. During this period, the City's taxable property base has remained stable and represents a balanced tax base of commercial and industrial property complementing our residential base. A slight increase in the property tax rate was proposed in the fiscal year 2013 budget, to fund borrowing costs for various transportation and affordable housing projects. These improving economic conditions, combined with diligent management of both revenues and expenses have allowed Raleigh to maintain an excellent financial position and exceed year-end fund balance objectives for 2012.

The nearby Research Triangle Park (RTP) was developed in 1959 for industrial, governmental and scientific research. Its primary objective is to attract research related institutions to the area, and currently consists of more than 180 organizations including those of International Business Machines, GlaxoSmithKline, RTI International, Cisco Systems,



Cree, United Therapeutics, Bayer CropScience, Credit Suisse and Syngenta. Industry clusters such as biotechnology, information technology and emerging industries such as advanced gaming, green and nanotechnology located in RTP reflect the research strengths of the region’s renowned universities. The U.S Patent and Trademark Office has issued 3,539 patents and 1,854 trademarks to companies located in RTP through the end of the 2011 calendar year. The research institutions in RTP employ more than 38,000 full-time equivalent employees, and an estimated 10,000 contract workers.

Raleigh annually attracts over 10 million visitors for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the Raleigh Convention Center, Red Hat Amphitheater and Festival Site, PNC Arena, Walnut Creek Amphitheater, the Progress Energy Center for the Performing Arts, Marbles Museum and IMAX Theater, numerous state museums, and several major retail shopping malls. The North Carolina Museum of Natural Sciences was expanded to include an 80,000 square foot wing called the Nature Research Center, with its 24-hour grand opening in April 2012. The celebration was intended to capture global imagination, national recognition and local attention, while maintaining a commitment to environmental sustainability. The PNC Arena is the home of the National Hockey League 2006 Stanley Cup champion Carolina Hurricanes, and North Carolina State University’s Wolfpack basketball team. Memorial Auditorium, at the Progress Energy Center for the Performing Arts, hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South. The Progress Energy Center

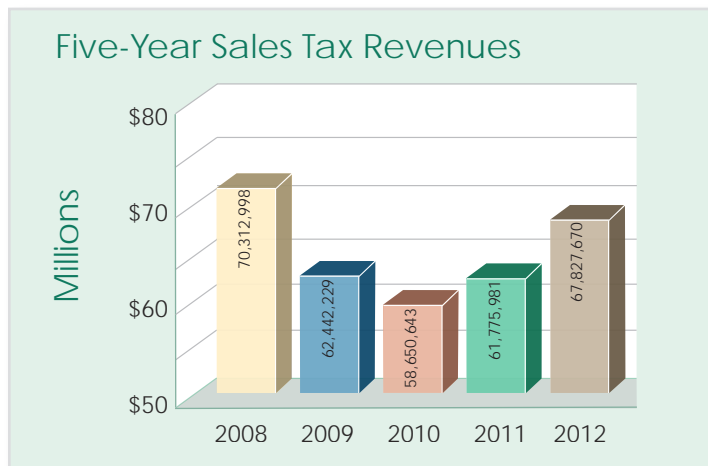


for the Performing Arts is the home of the North Carolina Symphony and the Carolina Ballet, and provides four performing arts theaters.

The City continues to recognize the economic benefits from its investment in downtown and other areas of the City. The Raleigh Convention Center has been met with outstanding bookings by regional, national and international conference groups, and continues to experience positive momentum. The Center held 325 events with approximately 400,000 attendees during the twelve month period ending June 30, 2012, which exceed projections for the third year of operation. The events during fiscal year 2012 included 49 conventions and tradeshow which had an estimated \$44.6 million

economic impact on Wake County. The City has also partnered with three energy companies to construct a solar farm at the Neuse River Waste Water Treatment Plant. The Neuse River Solar Farm represents the largest utility-scale solar project located on local government property in the state of North Carolina. Raleigh opened America’s first solid waste services facility built to LEED platinum standards in January 2012. Some of the sustainable features include its location on an old landfill site that the City operated from 1972 to 1997, soil reuse, proximity to the transfer station, geothermal HVAC and hot water, and the fact that it was built with totally recycled materials. The popular amusement center at Pullen Park reopened in November 2011, after being closed for renovations since December 2009. Renovations and improvements included a new carousel house, welcome center, train station, concessions building and restroom, a new park entrance, event spaces, playground, underground utilities and picnic shelters.

Long-term Financial Planning



The City seeks to consistently maintain a strong financial position as evidenced by its AAA/Aaa ratings from the three major credit rating agencies. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually the City adopts a 10-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs. Phase I encompasses the first 5 years of the CIP and addresses both project needs and financial strategy for this period. Phase II of the program, spanning the

second 5-year period, includes longer range projects identified as necessary for the continuation of existing service levels to the citizens of the City.

Phase I of the CIP spans fiscal years 2011-12 through 2015-16. The major areas included in Phase I are transportation, public utilities, parks, housing, stormwater utility, the Neuse Basin environmental program, housing and general public improvements. The public utilities and transportation programs represent the largest portions of the CIP due to the strong growth of our area and the large amount of utility and transportation needs.

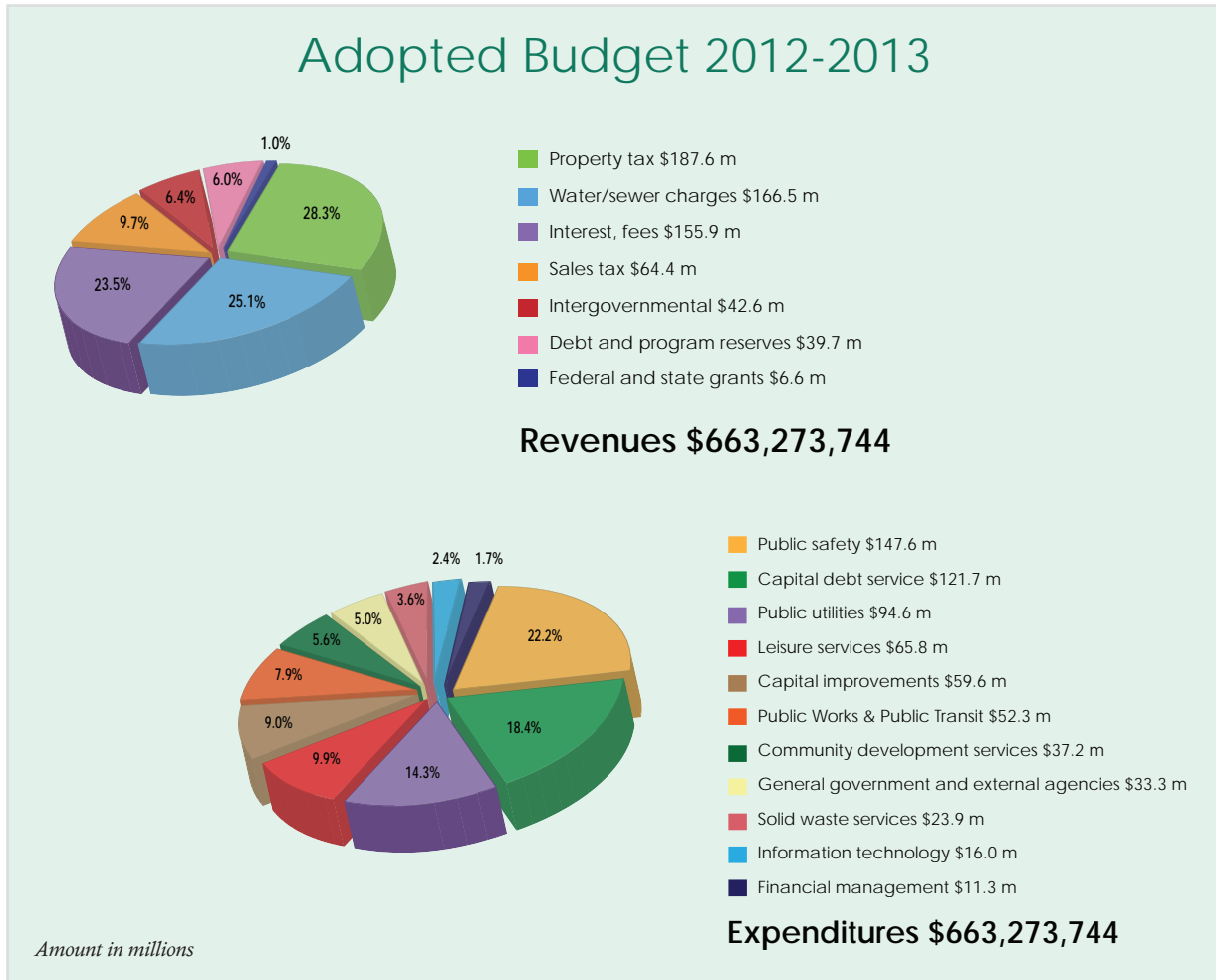
A key financial goal of the City for many years has been the maintenance of a 14.0% unassigned fund balance level in the general fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2012 results that are built into the 2012-13 operating budgets. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include general and enterprise debt models, rate sensitivity analyses and financing proformas. Other financial practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

Major Initiatives

For the Year 2011-12

The City's Annual Budget for 2011-12, inclusive of operating and capital programs, increased by 7.0% from the prior year. In addition to moderate operating budget growth, this increase reflected budget impacts related to increased water and sewer revenues associated with the implementation of a tiered billing structure in fiscal year 2010-11. The fiscal year 2011-12 budget reflected a 0.7% increase in property tax revenues from the prior year and a 1.5% increase in sales tax over fiscal year 2010-11 revenues. The budget also reflected an increase of \$500,000 in the City's share of per capita revenues for Powell Bill, ABC and Solid Waste Tax distributions, as well as an increase in Parks revenues from additional school based program fees and the re-opening of the Pullen Amusement Center. Cost reductions to existing operations included reduced real estate services, desktop training, operating reductions in Parks and Recreation, and appropriations to arts, human services and other agencies.

Capital improvement budgets in fiscal year 2011-12 included new and/or continuing projects totaling \$166.7 million, including traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements. The budget increases represented an increase of \$40.8 million over fiscal year 2010-11.



For the Future

The fiscal year 2012-13 Annual Budget was adopted by the City Council on June 18, 2012. The combined capital and operating budget for the fiscal year beginning July 1, 2012 totals \$672.1 million, representing a 2.4% increase from the fiscal year 2011-12 Annual Budget. The fiscal year 2012-13 budget reflects a projected 0.8% increase in property tax revenues from the prior year, an increase of .91 cents related to the successful bond referendum and a 6.7% projected increase in sales tax over the fiscal year 2012 budget. Budgeted water and sewer revenues were increased consistent with the rate model projections derived from the new tiered billing structure. The 2012-13 operating budget funds the continuation of current operations and provides additional funding for structural and service-demand driven operational costs and reinvestment in capital equipment and maintenance.

The 2012-13 capital budget includes new and/or continuing projects totaling \$199.2 million. This budget includes traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements. Fiscal year 2013 capital funding sources include traditional capital revenues such as Powell Bill funds, facility fees, capital reserves, parking operations, and other pay-as-you-go funds. The capital budget is also funded by the appropriation of previously issued bond proceeds as well as new planned long-term debt issues.

Awards and Acknowledgments

The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program since 1980. GFOA recognizes governmental units that issue their comprehensive annual financial report (CAFR) substantially in conformity with GAAP and all legal requirements. The City has received this award for its comprehensive annual financial report since 1980.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report has been accomplished by the City's Finance Department staff. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves.

It is also appropriate to thank the Mayor and members of the City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,



J. Russell Allen
City Manager



Perry E. James III
Chief Financial Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Raleigh
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION







INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year then ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

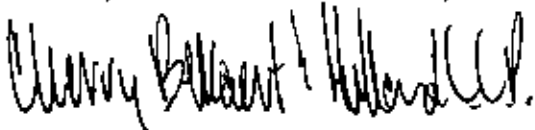
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, and is also not a required part of the financial statements. The combining and individual fund statements and schedules, as listed in the table of contents, and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink, appearing to read "Cherry Bekaert & Holland, L.L.P.", written in a cursive style.

Raleigh, North Carolina
October 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Raleigh (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

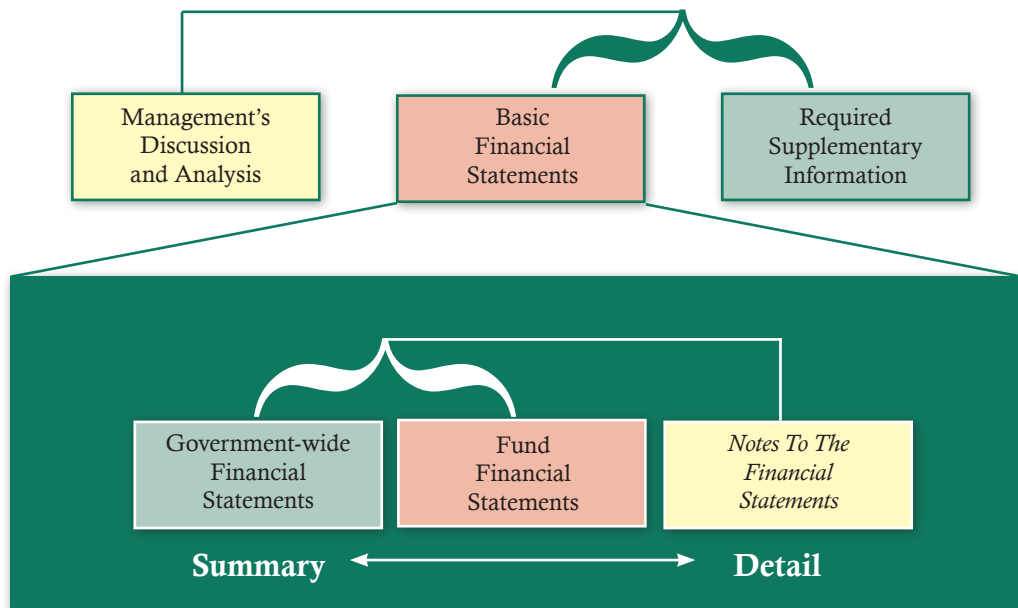
- The assets of the City of Raleigh exceeded its liabilities at the close of the most recent fiscal year by \$1.7 billion (net assets). This amount represents a \$65.2 million increase from prior year. Of this amount, \$182.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$461.3 million. Of this total amount, 67.7% or \$312.4 million is available for spending at the government's discretion (assigned for specific purposes or unassigned fund balance). A large part of this amount is either designated or appropriated for continuing activities of the City.
- At the end of the current fiscal year, assigned fund balance for the general fund was \$34.3 million or 10.4% of total general fund expenditures. Unassigned fund balance is \$62.8 million and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City's total long-term obligations increased by a net of \$102.6 million during the current fiscal year as the issuance of new debt exceeded principal repayments. Highlights of financing issues are as follows:
 - The City issued \$33.9 million in general obligation refunding bonds to refund prior general obligation housing and public improvement bonds issues.
 - The City issued \$31.2 million in water sewer revenue refunding bonds to refund prior revenue bond issues.
 - The City issued \$147.6 million in general obligation bonds for transportation and parks projects.
- The City of Raleigh maintained its AAA/Aaa general obligation bond rating from all three major rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of two sections: introductory and financial. As Figure A-1 shows, the financial section has three components – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements, as follows:
 - The governmental funds statements tell how general government services such as public safety and solid waste, for example, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates as a business, such as the water and sewer system, the convention center, and parking enterprise.
 - Fiduciary fund statements provide information about the financial relationships—for example, the retirement plan for the City's employees—in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

Figure A-1:
Components of the Financial Section



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Raleigh is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). This is intended to simplify and summarize the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities of the City include general government, community development, public safety, solid waste services, leisure services, and economic development programs. The business-type activities of the City include water and sewer, convention center complex fund, parking facilities, mass transit and stormwater management.

The government-wide financial statements include the Walnut Creek Financing Assistance Corporation (WCFAC, a *blended component unit*). The WCFAC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund financial statements. Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements provide a more detailed look at the City's most significant activities.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Raleigh, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered to be a major fund. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 - 9 of this report.

Proprietary funds. The City of Raleigh maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, convention center and performing arts (referred to as convention center) operations, parking facilities, mass transit and stormwater management operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Raleigh uses internal service funds to account for its print services, risk management, employees' health benefits, governmental and public utilities equipment replacement and vehicle fleet services funds. All of these services benefit governmental functions except for the public utilities equipment replacement fund, which predominantly benefits business-type functions. These services have been included within their respective predominant activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the three major enterprise funds, the water and sewer fund, the convention center fund and the mass transit fund. Conversely, the nonmajor enterprise funds and all internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds and the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 10 - 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 18 - 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning the City of Raleigh's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found on pages 54 - 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 58-113 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Raleigh, assets exceeded liabilities by \$1,744.2 million at the close of the most recent fiscal year, compared to \$1,679.0 million at the end of the previous fiscal year.

The following table reflects the condensed Statement of Net Assets:

Table 1: City of Raleigh's Net Assets
(in millions of dollars)

	Governmental activities		Business-type activities		Total activities	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 509.2	\$ 617.3	\$ 309.9	\$ 378.6	\$ 819.1	\$ 995.9
Capital assets	839.0	860.5	1,610.6	1,633.2	2,449.6	2,493.7
Total assets	1,348.2	1,477.8	1,920.5	2,011.8	3,268.7	3,489.6
Long-term debt outstanding	406.3	541.7	1,021.6	996.6	1,427.9	1,538.3
Other liabilities	102.9	71.1	58.9	136.0	161.8	207.1
Total liabilities	509.2	612.8	1,080.5	1,132.6	1,589.7	1,745.4
Invested in capital assets, net of related debt	574.1	563.3	692.1	703.5	1,266.2	1,266.8
Restricted	203.6	294.5	-	-	203.6	294.5
Unrestricted	61.3	7.2	147.9	175.7	209.2	182.9
Total net assets	\$ 839.0	\$ 865.0	\$ 840.0	\$ 879.2	\$ 1,679.0	\$ 1,744.2

By far the largest portion of the City of Raleigh's net assets (\$1.3 billion or 72.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Raleigh uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City of Raleigh's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (\$294.5 million or 16.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$182.9 million or 10.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Raleigh is able to report positive balances in all three categories of net assets both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$65.2 million during the current fiscal year. The following table summarizes the changes in net assets:

Table 2: City of Raleigh's Changes in Net Assets
(in millions of dollars)

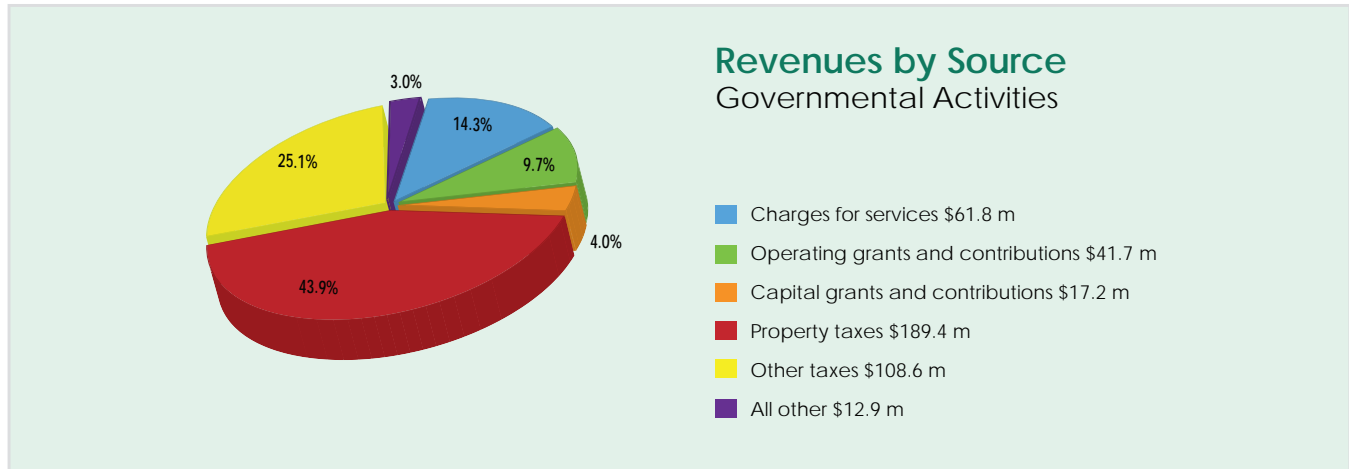
	Governmental activities		Business-type activities		Total activities	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	\$ 69.3	\$ 61.8	\$ 93.4	\$ 215.3	\$ 262.7	\$ 277.1
Operating grants and contributions	40.6	41.7	3.4	7.5	44.0	49.2
Capital grants and contributions	18.2	17.2	21.1	6.0	39.3	23.2
General revenues:						
Property taxes	186.4	189.4	-	-	186.4	189.4
Other taxes	105.5	108.6	-	-	105.5	108.6
Other	16.5	12.9	3.4	1.1	19.9	14.0
Total revenues	436.5	431.6	221.3	229.9	657.8	661.5
Expenses:						
General government	57.9	52.4	-	-	57.9	52.4
Community development services	25.7	25.0	-	-	25.7	25.0
Public works	42.2	51.8	-	-	42.2	51.8
Public safety	145.2	141.6	-	-	145.2	141.6
Solid waste services	24.4	23.6	-	-	24.4	23.6
Leisure services	56.5	60.3	-	-	56.5	60.3
Economic development programs	5.7	5.7	-	-	5.7	5.7
Interest on long-term debt	14.4	11.0	-	-	14.4	11.0
Water and sewer	-	-	134.0	133.8	134.0	133.8
Convention center	-	-	35.1	34.1	35.1	34.1
Mass transit	-	-	30.4	34.7	30.4	34.7
Parking facilities	-	-	12.0	11.7	12.0	11.7
Stormwater	-	-	10.0	10.6	10.0	10.6
Total expenses	372.0	371.4	221.5	224.9	593.5	596.3
Increase (decrease) in net assets before transfers	64.5	60.2	(0.2)	5.0	64.4	65.2
Transfers in (out)	(32.2)	(34.2)	32.2	34.2	-	-
Increase (decrease) in net assets	32.3	26.0	32.1	39.2	64.4	65.2
Net assets, beginning of year	806.7	839.0	807.9	840.0	1,614.6	1,679.0
Net assets, end of year	\$ 839.0	\$ 865.0	\$ 840.0	\$ 879.2	\$ 1,679.0	\$ 1,744.2

The change in net assets of \$65.2 million was impacted by the following:

- The City's total revenues were \$661.5 million, a 0.6% increase over prior year. Increases in charges for services and general revenues, were largely offset by decreases in capital grants, as the grants related to the new transit facility were completed in the prior fiscal year. The two largest revenue sources for the City are charges for services, which make up 41.9% of the City's revenues, and property taxes, which make up 28.6%.
- The total cost of all programs and services was \$596.3 million, a modest 0.4% increase over prior year. Cost containment measures have kept costs relatively flat. The City's expenses cover a range of services, the largest of which are 23.7% related to public safety (police, fire and emergency communications), and 22.4% related to utilities (water and sewer).

GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$431.6 million, while expenses were \$371.4 million. The increase in net assets for governmental activities (after transfers of \$34.2 million) was \$26.0 million in 2012.



The reported results for the fiscal year for the governmental activities show that:

The City received \$310.9 million (or 72.0%) in general revenues:

- Property tax \$189.4 million
- Other taxes \$108.6 million, includes sales tax of \$67.8 million
- Other revenues (such as interest and unrestricted grants) \$12.9 million

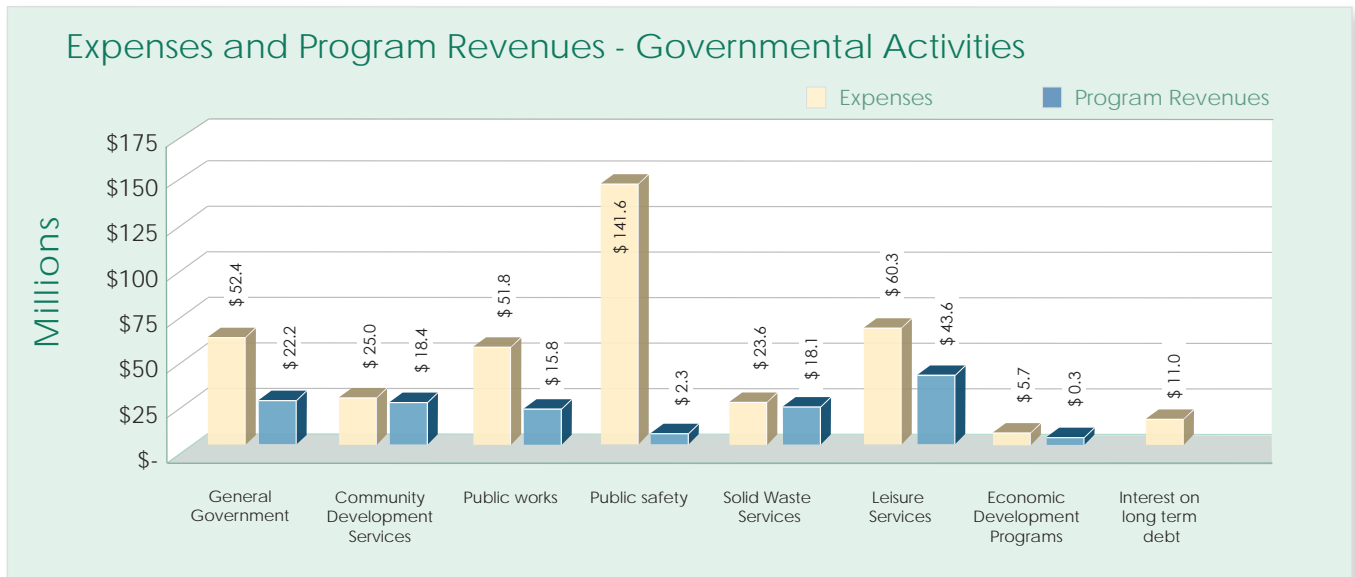
Other governments and organizations subsidized certain City programs with operating and capital grants and contributions totaling \$58.9 million. These grants and contributions include:

- Operating support from various federal and state agencies (\$32.4 million)
- Interlocal support from Wake County for debt service and other expenses on the convention center (\$15.9 million)
- Other facility fees and developers' participation (\$7.1 million)
- Contributions from annexations of streets and sidewalks (\$3.5 million)

The total cost of all governmental activities this year was \$371.4 million. This cost was incurred in order to provide basic municipal services to the citizens of Raleigh. These services include, but are not limited to: public safety (police, fire, etc.) leisure services (parks and recreation), public works (solid waste services, streets maintenance), general government (city attorney, finance) and others. The City's four largest governmental programs represent 82.4% of the total governmental activities:

- Public safety (38.1%) or (\$141.6 million)
- Leisure services (16.2%) or (\$60.3 million)
- General government (14.1%) or (\$52.4 million)
- Public works (14.0%) or (\$51.8 million)

As depicted on the chart below, program expenses exceed program revenues for all governmental activities. This is to be expected as other general sources of revenue such as property taxes, sales taxes and grant funding received by the City are used to subsidize the gap between program expenditures and program revenues.



BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$229.9 million, and expenses were \$224.9 million. The increase in net assets for business-type activities (after transfers in of \$34.2 million) was \$39.2 million in 2012. Table 3 shows the total cost and net cost or revenue for these services.

Table 3: Net Cost of City of Raleigh Business-type Activities
(in millions of dollars)

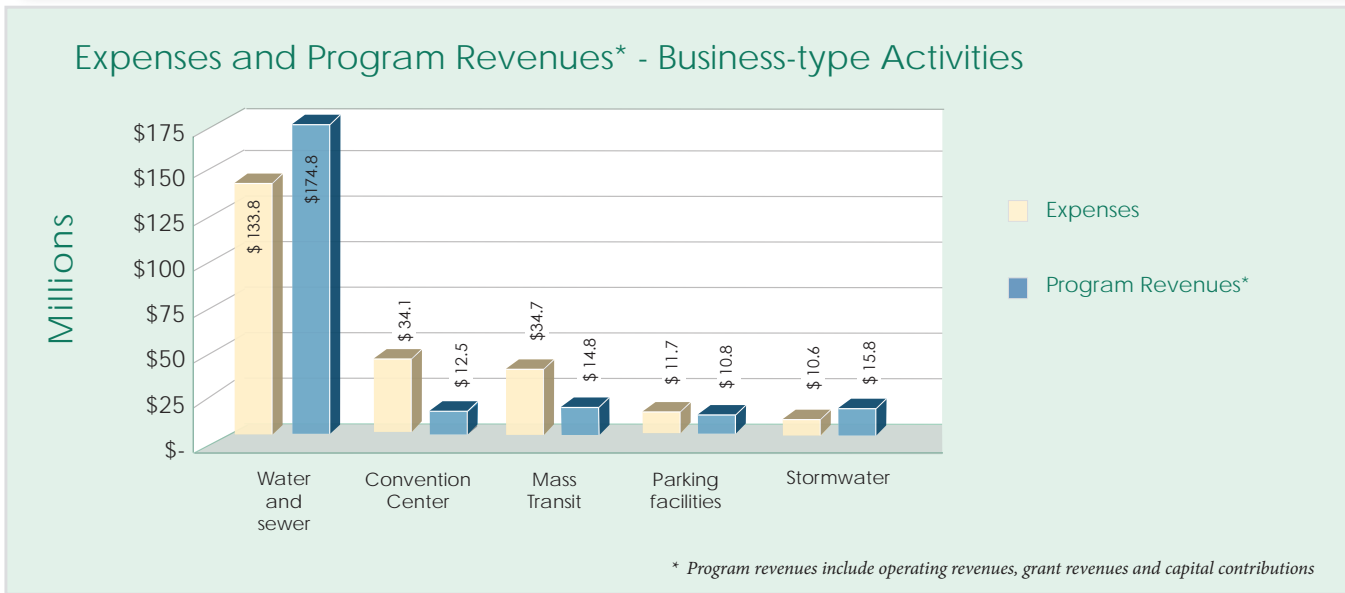
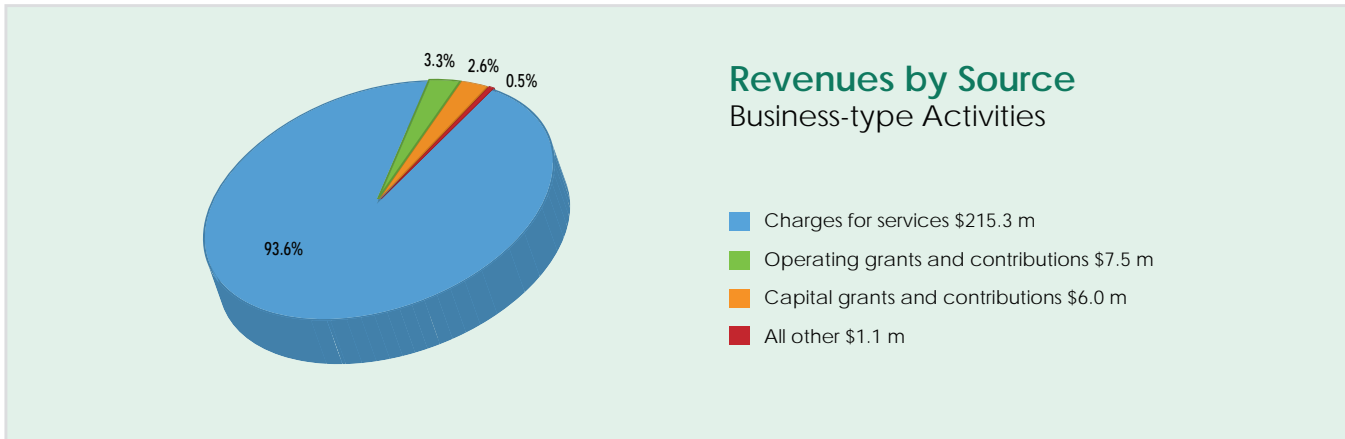
	Total Cost of Services		Net (Cost) Revenue of Services	
	2011	2012	2011	2012
Water and sewer	\$ 134.0	\$ 133.8	\$ 20.7	\$ 41.0
Convention center	35.1	34.1	(23.2)	(21.6)
Parking facilities	12.0	11.7	(1.6)	(0.9)
Mass transit	30.4	34.7	(5.2)	(19.9)
Stormwater	10.0	10.6	5.8	5.3
Total	\$ 221.5	\$ 224.9	\$ (3.5)	\$ 3.9

Water and sewer operating revenue of \$170.5 million reflects an increase of 14.1% from the prior year. This increase is the result of scheduled water and sewer rate increases that correspond with the water and sewer financial model. Operating expenses of \$122.3 million increased 3.1% from 2011. This increase is largely the result of budgeted increases in salary and benefits as well as replacement meters. Investment income saw a decrease of \$1.9 million from 2011 which reflects current market conditions.

Convention Center operations including the Performing Arts venue delivered \$12.5 million of operating revenues in 2012, an increase of 5.8% compared to 2011. Year to year revenue performance was led by slight fee increases, catering revenue and improved efficiencies in event invoicing. Operating expenses decreased by 3.3% compared to 2011. This was driven by management initiatives throughout the year to reduce energy costs, strong management of contracts at the Performing Arts Center and the elimination of some unprofitable outdoor events. Changes in non-operating revenue and expense from 2011 to 2012 are the result of adjustments to transfers in order to be consistent with the financing model for the Convention Center.

The parking facilities operations provided \$10.8 million of revenues in 2012, an increase of 5.3% compared to 2011. Revenue performance was led by improved collection efforts through the use of the states bad debt set-off program. Operating expenses decreased by \$0.3 million, a decrease of 3.2% compared to 2011. This decrease was driven by specific cost containment efforts by management in the area of overtime labor. Non-operating revenue, which includes investment income, saw a decrease consistent with market conditions.

Operating revenues in the mass transit operation of \$5.2 million in 2012 increased 9.4% from 2011. This increase is the result of increased ridership and new contracted express service routes that were budgeted. Operating expenses of \$34.5 million in 2012 increased 13.7% from 2011 which is the result of the new contracted services expenses that were also budgeted for 2012. The mass transit operations are subsidized by the general fund and at the Federal and State level. Federal and State operating subsidy income remained consistent from year to year. Capital contributions of \$2.4 million for 2012 reflect a decrease of 85.4% from 2011. This is the result of the completion of a \$23.4 million dollar LEED Platinum certified Transit and Operations Facility.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Raleigh uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *assigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City of Raleigh's governmental funds reported combined ending fund balances of \$461.3 million, an increase of \$127.1 million in comparison with the prior year. Classification of this fund balance is as follows:

- Approximately 0.7% is considered to be *nonspendable*, as it is the City's investment in inventories.
- Approximately 17.2% is *restricted* to indicate that it is not available for new spending because it has already been committed to cover debt service costs (\$34.1 million), restricted by state statute (\$41.9 million), restricted for federal program reserves (\$1.5 million), or restricted for public safety (\$1.7 million).
- Approximately 14.4% is *committed*, which can only be used for specific purposes imposed by majority vote by City Council.
- Approximately 54.1% constitutes *assigned fund balance*, which is available for spending at the government's discretion.
- The remainder of fund balance of 13.6% is *unassigned*, and represents the City's residual net resources.

Table 4: Fund Balance Classification at June 30, 2012

(in millions of dollars)

	General Fund	Nonmajor Governmental	Total Governmental	%
Nonspendable	\$ 3.4	\$ -	\$ 3.4	0.7%
Restricted:				
State statute	41.9	-	41.9	9.1%
Debt service	-	34.1	34.1	7.4%
Federal program	1.5	-	1.5	0.3%
Public safety	-	1.7	1.7	0.4%
	<u>43.4</u>	<u>35.8</u>	<u>79.2</u>	<u>7.2%</u>
Committed	66.3	-	66.3	14.4%
Assigned	34.3	215.3	249.6	54.1%
Unassigned	62.8	-	62.8	13.6%
	<u>\$ 210.2</u>	<u>\$ 251.1</u>	<u>\$ 461.3</u>	<u>100.0%</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned fund balance of the general fund was \$34.3 million, while total fund balance was \$210.2 million. As a measure of the general fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to total fund expenditures. Assigned fund balance represents 10.4% of total general fund expenditures, while total fund balance represents 64.0% of that same amount, amounts generally consistent with the prior year.

The North Carolina Local Government Commission strongly recommends that local governments maintain an unassigned fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an unassigned fund balance of at least 14% of the succeeding year's expenditure budget. Unassigned fund balance is the amount remaining after management's policy designations. The City's designations of assigned fund balance total \$34.3 million as specified on page 26 of the notes to the financial statements. This includes \$20.0 million appropriated for 2012-13. Unassigned fund balance of \$62.8 million represents 15.6% of the 2012-13 general fund expenditure budget.

The fund balance of the City's general fund increased by \$35.2 million during the current fiscal year. Increased revenues for sales tax (\$6.0 million), property tax (\$2.9 million), and bond proceeds related to the premium on the general obligation public improvement bond issue (\$17.8 million) explain much of the increase.

Proprietary funds. The City of Raleigh's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The major enterprise funds are the water and sewer, convention center and mass transit funds.

Ending net assets of the water and sewer, convention center and mass transit funds amounted to \$693.0 million, \$27.5 million and \$43.9 million respectively. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved various modifications to the original, approved budget. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once final information is available; 2) amendments made to recognize new funding amounts from external sources, such as from Federal or State grants; 3) increases in appropriations that become necessary to maintain services and 4) amounts that are carried over from the previous year and re-designated for the subsequent year's expenditures.

General Fund. General fund revenues recognized positive budget variances during 2011-12 with actual results coming in at \$7.0 million above final budget. This is an improvement over recent years, bolstered by positive collection results for property tax and sales tax, two of the City's primary revenue streams. General fund expenditures came in well below budget which resulted in a positive budget variance of \$39.8 million. All expenditures functions and departments reported positive budget variances, which is a result of conservative budget practices as well as the City's cost management efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's cumulative investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$2.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery, water and sewer systems, streets and sidewalks, parking decks, buses, equipment, furniture and fixtures, enterprise-wide software and general improvements. The City's investment in capital assets for the current fiscal year was \$44.1 million, a 1.8% increase over prior year.

Major capital asset investments during the fiscal year included the following:

- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total governmental projects completed and capitalized in fiscal year 2012 were \$23.3 million. Construction in progress for all governmental activities was \$187.5 million as of June 30, 2012.

- Construction began and/or was completed on additional facilities for the water and sewer operations. Total water and sewer projects completed and capitalized in fiscal year 2012 were \$19.8 million. Construction in progress for all enterprise activities was \$175.3 million as of June 30, 2012.
- The City re-opened the renovated Pullen Park in November 2011, at a total cost of \$8.3 million.
- A new Solid Waste Services operations facility was completed in fiscal year 2012, at a total cost of \$13.3 million.
- Equipment acquisitions added \$4.4 million to the City's rolling stock inventory.
- Annexations added \$3.5 million to streets and \$2.1 million to water and sewer systems.

Table 5: City of Raleigh's Capital Assets
(net of accumulated depreciation – stated in millions)

	Governmental activities		Business-type activities		Total activities	
	2011	2012	2011	2012	2011	2012
Land	\$ 150.9	\$ 148.3	\$ 72.8	\$ 75.3	\$ 223.7	\$ 223.6
Buildings and machinery	67.5	64.7	300.3	314.6	367.8	379.3
Water and sewer systems	-	-	849.9	829.4	849.9	829.4
Streets and sidewalks	340.3	318.5	-	1.0	340.3	319.5
Parking decks	-	-	121.2	117.7	121.2	117.7
Buses	-	-	11.5	11.5	11.5	11.5
Equipment	29.2	24.2	10.4	8.1	39.6	32.3
Furniture and fixtures	0.1	0.2	1.0	0.5	1.1	0.7
Improvements	93.3	84.1	99.3	99.8	192.6	183.9
Enterprise-wide software	34.9	33.0	-	-	34.9	33.0
Construction in progress	22.8	187.5	144.2	175.3	267.0	362.8
Total	\$ 839.0	\$ 860.5	\$ 1,610.6	\$ 1,633.2	\$ 2,449.6	\$ 2,493.7

Additional information on the City's capital assets can be found on pages 29 - 31 of the notes to the financial statements of this report.

Long-term debt. At the end of the current fiscal year, the City had total general obligation bonds outstanding of \$350.7 million. The remainder of the City's debt represents revenue bonds (\$629.8 million) and installment financing agreements (\$485.8 million – installment notes, COPS, etc.) secured solely by specified revenue sources and property. The City's total liability for bonded debt and other installment financing agreements increased by \$86.1 million (6.2%) during 2011-12.

In October 2011, the City issued \$33.9 million in general obligation refunding bonds. These bonds refunded previously issued public improvement, street improvement, and affordable housing general obligation bonds. The economic benefit to the City from this refunding was \$2.0 million. This issue was rated triple A by Moody's, Fitch, and Standard and Poor's.

In April 2012, the City issued \$31.2 million in water sewer revenue refunding bonds to refund previously issued revenue bonds. The economic benefit to the City from this refunding was \$2.9 million. The issue was rated Aa1 by Moody's, AAA by Fitch, and AAA by Standard and Poor's.

In May 2012, the City issued \$147.6 million in general obligation public improvement bonds to fund transportation and parks projects. This issue was rated triple A by Moody's, Fitch, and Standard and Poor's.

Table 6: City of Raleigh's Long-Term Debt
(stated in millions)

	Governmental activities		Business-type activities		Total activities	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$ 213.9	\$ 344.0	\$ 8.6	\$ 6.7	\$ 222.5	\$ 350.7
Revenue bonds	-	-	643.7	629.8	643.7	629.8
Installment financing agreements	161.2	142.9	352.8	342.9	514.0	485.8
Total	\$ 375.1	\$ 486.9	\$ 1,005.1	\$ 979.4	\$ 1,380.2	\$ 1,466.3

State statutes limit the amount of general obligation debt a governmental entity may issue to 8.0% of the total assessed value of taxable property. The City's outstanding net debt of \$867.7 million is significantly less than the current debt limitation of \$4.0 billion.

Raleigh continues to benefit from outstanding credit ratings as evidenced by the aforementioned placements, earning the highest general obligation credit ratings and excellent revenue bond and limited obligation bond ratings from all three major rating agencies.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 34 – 43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Through the challenging economic times of the past four years, the City has continued to emphasize the importance of a strong financial position through judicious budgeting and management of costs. At a time of national instability for financial credits, the City's successful management of its finances has enabled the City to maintain the highest credit ratings while also continuing its investment in core City services and capital needs. These credit ratings have allowed the City successful access to the financial markets at historically low rates and provided refinancing opportunities in fiscal year 2011-12 that resulted in \$4.9 million in economic benefits.

As noted in the above discussion and analysis, the financial results for the year ended June 30, 2012 were somewhat improved from the prior year, reflecting more positive trends in the local and national economy. The moderate improvements in property tax, sales tax and certain growth related revenues are projected to continue for fiscal year 2012-13, and combined with ongoing diligent management of City expenses, should result in the City again meeting our fund balance goals and maintaining our AAA/Aaa general credit ratings. Through these budget plans, City management and staff remain committed to providing Raleigh citizens a high quality of service at a reasonable cost.

Significant factors considered in preparing the City's budget for the 2012-13 fiscal year include the following:

- The adopted General Fund budget for 2012-13 of \$383.6 million is virtually the same as the adopted 2011-12 budget. The primary revenue, property taxes, is budgeted at \$194.2 million, an increase of \$6.6 million, or 3.5% from 2011-12. The property tax rate increased less than a penny to \$.3826/\$100 of assessed valuation as part of the voter-approved transportation and affordable housing municipal bonds. The 2012-13 budget for sales tax is \$68.7million, an increase of \$4.3 million, or 6.7%, from the 2011-12 budget.

- Solid Waste Services have been moved out of the General Fund for 2012-13, and now are budgeted as an independent enterprise fund.
- Consistent with the City's multi-year utility rate model, the budget for water and sewer charges increased 4.4% from \$166.5 million to \$173.9 million for the 2012-13 budget year. This increase is attributed to a sewer rate adjustment and some projected growth.
- The 2012-13 capital budget includes new and/or continuing projects totaling \$222.9 million, including projects for roads, parks, utilities and general public facilities.
- The 2012-13 combined budgets for operating and capital programs totals \$672.1 million, representing a 1.3% overall increase over the 2011-12 combined budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Raleigh's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Office of the Chief Financial Officer
City of Raleigh
PO Box 590
Raleigh, North Carolina 27602
919-996-4930



Basic Financial Statements

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow.



STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 306,860,170	\$ 162,589,743	\$ 469,449,913
Taxes receivable, net of allowance for uncollectibles of \$9,580,398	2,173,693	-	2,173,693
Assessments receivable, net of allowance for uncollectibles of \$304,580	1,667,233	2,262,824	3,930,057
Customer receivables, net of allowance for uncollectibles of \$6,436,789	2,296,040	18,589,877	20,885,917
Due from transit management	-	1,361,361	1,361,361
Due from other governmental agencies	13,424,740	1,004,050	14,428,790
Accrued interest receivable	706,873	430,671	1,137,544
Other receivables and assets	7,287,082	1,101,917	8,388,999
Sales tax receivable	20,300,911	1,807,304	22,108,215
Internal balances	224,644	(224,644)	-
Inventories	4,381,996	8,851,610	13,233,606
Deferred charges	8,247,951	2,921,960	11,169,911
Loans receivable	60,215,316	-	60,215,316
Cash and cash equivalents/investments - restricted deposits and bond proceeds	187,697,578	84,548,994	272,246,572
Deferred outflow for derivative instrument	-	93,335,754	93,335,754
Net pension assets	1,832,312	-	1,832,312
Capital assets:			
Land and construction in progress	335,757,321	250,556,667	586,313,988
Other capital assets, net of depreciation	524,781,434	1,382,666,132	1,907,447,566
Total assets	1,477,855,294	2,011,804,220	3,489,659,514
LIABILITIES			
Accounts payable	29,268,315	8,856,860	38,125,175
Accrued salaries and employee payroll taxes	1,524,940	123,006	1,647,946
Accrued interest payable	3,825,604	11,890,223	15,715,827
Rehabilitation loans escrow	903,500	-	903,500
Reimbursable facility fees	4,232,490	-	4,232,490
Claims payable and other liabilities:			
Due within one year	27,660,006	95,484	27,755,490
Deferred contributions from other funds	-	547,968	547,968
Unearned revenue	1,420,724	80,119	1,500,843
Escrow and other deposits payable from restricted assets	-	20,449,089	20,449,089
Derivative instrument liability	-	93,335,754	93,335,754
Long-term liabilities:			
Due within one year	44,005,880	22,237,254	66,243,134
Due in more than one year	497,698,321	974,417,238	1,472,115,559
Net OPEB pension liability	2,283,375	591,319	2,874,694
Total liabilities	612,823,155	1,132,624,314	1,745,447,469
NET ASSETS			
Invested in capital assets, net of related debt	563,335,582	703,484,098	1,266,819,680
Restricted for:			
Capital projects	204,567,164	-	204,567,164
Community development projects	46,533,850	-	46,533,850
Stabilization by state statute	41,873,700	-	41,873,700
Federal programs	1,487,801	-	1,487,801
Unrestricted	7,234,042	175,695,808	182,929,850
Total net assets	\$ 865,032,139	\$ 879,179,906	\$ 1,744,212,045

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 52,370,446	\$ 9,292,290	\$ 12,936,925	\$ -
Community development services	25,030,825	5,325,853	9,519,837	3,595,798
Public works	51,828,649	8,308,494	1,238,620	6,235,623
Public safety	141,601,625	336,685	2,017,038	-
Solid waste services	23,620,860	18,054,044	-	-
Leisure services	60,265,112	20,199,163	15,974,228	7,379,028
Economic development programs	5,655,704	277,107	19,326	-
Interest on long-term debt	11,042,865	-	-	-
Total governmental activities	371,416,086	61,793,636	41,705,974	17,210,449
Business-type activities:				
Water and sewer	133,804,035	171,221,282	-	3,596,692
Convention center	34,106,027	12,490,091	-	-
Mass transit	34,769,070	5,216,041	7,178,963	2,435,792
Parking facilities	11,699,246	10,837,625	-	-
Stormwater	10,583,029	15,520,724	325,602	-
Total business-type activities	224,961,407	215,285,763	7,504,565	6,032,484
Total City of Raleigh	\$ 596,377,493	\$ 277,079,399	\$ 49,210,539	\$ 23,242,933
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local sales tax				
Franchise tax				
Other taxes				
Privilege license tax				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues not including transfers				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (30,141,231)	\$ -	\$ (30,141,231)
(6,589,337)	-	(6,589,337)
(36,045,912)	-	(36,045,912)
(139,247,902)	-	(139,247,902)
(5,566,816)	-	(5,566,816)
(16,712,693)	-	(16,712,693)
(5,359,271)	-	(5,359,271)
(11,042,865)	-	(11,042,865)
<u>(250,706,027)</u>	<u>-</u>	<u>(250,706,027)</u>
-	41,013,939	41,013,939
-	(21,615,936)	(21,615,936)
-	(19,938,274)	(19,938,274)
-	(861,621)	(861,621)
-	5,263,297	5,263,297
-	3,861,405	3,861,405
<u>(250,706,027)</u>	<u>3,861,405</u>	<u>(246,844,622)</u>
189,421,593	-	189,421,593
67,827,670	-	67,827,670
21,189,652	-	21,189,652
11,874,656	-	11,874,656
7,663,071	-	7,663,071
946,400	1,165,913	2,112,313
11,982,202	-	11,982,202
<u>310,905,244</u>	<u>1,165,913</u>	<u>312,071,157</u>
<u>(34,185,681)</u>	<u>34,185,681</u>	<u>-</u>
276,719,563	35,351,594	312,071,157
26,013,536	39,212,999	65,226,535
839,018,603	839,966,907	1,678,985,510
<u>\$ 865,032,139</u>	<u>\$ 879,179,906</u>	<u>\$ 1,744,212,045</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 172,383,357	\$ 91,076,725	\$ 263,460,082
Taxes receivable, net of allowance for uncollectibles of \$9,580,398	2,173,693	-	2,173,693
Assessments receivable, net of allowance for uncollectibles of \$181,514	1,138,691	1,137,897	2,276,588
Customer receivables, net of allowance for uncollectibles of \$744,594	1,074,770	-	1,074,770
Due from other governmental agencies	778,190	12,646,550	13,424,740
Accrued interest receivable	497,603	209,270	706,873
Other receivables and assets	6,697,504	-	6,697,504
Sales tax receivable	18,800,884	1,500,027	20,300,911
Due from other funds	2,991,468	1,182,314	4,173,782
Inventories	3,414,804	-	3,414,804
Other assets	251,996	-	251,996
Loans receivable	2,093,209	58,122,107	60,215,316
Noncurrent assets:			
Cash and cash equivalents /investments - restricted deposits and bond proceeds	17,812,923	168,658,486	186,471,409
Total assets	<u>\$ 230,109,092</u>	<u>\$ 334,533,376</u>	<u>\$ 564,642,468</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,178,143	\$ 15,957,013	\$ 20,135,156
Accrued salaries and employee payroll taxes	1,640,676	1,242	1,641,918
Employee taxes and related withholdings	6,557,900	-	6,557,900
Loan servicing escrow	464,475	439,025	903,500
Reimbursable facility fees	-	4,134,094	4,134,094
Other liabilities	734,325	790,615	1,524,940
Due to other funds	521,394	2,336,260	2,857,654
Deferred revenue	4,900,194	59,576,563	64,476,757
Unearned revenue	895,522	104,687	1,000,209
Escrow and other deposits payable from restricted assets	-	98,396	98,396
Total liabilities	<u>19,892,629</u>	<u>83,437,895</u>	<u>103,330,524</u>
Fund balances:			
Nonspendable:			
Inventories	3,414,804	-	3,414,804
Restricted:			
Stabilization by state statute	41,873,700	-	41,873,700
Debt service	-	34,096,788	34,096,788
Federal programs	1,487,801	-	1,487,801
Streets	5,533	-	5,533
Public safety	-	1,695,845	1,695,845
Committed:			
Debt service	66,316,536	-	66,316,536
Assigned:			
Subsequent year's appropriation	20,006,017	197,532,198	217,538,215
Community development	359,372	6,054,013	6,413,385
City projects	524,653	10,301,047	10,825,700
Disaster recovery	-	1,415,590	1,415,590
Debt service	12,162,065	-	12,162,065
Parks and recreation	1,252,548	-	1,252,548
Unassigned	62,813,434	-	62,813,434
Total fund balances	<u>210,216,463</u>	<u>251,095,481</u>	<u>461,311,944</u>
Total liabilities and fund balances	<u>\$ 230,109,092</u>	<u>\$ 334,533,376</u>	<u>\$ 564,642,468</u>

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total <i>fund balances</i> for governmental funds	\$	461,311,944
Total <i>net assets</i> reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Land and construction in progress - \$335,757,321 capital assets being depreciated, net - \$504,886,270).		840,643,591
The net pension assets / liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.		(451,063)
Deferred issuance costs are reported as expenditures in the funds because current financial resources are used. In the governmental activities issuance costs are recorded as a long-term asset and amortized over the life of the debt.		8,247,951
Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, health benefits, equipment replacement and central garage to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		22,357,654
Taxes receivable - \$2,173,693, and assessments receivable - \$1,667,233 will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds.		3,840,926
Loans receivable - \$60,215,316, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds.		60,215,316
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See below for detail regarding these liabilities.		
General obligation Bonds - long-term, net of issuance premium	\$	(376,707,085)
Installment Financing Agreements - long-term, net of deferred refunding and issuance premium		(128,756,482)
Earned Vacation Pay		(17,663,101)
Landfill Post Closure Costs		(4,181,908)
Accrued Interest Payable		(3,825,604)
	<u>\$</u>	<u>(531,134,180)</u>
Net assets of governmental activities	<u>\$</u>	<u>865,032,139</u>

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

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

For the Fiscal Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 189,485,533	\$ -	\$ 189,485,533
Intergovernmental	39,975,768	45,647,967	85,623,735
Developer participation	-	510,319	510,319
Assessments	-	1,336,466	1,336,466
Local sales tax	67,827,670	-	67,827,670
Licenses	21,050,495	-	21,050,495
Gain (loss) on investments	1,031,133	652,004	1,683,137
Inspections fees	7,695,493	-	7,695,493
Highway maintenance refunds	771,689	-	771,689
Facility fees	-	6,631,807	6,631,807
Other fees and charges	37,175,300	-	37,175,300
Rents	478,969	307,686	786,655
Program income	49,629	2,569,298	2,618,927
Other revenues	1,831,357	-	1,831,357
Miscellaneous other	-	744,914	744,914
Total revenues	<u>367,373,036</u>	<u>58,400,461</u>	<u>425,773,497</u>
EXPENDITURES			
Current:			
General government	36,290,307	2,419,133	38,709,440
Community development services	18,620,506	6,647,130	25,267,636
Public works	19,915,369	3,227,876	23,143,245
Public safety	140,360,489	4,087,119	144,447,608
Solid waste services	24,556,130	-	24,556,130
Leisure services	46,085,120	8,269,909	54,355,029
Economic development programs	2,214,038	3,441,666	5,655,704
Other expenditures	401,918	-	401,918
Capital outlay	92	78,665,334	78,665,426
Debt service:			
Principal	26,699,307	120,000	26,819,307
Interest	12,600,692	-	12,600,692
Other debt service expenditures	651,835	-	651,835
Total expenditures	<u>328,395,803</u>	<u>106,878,167</u>	<u>435,273,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,977,233</u>	<u>(48,477,706)</u>	<u>(9,500,473)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,270,570	16,913,979	27,184,549
Transfers out	(31,959,389)	(24,142,060)	(56,101,449)
Premium on bonds issued	17,764,512	-	17,764,512
Bonds issued	-	147,600,000	147,600,000
Capital related debt issued	92	-	92
Premium on refunding bonds	5,331,430	-	5,331,430
Refunding bonds issued	33,925,000	-	33,925,000
Payment to refunded bond escrow agent	(39,128,859)	-	(39,128,859)
Total other financing sources (uses)	<u>(3,796,644)</u>	<u>140,371,919</u>	<u>136,575,275</u>
Net change in fund balances	35,180,589	91,894,213	127,074,802
Fund balances - beginning	175,035,874	159,201,268	334,237,142
Fund balances - ending	<u>\$ 210,216,463</u>	<u>\$ 251,095,481</u>	<u>\$ 461,311,944</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Fiscal Year Ended June 30, 2012

Net change in *fund balances* - total governmental funds \$ 127,074,802

The change in *net assets* reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$69,196,629 exceeded depreciation \$38,741,012 in the current period. 28,809,921

The net book value (cost \$8,156,453 less total accumulated depreciation \$2,800,466) of capital assets donated to the Stormwater Utility Fund reported in business-type activities. (5,355,987)

Net change in net pension assets/liabilities. (1,324,160)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$3,497,264; Property taxes - (\$63,940); Assessments - \$400,087; Loss on the Sale of Assets - (\$1,208,152). 2,625,259

Governmental funds report cash repayments of loan principal as revenues because they provide current financial resources. However, the statement of activities does not report these repayments as revenues because they are a reduction of loans receivable. 1,956,940

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds \$181,525,092 exceeded repayments and refundings \$66,075,737.

Debt issued or incurred:		
General obligation bonds issued	\$	147,600,000
Installment financing		92
Bond refunding:		
Face amount of new debt		33,925,000
Payment to escrow agent, inclusive of issuance costs		(39,256,430)
Principal repayments:		
General obligation debt		(16,389,910)
Installment financing		(10,429,397)
Net adjustment	<u>\$</u>	<u>115,449,355</u> (115,449,355)

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 governmental funds. (Change in earned vacation pay - \$512,698, change in accrued interest expense - \$449,744, and change in landfill postclosure liability - \$1,023,470). 1,985,912

Governmental funds report premiums on bonds issued as an other financing source. In the governmental activities bond premiums are recorded as a liability and amortized over the life of the debt. Amortization for bond issue costs, deferred refunding and premium on bonds are expenses or reduction of expenses in the governmental activities. (21,571,790)

Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, equipment replacement, and central garage to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities. 7,261,994

Change in net assets of governmental activities \$ 26,013,536

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Ad valorem taxes	\$ 187,615,024	\$ 187,640,024	\$ 189,485,533	\$ 1,845,509
Intergovernmental	41,550,841	42,150,131	39,975,768	(2,174,363)
Local sales tax	64,362,634	64,362,634	67,827,670	3,465,036
Licenses	20,087,648	20,087,648	21,050,495	962,847
Gain (loss) on investments	1,334,329	1,334,329	1,001,014	(333,315)
Inspection fees	7,832,407	7,163,957	7,695,493	531,536
Highway maintenance refunds	900,000	925,000	771,689	(153,311)
Solid waste fees	17,988,011	18,187,415	18,054,044	(133,371)
Parks and recreation fees	7,594,401	8,443,014	8,505,443	62,429
Other fees and charges	6,624,711	7,747,954	10,615,813	2,867,859
Other revenues	1,532,191	1,638,691	1,744,291	105,600
Total revenues	<u>357,422,197</u>	<u>359,680,797</u>	<u>366,727,253</u>	<u>7,046,456</u>
EXPENDITURES				
General government:				
City council	168,220	175,683	158,452	17,231
City clerk	559,927	591,899	447,925	143,974
City attorney	2,474,176	2,483,176	2,224,771	258,405
Special appropriations	18,117,830	16,614,888	16,326,834	288,054
Agency appropriations	3,469,179	3,935,286	3,191,608	743,678
City manager	2,423,783	2,443,531	2,068,783	374,748
Public affairs office	1,616,720	1,634,165	1,492,413	141,752
Personnel	2,891,545	3,001,946	2,809,556	192,390
Administrative service	1,316,701	1,378,900	1,306,313	72,587
Finance	11,297,272	13,089,340	10,941,532	2,147,808
Information technology	15,950,343	17,642,605	14,184,358	3,458,247
Total general government	<u>60,285,696</u>	<u>62,991,419</u>	<u>55,152,545</u>	<u>7,838,874</u>
Community development services:				
Planning	8,186,942	8,497,675	7,646,028	851,647
Inspections	8,054,301	8,095,906	7,313,741	782,165
Community services	1,742,002	1,852,787	1,706,113	146,674
Economic development	2,131,469	2,388,793	2,214,038	174,755
Total community development services	<u>20,114,714</u>	<u>20,835,161</u>	<u>18,879,920</u>	<u>1,955,241</u>
Public works:				
Central engineering	17,993,044	18,536,394	17,084,932	1,451,462
Transportation	10,029,745	10,288,744	8,984,199	1,304,545
Total public works	<u>28,022,789</u>	<u>28,825,138</u>	<u>26,069,131</u>	<u>2,756,007</u>
Public safety:				
Emergency communications center	6,919,726	7,321,247	6,300,859	1,020,388
Police	88,670,598	90,674,257	84,230,808	6,443,449
Fire	49,651,709	51,072,146	49,828,822	1,243,324
Total public safety	<u>145,242,033</u>	<u>149,067,650</u>	<u>140,360,489</u>	<u>8,707,161</u>
Solid waste services	<u>23,908,852</u>	<u>25,543,193</u>	<u>24,556,130</u>	<u>987,063</u>

Continued

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Leisure services:				
Parks and recreation	\$ 44,887,926	\$ 46,647,505	\$ 41,797,458	\$ 4,850,047
Continuing recreation activities	7,897,483	8,957,087	4,287,662	4,669,425
Total leisure services	<u>52,785,409</u>	<u>55,604,592</u>	<u>46,085,120</u>	<u>9,519,472</u>
Other expenditures:				
Other expenses	-	-	964	(964)
Capital outlay - installment note obligations	92	92	92	-
Total other expenditures	<u>92</u>	<u>92</u>	<u>1,056</u>	<u>(964)</u>
Debt service:				
Principal and interest	46,008,035	46,329,134	39,300,000	7,029,134
Other debt service expenditures	1,706,099	1,549,610	651,835	897,775
Total debt service	<u>47,714,134</u>	<u>47,878,744</u>	<u>39,951,835</u>	<u>7,926,909</u>
Total expenditures before charge-out	378,073,719	390,745,989	351,056,226	39,689,763
Less: administrative costs charged to other funds	<u>24,545,047</u>	<u>24,545,047</u>	<u>24,615,047</u>	<u>(70,000)</u>
Total expenditures	<u>353,528,672</u>	<u>366,200,942</u>	<u>326,441,179</u>	<u>39,759,763</u>
Excess (deficiency) of revenues over expenditures	3,893,525	(6,520,145)	40,286,074	46,806,219
OTHER FINANCING SOURCES (USES)				
Transfers in	9,038,405	9,061,014	8,923,210	(137,804)
Transfers out	(28,188,053)	(31,896,672)	(31,896,672)	-
Capital related debt issued	92	92	92	-
Premium on bonds issued	-	-	17,764,512	17,764,512
Premium on refunding bonds	-	-	5,331,430	5,331,430
Refunding bonds issued	-	33,925,000	33,925,000	-
Payment to refunded bond escrow agent	-	(33,797,429)	(39,128,859)	(5,331,430)
Total other financing sources (uses)	<u>(19,149,556)</u>	<u>(22,707,995)</u>	<u>(5,081,287)</u>	<u>17,626,708</u>
Net changes in fund balance	<u>\$ (15,256,031)</u>	<u>\$ (29,228,140)</u>	<u>35,204,787</u>	<u>\$ 64,432,927</u>
Fund balance appropriated	<u>\$ 15,256,031</u>	<u>\$ 29,228,140</u>		
Fund balance - beginning of year			172,603,055	
Fund balance - end of year			<u>\$ 207,807,842</u>	

A legally budgeted Housing Development Fund is consolidated into the General Fund for reporting purposes:

Gain (loss) on investments	\$ 30,119
Rents income	478,969
Program income	49,629
Other revenues	87,066
Community development expenditures	(1,954,624)
Net Transfer In from the General Fund	1,284,643
Fund Balance Beginning	2,432,819
Fund Balance Ending	<u>\$ 2,408,621</u>

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 June 30, 2012

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 113,115,164	\$ 6,874,242	\$ 1,030,720
Customer receivables, net of allowance for uncollectibles of \$5,692,195	17,114,027	-	-
Assessments receivable, net of allowance for uncollectibles of \$123,066	2,262,824	-	-
Due from transit management	-	-	1,361,361
Due from other governmental agencies	353,649	-	354,951
Due from other funds	15,362	-	-
Accrued interest receivable	283,646	41,854	-
Other receivables and assets	543,269	558,648	-
Sales tax receivable	1,541,094	52,872	160,848
Inventories	8,219,591	-	632,019
Insurance deposit	-	-	-
Deferred charges	1,239,578	1,409,194	-
Total current assets	<u>144,688,204</u>	<u>8,936,810</u>	<u>3,539,899</u>
Noncurrent assets:			
Restricted cash and cash equivalents	75,993,885	-	49,305
Deferred outflow for derivative instrument	38,280,989	55,054,765	-
Capital assets:			
Land and improvements	39,735,727	20,829,848	3,994,684
Construction in progress	156,588,543	287,569	576,313
Water and sewer systems	1,112,473,638	-	-
Buildings and machinery	88,683,431	271,091,201	27,539,549
Parking decks	-	-	-
Buses	-	-	29,140,084
Equipment	18,657,591	1,687,458	1,701,683
Furniture and fixtures	50,687	2,490,325	50,046
Improvements	102,207,182	26,645,322	1,426,272
Less accumulated depreciation	<u>(360,400,623)</u>	<u>(55,429,298)</u>	<u>(23,099,108)</u>
Total noncurrent assets	<u>1,272,271,050</u>	<u>322,657,190</u>	<u>41,378,828</u>
Total assets	<u>1,416,959,254</u>	<u>331,594,000</u>	<u>44,918,727</u>

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Enterprise Funds		
	Other Nonmajor Enterprise	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 41,569,617	\$ 162,589,743	\$ 43,400,088
Customer receivables, net of allowance for uncollectibles of \$5,692,195	1,475,850	18,589,877	-
Assessments receivable, net of allowance for uncollectibles of \$123,066	-	2,262,824	-
Due from transit management	-	1,361,361	-
Due from other governmental agencies	295,450	1,004,050	-
Due from other funds	-	15,362	126,512
Accrued interest receivable	103,025	428,525	85,394
Other receivables and assets	-	1,101,917	-
Sales tax receivable	42,657	1,797,471	476,082
Inventories	-	8,851,610	967,192
Insurance deposit	-	-	400,000
Deferred charges	273,188	2,921,960	-
Total current assets	<u>43,759,787</u>	<u>200,924,700</u>	<u>45,455,268</u>
Noncurrent assets:			
Restricted cash and cash equivalents	7,956,257	83,999,447	1,775,716
Deferred outflow for derivative instrument	-	93,335,754	-
Capital assets:			
Land and improvements	10,734,528	75,294,787	-
Construction in progress	17,809,455	175,261,880	-
Water and sewer systems	-	1,112,473,638	-
Buildings and machinery	-	387,314,181	230,912
Parking decks	146,285,160	146,285,160	-
Buses	-	29,140,084	-
Equipment	1,106,802	23,153,534	98,123,507
Furniture and fixtures	51,382	2,642,440	5,636
Improvements	21,158,586	151,437,362	-
Less accumulated depreciation	<u>(34,763,354)</u>	<u>(473,692,383)</u>	<u>(74,552,775)</u>
Total noncurrent assets	<u>170,338,816</u>	<u>1,806,645,884</u>	<u>25,582,996</u>
Total assets	<u>214,098,603</u>	<u>2,007,570,584</u>	<u>71,038,264</u>

Continued

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,968,964	\$ 727,414	\$ 391,324
Accrued salaries and employee payroll taxes	84,980	23,800	1,288
Accrued interest payable	7,664,578	3,423,054	-
Claims payable and other liabilities	-	95,484	-
Deferred contributions from other funds	-	-	547,968
Due to other funds	-	684,771	-
Unearned revenue	47,541	20,143	-
Bonds, notes and loans payable, net of unamortized premiums, discounts and deferred refundings	15,083,829	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	994,336	-	-
Total current liabilities	<u>30,844,228</u>	<u>4,974,666</u>	<u>940,580</u>
Noncurrent liabilities:			
Bonds, notes and loans payable, net of unamortized premiums, discounts and deferred refundings	633,227,555	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	6,227,093	243,425,000	-
Escrow and other deposits payable from restricted assets	13,017,259	-	49,305
Derivative instrument liability	38,280,989	55,054,765	-
Earned vacation pay	1,925,974	548,200	39,470
Net OPEB pension liability	440,296	78,141	10,519
Total noncurrent liabilities	<u>693,119,166</u>	<u>299,106,106</u>	<u>99,294</u>
Total liabilities	<u>723,963,394</u>	<u>304,080,772</u>	<u>1,039,874</u>
NET ASSETS			
Invested in capital assets, net of related debt	565,439,989	24,177,425	41,329,523
Unrestricted	127,555,871	3,335,803	2,549,330
Total net assets	<u>\$ 692,995,860</u>	<u>\$ 27,513,228</u>	<u>\$ 43,878,853</u>

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Enterprise Funds		
	Other Nonmajor Enterprise	Total	Internal Service Funds
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 693,096	\$ 8,780,798	\$ 986,710
Accrued salaries and employee payroll taxes	12,938	123,006	10,361
Accrued interest payable	-	11,087,632	13,764
Claims payable and other liabilities	801,025	896,509	27,660,006
Deferred contributions from other funds	-	547,968	-
Due to other funds	773,231	1,458,002	-
Unearned revenue	12,435	80,119	-
Bonds, notes and loans payable, net of unamortized premiums, discounts and deferred refundings	533,202	15,617,031	5,822,564
Contracts and other notes payable, net of unamortized premiums and discounts	3,241,355	4,235,691	-
Total current liabilities	<u>6,067,282</u>	<u>42,826,756</u>	<u>34,493,405</u>
Noncurrent liabilities:			
Bonds, notes and loans payable, net of unamortized premiums, discounts and deferred refundings	1,733,220	634,960,775	10,664,289
Contracts and other notes payable net of unamortized premiums and discounts	87,000,028	336,652,121	-
Escrow and other deposits payable from restricted assets	7,382,525	20,449,089	-
Derivative instrument liability	-	93,335,754	-
Earned vacation pay	314,679	2,828,323	269,325
Net OPEB pension liability	62,363	591,319	-
Total noncurrent liabilities	<u>96,492,815</u>	<u>1,088,817,381</u>	<u>10,933,614</u>
Total liabilities	<u>102,560,097</u>	<u>1,131,644,137</u>	<u>45,427,019</u>
NET ASSETS			
Invested in capital assets, net of related debt	70,436,051	701,382,988	9,096,143
Unrestricted	41,102,455	174,543,459	16,515,102
Total net assets	<u>\$ 111,538,506</u>	<u>875,926,447</u>	<u>\$ 25,611,245</u>
		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	
		<u>3,253,459</u>	
		<u>\$ 879,179,906</u>	
		Net assets of business-type activities	

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**
For the fiscal year ended June 30, 2012

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
Operating revenues		
User charges	\$ 163,331,120	\$ 12,358,327
Charges for services - internal	-	-
Other	7,120,862	-
Total operating revenues	<u>170,451,982</u>	<u>12,358,327</u>
Operating expenses		
Administration	8,236,287	-
Other facility operating costs	-	15,607,014
Water supply and treatment	25,461,924	-
Sewer system and treatment	15,226,063	-
Warehousing, maintenance and construction	21,447,401	-
Other services	10,936,618	-
Non-departmental charges	10,086,283	-
Management contract charges	-	-
Claims	-	-
Premiums	-	-
Depreciation	30,942,557	8,602,102
Other	-	87,444
Total operating expenses	<u>122,337,133</u>	<u>24,296,560</u>
Operating income (loss)	<u>48,114,849</u>	<u>(11,938,233)</u>
Nonoperating revenue (expense)		
Gain (loss) on investments	738,252	125,752
Subsidy income - federal and state	-	-
Recovery of claims	-	-
Other revenues	769,300	131,764
Interest expense	(9,699,079)	(8,339,641)
Gain (loss) on disposal for capital assets	(26,218)	-
Miscellaneous expense	<u>(2,568,914)</u>	<u>(1,549,885)</u>
Total nonoperating revenue (expense)	<u>(10,786,659)</u>	<u>(9,632,010)</u>
Income (loss) before contributions, transfers and special items	37,328,190	(21,570,243)
Capital contributions	3,596,692	-
Transfers in	700,000	14,313,317
Transfers out	<u>(1,825,000)</u>	<u>(3,236,478)</u>
Change in net assets	39,799,882	(10,493,404)
Total net assets, beginning of year	<u>653,195,978</u>	<u>38,006,632</u>
Total net assets, end of year	<u>\$ 692,995,860</u>	<u>\$ 27,513,228</u>

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

Enterprise Funds			Internal Service Funds
Mass Transit Fund	Other Nonmajor Enterprise	Total	
\$ 5,104,429	\$ 25,856,193	\$ 206,650,069	\$ -
-	-	-	70,553,461
111,612	502,156	7,734,630	438,769
<u>5,216,041</u>	<u>26,358,349</u>	<u>214,384,699</u>	<u>70,992,230</u>
772,985	4,966,469	13,975,741	7,359,080
14,021,024	9,856,072	39,484,110	13,881,303
-	-	25,461,924	-
-	-	15,226,063	-
-	-	21,447,401	-
-	-	10,936,618	-
-	-	10,086,283	-
16,219,094	-	16,219,094	-
-	-	-	31,685,480
-	-	-	1,576,899
3,522,399	4,658,383	47,725,441	8,473,403
-	-	87,444	109,527
<u>34,535,502</u>	<u>19,480,924</u>	<u>200,650,119</u>	<u>63,085,692</u>
<u>(29,319,461)</u>	<u>6,877,425</u>	<u>13,734,580</u>	<u>7,906,538</u>
-	296,340	1,160,344	(79,164)
7,178,963	325,602	7,504,565	-
-	-	-	1,058,330
-	-	901,064	-
-	(2,449,552)	(20,488,272)	(643,416)
(94,869)	-	(121,087)	72,172
<u>(146,705)</u>	<u>(502,553)</u>	<u>(4,768,057)</u>	<u>-</u>
<u>6,937,389</u>	<u>(2,330,163)</u>	<u>(15,811,443)</u>	<u>407,922</u>
(22,382,072)	4,547,262	(2,076,863)	8,314,460
2,435,792	5,288,012	11,320,496	-
18,245,436	1,856,838	35,115,591	242,206
-	(524,419)	(5,585,897)	(855,000)
<u>(1,700,844)</u>	<u>11,167,693</u>	<u>38,773,327</u>	<u>7,701,666</u>
<u>45,579,697</u>	<u>100,370,813</u>		<u>17,909,579</u>
<u>\$ 43,878,853</u>	<u>\$ 111,538,506</u>		<u>\$ 25,611,245</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

439,672

Change in net assets of business-type activities

\$ 39,212,999

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2012

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 171,266,503	\$ 12,365,049
Payments to employees	(35,260,692)	(7,550,895)
Payments to suppliers and service providers	(53,652,251)	(8,098,837)
Claims paid	-	-
Premiums paid	-	-
Other receipts	769,300	131,764
Other payments	-	(1,549,885)
Net cash provided by (used in) operating activities	<u>83,122,860</u>	<u>(4,702,804)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds	700,000	14,313,317
Operating subsidies and transfers to other funds	(1,825,000)	(3,236,478)
Operating grants received	-	-
Internal activity - payments from (to) other funds	(15,362)	377,734
Net cash provided by (used in) noncapital financing activities	<u>(1,140,362)</u>	<u>11,454,573</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(35,254,554)	(226,519)
Capital grants and other capital contributions	774,423	-
Proceeds from capital debt	33,405,000	-
Principal paid on capital debt	(51,216,828)	-
Interest paid on capital debt	(30,680,889)	(8,272,536)
Other debt related payments	(2,568,914)	-
Proceeds from the sale of capital assets	31,362	-
Escrow deposits	1,887,164	-
Net cash used in capital and related financing activities	<u>(83,623,236)</u>	<u>(8,499,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gain (loss) on investments held	652,758	115,968
Net cash provided by investing activities	<u>652,758</u>	<u>115,968</u>
Net increase (decrease) in cash and cash equivalents	(987,980)	(1,631,318)
Cash and cash equivalents - beginning of year	190,097,029	8,505,560
Cash and cash equivalents - end of year	<u>\$ 189,109,049</u>	<u>\$ 6,874,242</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 48,114,849	\$ (11,938,233)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	30,942,557	8,602,102
Miscellaneous nonoperating income	769,300	131,764
Miscellaneous nonoperating expense	-	(1,549,885)
Change in assets and liabilities:		
Operating receivables	953,064	(123,090)
Sales tax receivable	3,401,100	147,886
Inventories	(390,288)	-
Other receivables and assets	(107,629)	-
Accounts payable and other accrued liabilities	(495,035)	168,003
Escrow and other deposits	-	-
Earned vacation pay and other payroll liabilities	(34,144)	(148,073)
Deferred revenue	(30,914)	6,722
Total adjustments	<u>35,008,011</u>	<u>7,235,429</u>
Net cash provided by (used in) operating activities	<u>\$ 83,122,860</u>	<u>\$ (4,702,804)</u>
Noncash investing, capital, and financing activities:		
Capital contributions from annexations and mergers	\$ 2,147,426	\$ -
Capital contributions from grant and assessment receivables	<u>\$ 674,843</u>	<u>\$ -</u>
Transfer of assets from other funds	<u>\$ -</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 2,217,052</u>	<u>\$ 7,641</u>

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



Enterprise Funds			
Mass Transit Fund	Other Nonmajor Enterprise	Total	Internal Service Funds
\$ 5,216,041	\$ 26,590,590	\$ 215,438,183	\$ 70,553,461
(779,159)	(5,058,342)	(48,649,088)	(4,080,276)
(28,704,150)	(9,877,579)	(100,332,817)	(16,859,175)
-	-	-	(31,837,678)
-	-	-	(1,576,899)
-	-	901,064	1,497,099
(146,705)	-	(1,696,590)	(109,527)
<u>(24,413,973)</u>	<u>11,654,669</u>	<u>65,660,752</u>	<u>17,587,005</u>
18,245,436	1,856,838	35,115,591	242,206
-	(524,419)	(5,585,897)	(855,000)
2,620,492.00	-	2,620,492	-
(42,845)	799,939	1,119,466	219,678
<u>20,823,083</u>	<u>2,132,358</u>	<u>33,269,652</u>	<u>(393,116)</u>
(3,053,110)	(4,813,822)	(43,348,005)	(2,691,088)
8,231,457	501,869	9,507,749	-
-	-	33,405,000	-
-	(3,747,596)	(54,964,424)	(9,909,723)
-	(2,486,858)	(41,440,283)	(646,710)
-	(502,553)	(3,071,467)	-
-	-	31,362	138,380
-	108,860	1,996,024	-
<u>5,178,347</u>	<u>(10,940,100)</u>	<u>(97,884,044)</u>	<u>(13,109,141)</u>
-	280,241	1,048,967	(107,766)
<u>-</u>	<u>280,241</u>	<u>1,048,967</u>	<u>(107,766)</u>
1,587,457	3,127,168	2,095,327	3,976,982
(507,432)	46,398,706	244,493,863	41,198,822
<u>\$ 1,080,025</u>	<u>\$ 49,525,874</u>	<u>\$ 246,589,190</u>	<u>\$ 45,175,804</u>
\$ (29,319,461)	\$ 6,877,425	\$ 13,734,580	\$ 7,906,538
3,522,399	4,658,383	47,725,441	8,473,403
-	-	901,064	1,058,330
(146,705)	-	(1,696,590)	-
1,237,377	232,241	2,299,592	-
415,386	169,403	4,133,775	539,699
36,175	-	(354,113)	(216,471)
-	-	(107,629)	-
(300,091)	(190,910)	(818,033)	(45,968)
325	-	325	-
(6,174)	(91,873)	(280,264)	(128,526)
146,796	-	122,604	-
<u>4,905,488</u>	<u>4,777,244</u>	<u>51,926,172</u>	<u>9,680,467</u>
<u>\$ (24,413,973)</u>	<u>\$ 11,654,669</u>	<u>\$ 65,660,752</u>	<u>\$ 17,587,005</u>
\$ -	\$ -	\$ 2,147,426	\$ -
\$ -	\$ -	\$ 674,843	\$ -
\$ -	\$ 5,288,012	\$ 5,288,012	\$ -
\$ -	\$ (485,946)	\$ 1,738,747	\$ -

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 June 30, 2012

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 54,257,027
Accrued interest receivable	<u>65,386</u>
Total assets	<u>54,322,413</u>
LIABILITIES	
Claims payable	<u>515,345</u>
Total liabilities	<u>515,345</u>
NET ASSETS	
Held in trust for employees' retirement and other post- employment benefits	<u><u>\$ 53,807,068</u></u>

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

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2012**

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 16,276,137
Retiree contributions	1,741,345
Interest	1,242,492
Net increase in the fair value of investments	(986,436)
Less investment expense	(51,956)
Total additions	<u>18,221,582</u>
DEDUCTIONS	
Benefits	14,916,126
Withdrawals and forfeitures	211,714
Total deductions	<u>15,127,840</u>
Change in net assets restricted for:	
Employees' retirement and other post-employment benefits	3,093,742
Net assets, beginning of year	<u>50,713,326</u>
Net assets, end of year	<u>\$ 53,807,068</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

The City of Raleigh is a municipal corporation established in 1792 by the North Carolina General Assembly. The City operates under a council-manager form of government with a mayor and seven Council Members comprising the governing body.

The accounting policies of the City of Raleigh conform to generally accepted accounting principles (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 of America. All applicable GASB statements have been implemented. The accompanying financial statements present the government and its component unit, a legally separate entity for which the City is financially accountable.

The financial statements of the following organization are included in this report as a blended component unit:

Blended Component Unit. Walnut Creek Financing Assistance Corporation (WCFAC). The WCFAC is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the WCFAC is reported as if it were part of the primary government because its main purpose is to issue certificates of participation for the City. Financial transactions of the WCFAC are audited and reported through the City's annual audit. No separate financial statements are prepared.

B. Government-wide and fund financial statements

Government-wide statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations are not shown on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to earned vacation pay and claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

General fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The City reports the following major enterprise funds:

Water and sewer fund – The water and sewer fund accounts for the user charges, fees, other resources and all costs associated with the operation of the water and sewer systems of the City.

Convention center complex fund – The convention center complex fund accounts for the user charges, fees, other resources and all costs associated with the operation of the convention center and performing arts center facilities of the City.

Mass transit fund – The mass transit fund accounts for the user charges, fees, federal contributions and all operating costs associated with the operation of the transit system in the City.

Additionally, the City reports the following fund types:

Internal service funds account for print services, employee health benefits, equipment replacement, risk management services, and central garage services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary funds - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund, the law enforcement officers' special separation allowance fund, and other post employment benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. All deposits are made in City Council designated official depositories and are secured as required by State law (G.S. 159-30(c)). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City 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).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

In accordance with State law, the City has a portion of its investments in callable securities, some of which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City ad valorem taxes are billed by the Wake County Revenue Collector after July 1 of each year based upon the assessed value on property, other than motor vehicles, listed as of the prior January 1 lien date. In accordance with state law, property taxes on certain registered motor vehicles are assessed and collected throughout the year based on a staggered registration system. Wake County is responsible for the monthly billing and collections of City property taxes due on registered motor vehicles. Under the staggered registration system, property taxes become due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

Uncollected taxes billed for vehicles registered by February of the fiscal year are shown as a receivable in the financial statements and are offset by deferred revenue. Taxes for vehicles registered after February 28, apply to the 2012-13 fiscal year and are not shown as receivables at June 30, 2012.

The City Council is required to approve the tax levy no later than August 1, although this traditionally occurs in the month of June. Taxes are due on September 1 but do not begin to accrue penalties for nonpayment until the following January 5. Collections of City taxes are made by the County and are remitted to the City as collected.

Ad valorem taxes receivable at year-end are not considered to be available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to recognition as earned revenue. The amount of the recorded receivable for ad valorem taxes has been reduced by an allowance for uncollectible accounts and the net receivable is offset by deferred revenue in an equal amount.

Other accounts receivable which are reported in governmental funds and which represent amounts considered measurable and available are recorded as revenue but, based on state law, are reserved in fund balance at year-end.

Any other accounts receivable which represent amounts not subject to accrual as earned revenue are recorded as assets and are offset by deferred revenue in an equal amount. Assessments receivable have been reduced by an amount deemed to be uncollectible.

The amounts due from other governmental agencies are grants and participation agreements which are reserved for specific programs and capital projects. Program grants, primarily accounted for in the special revenue funds, are recognized as receivables and revenue in the period benefited, i.e., at the time reimbursable program costs are incurred.

Capital project grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

3. Inventories and prepaid items

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are recorded as an expenditure at the time an item is used and are carried at cost, using the first-in, first-out (FIFO) method.

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.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructure acquired before July 1, 2001 (date of implementation of GASB 34) has been recorded by the City at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City for business-type activities during the fiscal year was \$39,990,312. Of this amount, \$19,502,040 was included as part of the cost of capital assets under construction in connection with water and sewer projects.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and machinery	40
Water and sewer systems	50
Streets and sidewalks	25
Major improvements	20
Software	20
Buses	10
Furniture & fixtures	5
Equipment	5-10

6. Earned vacation pay

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

8. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 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 constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance 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 for inventories, which are not spendable resources.

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

Restricted for stabilization by state statute - portion of fund balance restricted by State Statute [G.S.15-98(a)].

Restricted for debt service – portion of fund balance that must be used to pay City obligations.

Restricted for federal program reserves – portion of fund balance that is restricted by revenue source for federal programs.

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by the majority vote by quorum of City of Raleigh's City Council. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that the City of Raleigh intends to use for specific purposes. The City of Raleigh City Council has designated the City Manager as the delegated Official that can “assign” portions of fund balance.

Subsequent year’s appropriation – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; all budget amendments regardless of amount must be submitted to the City council for approval.

Assigned for Community development – portion of fund balance the City intends to use for community development across the City.

Assigned for City projects – portion of fund balance that the City intends to use for specific projects.

Assigned for disaster recovery – portion of fund balance that the City intends to use for disaster recovery efforts.

Assigned for debt service – portion of fund balance that the City intends to use for future debt service payments

Assigned for parks and recreation – portion of fund balance that the City intends to use for specific parks and recreation programs.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Raleigh has also adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 14% of next years budgeted expenditures. Any portion of the general fund balance in excess of 14% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the city in a future budget.

9. Interest rate swap

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. The interest rate swaps are reported in the Net Assets Statements for government-wide and proprietary funds at fair market value.

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust funds which are not budgeted and four internal service funds which have financial plans approved. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day of June 30, 2012. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds and the convention center financing fund. All other funds including all capital project funds and the remaining grant funds adopt project budgets.

Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed.

At June 30, 2012, the effect of such amendments, less eliminating transfers, was as follows:

	Original Budget	Total Amendments	Budget June 30, 2012
General Fund	\$ 411,673,632	\$ 15,373,563	\$ 427,047,195
Special Revenue Funds	55,465,505	17,467,408	72,932,913
General Capital Projects Funds	584,778,779	28,673,393	613,452,172
Enterprise Funds	446,021,985	41,116,538	487,138,523
Internal Service Funds	30,574,775	2,569,972	33,144,747

The appropriated budget is prepared by fund, function, and department. Appropriations are adopted at the Fund level with the exception of the General fund which is adopted at the department level and the Public Utilities Fund which adopted at the function level. The City Manager is authorized to transfer budget amounts within a fund up to \$50,000. Transfers greater than \$50,000, all transfers between funds, and all amendments increasing total budgeted expenditures require City Council approval.

B. Deficit net assets

There are no funds that have deficit net assets at June 30, 2012.

Note 3. Detailed notes on all funds

A. Deposits and investments

Deposits. All of the City's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured 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 City, these deposits are considered to be held by the City's agent in the City'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 City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the 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 Method depository. The City relies on the State Treasurer to monitor these financial institutions. It is the City's policy to utilize only the pooling method of collateralization. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2012, the City's bank balance in operating accounts was \$25,539,929 and the carrying amount of the City's deposits was \$17,527,439. The difference represents reconciling items such as deposits and payments in transit. Of the bank balance, \$258,085 was covered by federal depository insurance and \$25,281,843 was covered by collateral held under the Pooling Method.

Investments. At June 30, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	%	< 1 Year	1- 3 Years	3 - 5 Years	> 5 Years
US Government Treasuries	\$ 37,339,146	8.6	\$ 5,002,950	\$ 16,637,340	\$ 14,499,685	\$ 1,199,171
Federal Home Loan Bank	163,745,782	37.9	99,624,401	55,564,150	8,557,231	-
Freddie Mac	12,732,598	2.9	6,007,560	6,725,038	-	-
Fannie Mae	34,133,575	7.9	25,256,709	4,231,509	4,514,614	130,743
Federal Farm Credit Bank	66,311,150	15.3	24,039,620	23,254,150	19,017,380	-
Commercial paper	40,931,577	9.5	40,931,577	-	-	-
Bank certificates of deposit	34,000,000	7.9	24,000,000	10,000,000	-	-
NCCMT - Cash Portfolio	5,526,816	1.3	5,526,816	-	-	-
Other investments	37,288,052	8.6	25,134,664	5,706,214	4,338,299	2,108,875
Total City-wide investments	\$ 432,008,696	100%	\$ 255,524,297	\$ 122,118,401	\$ 50,927,209	\$ 3,438,789

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Investments shown with a maturity date greater than five years are pursuant to N.C.G.S 147-69.2 and represent accounts holding the City's capital reserves, risk reserve funds, and Law Enforcement Officer's special separation allowance fund. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the city's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the asset managers.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits 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. The City currently holds investments with long-term credit ratings as follows:

Bank	Long-term Credit Ratings		
	S & P	Moody's	Fitch
Bank of North Carolina (certificates of deposit)	N/A	N/A	N/A
Branch Banking & Trust Co (certificates of deposit)	A-	A2	A+
NCCMT - Cash Portfolio	AAAm	N/A	N/A
US Agencies	AA+	Aaa	AAA

Concentration of Credit Risk. The City's investment policy does not restrict the level of investment in federal agencies, but it restricts investment in commercial paper or bankers' acceptances of a single issuer to no more than 5.0% of the total investment portfolio. Commercial paper is 9.5% of the total investment, however; the balance is with multiple issuers and, therefore, meets the City's policy.

Fiduciary funds are reported on a stand-alone basis and are not presented in the government-wide Statement of Net Assets.

A summary of cash and investments at June 30, 2012 is as follows:

	Government-wide	Fiduciary
Petty cash and change funds	\$ 17,860	\$ -
Deposits (checking, money market)	40,431,384	62,256
Fiduciary cash	-	51,186,744
Investments	429,000,669	3,008,027
Total cash and cash equivalents	<u>469,449,913</u>	<u>54,257,027</u>
Restricted deposits and bond proceeds	<u>272,246,572</u>	<u>-</u>
Total cash	<u>\$ 741,696,485</u>	<u>\$ 54,257,027</u>

B. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows (stated in thousands):

	Balance June 30, 2011	Additions	Transfers	Deletions	Balance June 30, 2012
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 150,917	\$ 169	\$ (2,291)	\$ 504	\$ 148,291
Construction in progress	122,740	66,440	(1,714)	-	187,466
Total capital assets, not being depreciated	<u>273,657</u>	<u>66,609</u>	<u>(4,005)</u>	<u>504</u>	<u>335,757</u>
Capital assets, being depreciated:					
Buildings and machinery	113,919	-	-	117	113,802
Streets and sidewalks	694,990	3,497	(1,235)	4,287	692,965
Equipment	109,811	3,372	(139)	8,873	104,171
Furniture and fixtures	2,370	204	-	99	2,475
Improvements - general and parks	184,233	17	(2,677)	1,128	180,445
Software	38,334	-	-	-	38,334
Total capital assets being depreciated	<u>1,143,657</u>	<u>7,090</u>	<u>(4,051)</u>	<u>14,504</u>	<u>1,132,192</u>
Less accumulated depreciation for:					
Buildings and machinery	46,417	2,710	-	77	49,050
Streets and sidewalks	354,738	24,656	(658)	4,287	374,449
Buses	17	-	(17)	-	-
Equipment	80,624	8,190	(123)	8,682	80,009
Furniture and fixtures	2,217	123	-	98	2,242
Improvements - general and parks	90,869	7,854	(1,909)	508	96,306
Software	3,437	1,917	-	-	5,354
Total accumulated depreciation	<u>578,319</u>	<u>45,450</u>	<u>(2,707)</u>	<u>13,652</u>	<u>607,410</u>
Total capital assets being depreciated, net	<u>565,338</u>	<u>(38,360)</u>	<u>(1,344)</u>	<u>852</u>	<u>524,782</u>
Governmental activities capital assets, net	<u>\$ 838,995</u>	<u>\$ 28,249</u>	<u>\$ (5,349)</u>	<u>\$ 1,356</u>	<u>\$ 860,539</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 2,717
Community development	67
Public works	26,906
Public safety	1,942
Solid waste services	392
Leisure services	6,717
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	6,709
Total depreciation expense - governmental activities	<u>\$ 45,450</u>

Annexations: The amount reported as additions for street and sidewalks includes \$3,497,264 from annexations during fiscal year 2011-12.

	Balance June 30, 2011	Additions	Transfers	Deletions	Balance June 30, 2012
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 72,820	\$ -	\$ 2,490	\$ 15	\$ 75,295
Construction in progress	144,286	59,728	(28,752)	-	175,262
Total capital assets, not being depreciated	<u>217,106</u>	<u>59,728</u>	<u>(26,262)</u>	<u>15</u>	<u>250,557</u>
Capital assets, being depreciated:					
Buildings and machinery	363,573	30	23,711	-	387,314
Streets and sidewalks	-	-	1,746	-	1,746
Water and sewer systems	1,110,000	2,449	106	81	1,112,474
Parking decks	146,274	-	10	-	146,284
Buses	27,144	2,763	-	767	29,140
Equipment	43,377	1,046	147	1,450	43,120
Furniture and fixtures	2,667	-	-	24	2,643
Improvements	140,226	1,006	8,557	98	149,691
Total capital assets being depreciated	<u>1,833,261</u>	<u>7,294</u>	<u>34,277</u>	<u>2,420</u>	<u>1,872,412</u>
Less accumulated depreciation for:					
Buildings and machinery	63,254	9,461	1	-	72,716
Streets and sidewalks	-	70	658	-	728
Water and sewer systems	260,153	22,926	-	80	282,999
Parking decks	25,034	3,607	-	-	28,641
Buses	15,615	2,647	-	649	17,613
Equipment	33,008	3,200	121	1,340	34,989
Furniture and fixtures	1,715	446	-	24	2,137
Improvements	40,962	7,157	1,902	98	49,923
Total accumulated depreciation	<u>439,741</u>	<u>49,514</u>	<u>2,682</u>	<u>2,191</u>	<u>489,746</u>
Total capital assets being depreciated, net	<u>1,393,520</u>	<u>(42,220)</u>	<u>31,595</u>	<u>229</u>	<u>1,382,666</u>
Business-type activities capital assets, net	<u>\$ 1,610,626</u>	<u>\$ 17,508</u>	<u>\$ 5,333</u>	<u>\$ 244</u>	<u>\$ 1,633,223</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water/Sewer	\$ 30,968
Convention center	8,601
Parking	3,635
Mass Transit	3,522
Stormwater	1,024
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	<u>1,764</u>
Total depreciation expense - business-type activities	<u><u>\$ 49,514</u></u>

Annexations: The amount reported as additions for water and sewer systems includes \$2,147,426 added from annexations during fiscal year 2011-12.

Commitments - construction projects

At June 30, 2012, the City has \$82,363,552 in project obligations for business-type activities for construction projects in progress as follows: \$74,454,578 for water and sewer projects, \$1,903,438 for transit projects, \$5,892,069 for stormwater projects, \$72,029 for convention center projects, and \$42,438 for parking garage projects. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, federal grants, storm water fees and certificates of participation.

In addition, the City has \$48,826,733 in general government project obligations at June 30, 2012. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction, and other major public facilities. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2012.

C. Deferred Revenue and Unearned Revenue

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

	General	NonMajor Governmental
Amounts arising from cash:		
Police informant account	\$ 46,402	\$ -
Cemetery cash account	8,085	-
Cafeteria plan cash	49,469	-
Deferred vehicle taxes	645,326	-
Grants, program income	-	369,539
Facility fees	250,196	-
Streets and sidewalk advance	-	51,707
	<u>\$ 999,478</u>	<u>\$ 421,246</u>
Amounts not arising from cash:		
Assessments receivable	\$ 529,336	\$ 1,137,897
Taxes receivable	2,173,693	-
Loans receivable	2,093,209	58,122,107
	<u>\$ 4,796,238</u>	<u>\$ 59,260,004</u>
Total	<u>\$ 5,795,716</u>	<u>\$ 59,681,250</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 2,306,697
	Convention center fund	684,771
Nonmajor governmental funds	General fund	379,520
	Nonmajor governmental funds	29,563
	Nonmajor enterprise funds	773,231
Water and sewer fund	General fund	15,362
Internal service funds	General fund	<u>126,512</u>
	Total	<u>\$ 4,315,656</u>

The balance of \$2,306,697 due to general fund includes negative special revenue fund (community development \$376,219, disaster recovery \$111,699 and grants fund \$1,698,739) cash reclassified as due to the general fund and a corresponding reduction in general fund cash and a due from other funds. The remaining \$120,040 due to the general fund is from the grants and community development funds for matching funds. The balance of \$684,771 due to the general fund represents an interfund loan to the convention center fund. The balance of \$379,520 due to nonmajor governmental funds includes \$135,019 due to the Walnut Creek amphitheater capital improvements fund for a reclassification of revenue, \$64,377 due from the housing development fund from the housing bond fund for loans receivable reclassifications, as well as \$180,124 for matching funds due to the grants fund. The balance of \$29,563 represents amounts owed to nonmajor governmental funds for excess grant matches between other nonmajor governmental funds. The balance of \$773,231 due to nonmajor governmental funds from the nonmajor enterprise funds represents the repayment of excess restricted bond cash used to pay debt service. The balance of \$15,362 due to the water and sewer fund and the \$126,512 due to the internal service funds represents a reallocation of proceeds received from the sale of capital assets to the funds where the assets reside.

During the year other interfund balances result from timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances routinely clear out each month or prior to or at year-end.

A summary of interfund transfers for the fiscal year ended June 30, 2012 is as follows:

	General fund	Nonmajor governmental funds	Water and sewer funds	Convention center funds	Parking facilities operating funds	Mass transit fund	Internal service funds	Total Transfers Out
General fund	\$ -	\$ 11,885,979	\$ -	\$ 1,486,746	\$ 1,475,501	\$ 16,868,957	\$ 242,206	31,959,389
Nonmajor governmental funds	10,013,429	-	-	12,752,152	-	1,376,479	-	24,142,060
Water and sewer funds	75,000	1,750,000	-	-	-	-	-	1,825,000
Convention center funds	27,141	2,828,000	-	-	381,337	-	-	3,236,478
Parking facilities operating funds	-	-	-	74,419	-	-	-	74,419
Stormwater utility fund	-	450,000	-	-	-	-	-	450,000
Internal service funds	155,000	-	700,000	-	-	-	-	855,000
Total Transfers In	\$ 10,270,570	\$ 16,913,979	\$ 700,000	\$ 14,313,317	\$ 1,856,838	\$ 18,245,436	\$ 242,206	\$ 62,542,346

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the general fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer made internally in the general fund between its operating and debt service components was \$37,254,335. This transfer was eliminated as part of the consolidation of the general fund as reported in the basic financial statements.

E. Operating leases

During fiscal year 2011-12 total rental payments on noncancelable operating leases was \$6,032,756. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2012:

<u>Fiscal Year Ending June 30</u>	
2013	\$ 5,885,275
2014	4,664,751
2015	3,826,104
2016	2,100,630
2017 and beyond	1,028,607
	<u>\$ 17,505,367</u>

F. Long-term obligations

1. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to finance the City's non-capital related affordable housing program (Housing General Obligation Bonds). General obligation bonds have been issued for both the governmental and business-type activities. The bonds are direct obligations and pledge the full faith and credit of the City. The utility related issues are expected to be repaid with user charges and the remaining bonds are expected to be repaid with general fund revenues. Interest on the bonds is payable semi-annually.

General obligation bonds outstanding at June 30, 2012 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2012</u>
Governmental Activities					
Housing-Series 1996	5.5% to 5.75%	6/1/1996	6/1/2016	\$ 2,280,000	\$ 460,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	-
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	-
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	-
Public Improvement, Series 2002A	3.5% to 4.5%	12/1/2002	2/1/2021	2,900,000	-
Public Improvement, Series 2002B	3.5% to 4.5%	12/1/2002	2/1/2021	43,000,000	-
Public Improvement, Series 2002C	4.0%	12/1/2002	2/1/2013	14,905,000	425,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	1,500,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	6,466,748
Housing, Series, 2004B	3.25% to 4.375%	3/1/2004	4/1/2017	7,000,000	3,505,000
Housing Refunding, Series 2004B	3.25% to 4.0%	3/1/2004	4/1/2012	2,355,000	-
Street Improvement, Series 2005A	3.5% to 5.0%	8/1/2005	2/1/2023	10,600,000	1,750,000
Public Improvement, Series 2005B	3.5% to 5.0%	8/1/2005	2/1/2023	50,585,000	8,450,000
Housing Series 2007 Taxable	4.95% to 5.4%	3/1/2007	3/1/2027	7,000,000	5,250,000
Public Improvement, Series 2009A	2.25% to 4.25%	3/10/2009	2/1/2029	11,130,000	9,465,000
Public Improvement Refunding - Series 2009B	2.25% to 4.0%	3/11/2009	2/1/2017	13,778,981	6,974,154
Housing, Series 2009C - Taxable	3.5% to 5.5%	3/11/2009	2/1/2029	10,000,000	8,500,000
GO Refunding, Series 2009D	3.0% to 5.0%	7/28/2009	12/1/2020	33,640,000	33,530,000
GO Refunding, Series 2009E	4.0% to 5.0%	7/28/2009	12/1/2018	14,180,000	14,180,000
Public Improvement, Series 2009F	2.0% to 5.0%	9/3/2009	2/1/2029	57,665,000	53,065,000
Housing, Series 2009G	3.5% to 5.3%	9/3/2009	2/1/2030	10,000,000	9,000,000
GO Refunding, Series 2011A	3.0% to 5.0%	10/27/2011	9/1/2022	32,055,000	32,055,000
GO Refunding, Series 2011B	0.55% to 1.5%	10/27/2011	9/1/2022	1,870,000	1,870,000
Public Improvement, Series 2012A	2.0% to 5.0%	5/15/2012	4/1/2032	9,000,000	9,000,000
Public Improvement, Series 2012B	2.0% to 5.0%	5/16/2012	4/1/2032	138,600,000	138,600,000
Total Governmental Activities					<u>\$ 344,045,902</u>

General obligation bonds outstanding at June 30, 2012 (continued):

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2012</u>
Business-type Activities					
Water and Sewer:					
Sanitary Sewer Refunding - Series 2002C	4.0%	12/1/2002	2/1/2013	\$ 3,055,000	\$ 90,000
Water Refunding, Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	2,307,846
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	1,370,407
Sanitary Sewer Refunding - Series 2009B	2.25% to 4.0%	3/11/2009	2/1/2017	1,305,737	660,892
Water and Sewer Total					<u>4,429,145</u>
Parking Facilities:					
Parking Facilities Refunding-Series 2009B	2.25% to 4.0%	3/11/2009	2/1/2017	4,445,282	2,249,955
Parking Facilities Total					<u>2,249,955</u>
Total Business-type Activities					<u>\$ 6,679,100</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 21,227,470	\$ 13,449,324	\$ 1,722,531	\$ 194,916
2014	20,969,543	13,521,887	1,605,458	138,151
2015	20,760,143	12,862,355	1,579,857	95,067
2016	19,969,503	12,015,797	1,385,497	50,984
2017	19,739,243	11,121,775	385,757	9,646
2018-2022	99,065,000	41,365,738	-	-
2023-2027	82,210,000	21,799,888	-	-
2028-2032	60,105,000	5,812,012	-	-
	<u>\$ 344,045,902</u>	<u>\$ 131,948,776</u>	<u>\$ 6,679,100</u>	<u>\$ 488,764</u>

Status of bond authorizations

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2012:

October 11, 2011

Housing	\$ 16,000,000
Transportation	20,000,000
	<u>\$ 36,000,000</u>

Defeased debt and refundings

During fiscal year 2011-12, the City issued \$33,925,000 of general obligation public improvement refunding bonds to provide resources for future debt service payments for \$1,820,000 of series 1997 housing bonds, \$9,900,000 of series 2004 public improvement bonds, \$4,175,000 of series 2005A street improvement bonds, and \$19,110,000 of series 2005B public improvement bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$3,807,454. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,488,641 and resulted in an economic gain of \$1,951,766.

Also during fiscal year 2011-12, the City issued \$31,230,000 of water and sewer revenue refunding bonds to generate resources for future debt service payments on \$33,405,000 of series 2004 revenue bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$2,881,888. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$4,181,975 and resulted in an economic gain of \$2,953,698.

In prior years, the City has defeased various other 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 City's government-wide financial statements. As of June 30, 2012, the amount of defeased debt outstanding was \$47,685,000.

2. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are repaid solely from utility user charges. Revenue bonds outstanding at year end are \$629,750,000. The bonds have stated interest rates between 2.25% and 5.0% and one variable rate issue at 4.163% at June 30, 2012. The bonds are payable serially over the next 30 years. Annual debt service requirements for 2011-12 were 24.0% of gross utility revenue and are expected to remain in this range. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 12,895,000	\$ 29,085,687
2014	15,715,000	28,648,138
2015	19,445,000	27,968,263
2016	20,320,000	27,076,099
2017	21,190,000	26,227,204
2018-2022	121,600,000	115,678,027
2023-2027	132,645,000	86,948,138
2028-2032	148,525,000	54,198,476
2033-2037	117,425,000	19,363,566
2038-2040	19,990,000	2,031,500
	<u>\$ 629,750,000</u>	<u>\$ 417,225,098</u>

A trust agreement, dated December 1, 1996 and amended by the First Amending Trust Agreement, dated as of April 15, 2004, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2012.

The debt service coverage ratio for the fiscal year end is as follows:

Operating revenues	\$ 170,451,982
Operating expenses	122,337,133
Operating income	<u>48,114,849</u>
Nonoperating revenues	5,804,244
Nonoperating expenses	<u>(14,119,211)</u>
Change in net assets	39,799,882
Allowable adjustments for coverage calculation	<u>42,781,828</u>
Income available for debt service	82,581,710
Debt service, principal and interest paid on revenue bonds and certain state loans (Parity)	\$ 36,721,035
Debt service coverage ratio	2.25

3. *Other long-term obligations*

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, limited obligation bonds, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is \$733,536,622.

Certificates of participation – demand bonds

The City has previously issued \$243,425,000 in variable rate certificates of participation to finance the construction of the convention center.

This debt was sold by the Walnut Creek Financing Assistance Corporation, a blended component unit of the City, whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to the variable rate certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. The interest rates, per the remarketing agreements, cannot exceed 12.0%. The maximum interest, which cannot exceed 12.0%, required for these variable rate certificates through maturity would be \$405,097,800. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2011-12 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

Issue	Balance June 30, 2012	Agreement Expiration	Fees Paid FY 2012	Interest Rate June 30, 2012
2004A	\$ 55,000,000	January 5, 2013	\$ 468,201	0.17 %
2005B	\$ 188,425,000	December 26, 2014	\$ 1,003,824	0.17/0.16 %

The debt service requirements to maturity for these variable rate certificates of participation, including the converted fixed rate note, are shown below:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ -	\$ 9,481,430
2014	-	9,527,071
2015	7,360,000	9,458,610
2016	7,695,000	9,138,605
2017	8,040,000	8,825,032
2018-2022	46,165,000	38,534,595
2023-2027	58,010,000	27,486,874
2028-2032	77,615,000	13,764,081
2033-2037	38,540,000	1,653,388
	<u>\$ 243,425,000</u>	<u>\$ 127,869,686</u>

Installment financing agreements

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.0% to 5.25% (downtown improvement projects), and 3.0% to 4.25% (parks projects). The City also previously entered into limited obligation bonds that carry fixed coupon interest rates from 3.0% to 5.57% for the purpose of rehabilitating existing structures and constructing remote operations centers. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 10,362,763	\$ 4,769,638
2014	10,456,402	4,419,692
2015	10,549,017	4,071,734
2016	9,688,287	3,752,004
2017	9,730,438	3,460,004
2018-2022	30,313,295	13,516,568
2023-2027	22,955,000	8,405,021
2028-2032	16,135,000	4,129,456
2033-2037	8,305,000	743,313
	<u>\$ 128,495,202</u>	<u>\$ 47,267,430</u>

The City has previously entered into installment financing agreements to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.6% to 5.85% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), 3.0% to 5.0% (construction of a utilities operation center), and 4.16% (equipment). Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 994,336	\$ 203,801
2014	994,335	169,279
2015	994,335	134,850
2016	994,335	100,015
2017	744,335	76,555
2018-2022	1,799,475	157,183
2023-2027	606,424	23,940
2028-2032	93,854	-
	<u>\$ 7,221,429</u>	<u>\$ 865,623</u>

The City entered into a revolving loan in the amount of \$139,758 administered by the state, but with funding from the Environmental Protection Agency. This loan is to be repaid in annual payments over 20 years at 0.0% interest. At June 30, 2012, none of the loan funding had been drawn down. Therefore no payments have been made, no liability has been recorded, and none of the annual payments of \$6,988 are reflected in the above schedule.

The City has previously entered into installment financing agreements to finance various downtown parking facilities. These agreements bear interest at rates ranging from 4.2% to 6.6% with a variable rate component for one agreement, not to exceed 15%, which was 0.21% at June 30, 2012. There are also two variable rate agreements that had interest rates of 0.21% and 0.28% at June 30, 2012. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 3,215,000	\$ 3,308,348
2014	3,325,000	3,192,882
2015	3,435,000	3,074,723
2016	3,530,000	2,968,770
2017	3,660,000	3,003,135
2018-2022	19,290,000	13,264,060
2023-2027	20,105,000	10,242,650
2028-2032	21,840,000	5,972,100
2033-2037	11,525,000	1,075,800
	<u>\$ 89,925,000</u>	<u>\$ 46,102,468</u>

The City has previously issued certificates of participation and master installment financing agreements to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. The debt issues carry fixed interest rates ranging from 1.75% to 4.16%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 4,917,782	\$ 297,994	\$ 904,782	\$ 53,488
2014	4,953,567	175,262	909,378	29,483
2015	2,108,213	65,278	270,723	8,383
2016	2,146,737	26,755	275,670	3,436
	<u>\$ 14,126,299</u>	<u>\$ 565,289</u>	<u>\$ 2,360,553</u>	<u>\$ 94,790</u>

Other City obligations include installment purchase agreements for various land and building acquisitions, and capital construction projects. These agreements and notes bear interest at rates from 0.0% to 7.0%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual maturities on installment purchase agreements and notes are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 179,667	\$ 8,698
2014	53,554	4,594
2015	28,060	623
	<u>\$ 261,281</u>	<u>\$ 13,915</u>

Earned vacation pay

At June 30, 2012, earned vacation pay consists of \$17,932,426 for governmental activities and \$2,828,323 for business-type activities.

Landfill postclosure care costs

State and federal laws and regulations require the City to maintain a final cover over its Wilders Grove landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed for waste disposal on December 31, 1997. During FY12, the third party cost estimate was updated for both postclosure costs and the corrective action plan (CAP) costs associated with ground water violations at the landfill identified in FY08. The \$4,181,908 reported as landfill postclosure liability as of June 30, 2012 includes the CAP report cost estimate as well as the cost to perform the on-going postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to demonstrate financial assurance for postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial assurance test submitted to DENR on November 15, 2011.

4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 213,915,812	\$ 181,525,000	\$ 51,394,910	\$ 344,045,902	\$ 21,227,470
Unamortized premiums - GO bonds	10,667,967	23,095,942	2,707,281	31,056,628	2,707,280
Deferred refundings - GO bonds	(4,975,477)	(3,807,454)	(936,386)	(7,846,545)	(936,388)
Installment financing agreements	161,229,437	92	18,346,747	142,882,782	15,460,212
Unamortized premiums on IFA	1,791,759	-	187,204	1,604,555	187,204
Earned vacation pay	18,446,496	11,650,084	12,164,154	17,932,426	12,164,154
Landfill postclosure	5,205,378	109,313	1,132,783	4,181,908	470,000
Total governmental activities	<u>\$ 406,281,372</u>	<u>\$ 212,572,977</u>	<u>\$ 84,996,693</u>	<u>\$ 533,857,656</u>	<u>\$ 51,279,932</u>
Business-type activities:					
General obligation bonds	\$ 8,569,189	\$ -	\$ 1,890,089	\$ 6,679,100	\$ 1,722,531
Unamortized premium - GO bonds	254,424	-	46,292	208,132	46,291
Deferred refundings - GO bonds	(430,106)	-	(97,269)	(332,837)	(97,269)
Revenue bonds	643,725,000	31,230,000	45,205,000	629,750,000	12,895,000
Unamortized premium - Rev. bonds	21,447,258	5,715,575	2,895,288	24,267,545	1,844,076
Deferred refundings - Rev. bonds	(7,905,853)	(2,881,888)	(793,605)	(9,994,136)	(793,598)
Installment financing agreements	352,793,691	-	9,861,709	342,931,982	5,114,118
Unamortized premiums - IFA	342,738	-	26,355	316,383	26,355
Earned vacation pay	2,814,978	1,493,095	1,479,750	2,828,323	1,479,750
Total business-type activities	<u>\$ 1,021,611,319</u>	<u>\$ 35,556,782</u>	<u>\$ 60,513,609</u>	<u>\$ 996,654,492</u>	<u>\$ 22,237,254</u>

The current year additions to the installment financing agreements include noncash related financing activities in the amount of \$92 for governmental activities.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end \$269,325 of internal service funds earned vacation pay are included above as part of governmental activities. Also, for the governmental activities, landfill closure and postclosure costs and earned vacation pay are generally liquidated by the general fund.

5. Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2012, the City had no arbitrage liabilities.

6. Interest rate swaps

2005 Swap

The City entered into an interest rate swap agreement for the Downtown Municipal Improvement Projects Series 2005B variable rate certificates of participation effective January 20, 2005. The synthetic fixed rate swap effectively changes these variable rate demand obligations (VRDOs) to the fixed rate of 4.36%.

The certificates of participation and the related swap agreement mature on February 1, 2034. The swap notional amount of \$188,425,000 matches the variable rates certificates of participation. Beginning in February 2015, the notional value of the swap and the principal amount of the associated debt will decline annually. Under the swap agreement, the City pays the counterparty a fixed interest payment semiannually at 4.36% of the notional amount and receives a variable interest payment equivalent to the Bond Market Association Municipal Swap Index (BMA). At June 30, 2012, the swap had a negative fair value to the City of \$55,054,765. This mark to market valuation was established by market quotations obtained by the counterparty, representing an estimate of the amount that would be paid for replacement transactions. As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's positive fair value. At June 30, 2012, Citibank NA, the counterparty, was rated "A1" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "A+" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 37.

Using rates as of June 30, 2012, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2005B variable rate certificates, were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2013	\$ -	\$ 339,165	\$ 7,876,165	\$ 8,215,330
2014	-	339,165	7,876,165	8,215,330
2015-2019	40,300,000	1,557,198	36,161,598	37,718,796
2020-2024	50,580,000	1,159,353	26,922,753	28,082,106
2025-2029	63,570,000	659,547	15,316,147	15,975,694
2030-2034	33,975,000	150,597	3,497,197	3,647,794
Total	<u>\$ 188,425,000</u>	<u>\$ 4,205,025</u>	<u>\$ 97,650,025</u>	<u>\$ 101,855,050</u>

*Computed using 4.36% less floating rate paid to the City (0.18% at June 30, 2012) times \$188,425,000 less accumulated annual reductions, if any.

2008 Swap

On February 9, 2006, the City entered into forward starting swap transactions with two financial institutions as related to \$150,000,000 of water and sewer revenue bonds to be issued in 2008. The City engaged the swap transactions effective June 18, 2008 in conjunction with the issue of variable rate revenue bonds. Under the swap agreements, the City pays the counterparties a fixed interest rate payment at 4.163% of the swap notional amount (\$150,000,000) and receives a variable interest rate payment equivalent to the BMA. At June 30, 2012, the swaps had a combined negative fair value to the City of \$38,280,989, which mitigates the City's exposure to credit risk. However, should interest rates change and the fair value of swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair values. At June 30, 2012, Citigroup and Wells Fargo, the counterparties, were rated "A3"/"A"/"A+" and "A1"/"AA-"/"AA-", respectively by Moody's, Standard and Poor's, and Fitch. The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the termination date. As rates vary, variable rate bond interest payments and net swap payments shown

below are components of the business type activities revenue bond debt service requirements as reported on page 36.

Using the rates as of June 30, 2012, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2008 A and B variable rate bonds were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2013	\$ 3,665,000	\$ 257,526	\$ 5,698,478	\$ 5,956,004
2014	3,880,000	250,929	5,552,501	5,803,430
2015-2019	22,040,000	1,143,684	25,307,185	26,450,869
2020-2024	27,415,000	926,802	20,508,069	21,434,871
2025-2029	34,090,000	657,189	14,542,132	15,199,321
2030-2034	42,350,000	322,002	7,125,189	7,447,191
2035	9,630,000	17,334	383,563	400,897
Total	<u>\$ 143,070,000</u>	<u>\$ 3,575,466</u>	<u>\$ 79,117,117</u>	<u>\$ 82,692,583</u>

*Computed using 4.163% less floating rate paid to the City (0.18% at June 30, 2012) times \$150,000,000 less accumulated annual reductions, if any.

G. Restricted assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

	Deposits	Unspent Debt Proceeds
Governmental		
General Fund	\$ 1,240	\$ 17,811,683
Nonmajor governmental funds	98,396	168,560,090
Total governmental	<u>99,636</u>	<u>186,371,773</u>
Enterprise		
Water and sewer fund	13,017,259	62,976,626
Mass transit fund	49,305	-
Nonmajor enterprise funds	7,394,960	561,297
Total enterprise	<u>20,461,524</u>	<u>63,537,923</u>
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	1,226,169
Public utilities equipment replacement fund	-	549,547
Total internal service fund	<u>-</u>	<u>1,775,716</u>
Total	<u>\$ 20,561,160</u>	<u>\$ 251,685,412</u>

Note 4. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents.

The City protects itself from potential loss through a combination of self-insurance retention plus the purchase of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year. No settlements, individually or in the aggregate, have exceeded the City's coverage limits during the past three fiscal years.

City insurance coverages include general liability, automobile liability, police liability, automobile comprehensive, real and personal property, municipal equipment, electronic equipment, and boiler and machinery. For liability, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 per occurrence purchased through the private sector. For property, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value of \$300,000,000 purchased through the private sector. The excess coverage includes \$100,000,000 in the aggregate for loss due to flood, \$10,000,000 annual aggregate for flood plain location losses. The City self insures the first \$1,000,000 of public officials liability, with excess insurance coverage of \$10,000,000 per occurrence purchased through the private sector.

The City of Raleigh, in accordance with NC General Statute §159-29, maintains a Public Official Bond on The Chief Financial Officer in the amount of \$500,000. In addition, the City carries a Blanket Fidelity Bond for all other employees in the amount of \$500,000. City taxes are collected by the Wake and Durham County tax collectors. Wake and Durham County tax collectors are endorsed onto the City of Raleigh Blanket Fidelity Bond to the extent of their liability for collecting taxes on behalf of the City of Raleigh.

Workers' compensation coverage is provided by a \$1,000,000 per occurrence self-insured retention with commercial excess coverage of \$1,000,000.

The City provides medical and dental coverage for employees and retirees. Employees can provide dependent coverage, if desired.

The City, as allowed by GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, uses internal service funds, the risk management fund and the employees' health benefits fund, to account for its risk financing activities. The claims liability total of \$27,660,006 reported for these two internal service funds at June 30, 2012, is based upon the requirements of Statement 10, which require 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. Claims liabilities reported include an estimate for claims incurred but not reported. The changes in reported claims liabilities in fiscal years 2011-12 and 2010-11 are as follows:

	<u>2012</u>	<u>2011</u>
Insurance claims payable, beginning of year	\$ 27,812,204	\$ 34,610,133
Current year claims and changes in estimates	31,533,282	29,790,931
Claim payments	(31,685,480)	(36,588,860)
Insurance claims payable, end of year	<u>\$ 27,660,006</u>	<u>\$ 27,812,204</u>

Insurance claims which are due within one year are estimated to be \$39,928,634.

B. Commitments and contingent liabilities

Commitment - loan guarantees

The City has provided a loan guaranty to Bank of America, in the original amount of \$275,000. The loan balance as of June 30, 2012 was \$43,803. The guaranty provides the borrower, CMA Associates Limited Partnership, financial assistance in connection with the construction and operation of an apartment project at City Market, in accordance with the City's downtown housing redevelopment program.

Commitment - enterprise funds

The City has entered into a raw water storage contract with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's fiscal year 2011-12 obligation was \$685,557. It is estimated, at this time, that the future annual cost to the City will not exceed \$800,000.

Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City continues to be engaged in a land dispute with Hanson Aggregates. The dispute revolves around the City's prohibition of Hanson's quarrying for rock on property it owns adjacent to its Duraleigh Road quarry. The City believes it will prevail in the matter. However, should Hanson prevail, the damages could be substantial. The City has no reserve amount set up to provide payment of any damages that may be awarded in this matter. There is now an excellent chance that this issue will be resolved in late 2012 or 2013 at no cost to the City.

Contingent liabilities – facility fees

The City enters into Thoroughfare Facility Fee Reimbursement contracts that provide developers with contract awards based on the calculated value of the capital contributions to the City. Each contract states minimum amounts that must be paid and recorded as long-term liabilities in the City's entity-wide financial statements. The remaining liability amounts for each contract are paid based on a formula and are contingent on available funds in the facility fee reimbursement account. The total value of the contracts at June 30, 2012 was \$11,662,201. Of this amount, \$4,134,094 was recorded as a liability, and the remaining \$7,528,107 represents a contingent liability.

Contingent liabilities – Charter Square, LLC

On August 12, 2009 the City entered into a tri-party agreement between the City of Raleigh, Charter Square, LLC and Bank of America for the development of Site One, a City owned parcel of land in downtown Raleigh being sold to Charter Square. This agreement was subsequently assigned and amended on December 22, 2010 to replace Bank of America with Americo Financial Life and Annuity Insurance Company.

In these agreements, Charter Square, LLC agreed to construct an office building, pedestrian plaza, and public connector on the Site One property by November 20, 2013. Additionally, should Charter Square fail to meet the milestone of starting construction by September 20, 2012, it was acknowledged that the developer will be unable to meet the project completion milestone date of November 20, 2013. In this case, the City is obligated to repurchase the Site One land for \$5,275,000 and to reimburse construction costs incurred to date, not to exceed \$5,500,000, and other third party project costs, not to exceed \$9,500,000, for a potential maximum obligation to the City of \$20,275,000. On September 18, 2012, all parties agreed to extend the start of the construction milestone by one year to September 20, 2013. As of June 30, 2012, Site One construction has not begun although the developer indicates that planning continues on the project.

C. Jointly governed organizations

Raleigh-Durham Airport Authority. The Raleigh-Durham Airport Authority plans and conducts 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. The authority selects the management and sets the budget and financing requirements of the airport. Each member government contributes \$12,500 annually for administration of the authority. Neither the City nor the other member governments exercise management control or are responsible for budget and financing requirements for the authority. A special airport tax district of Durham and Wake Counties was created to aid in the financing of major airport facilities and is governed by two members each from the respective county boards of commissioners. Because of its limited role in the Raleigh-Durham Airport Authority and the related special tax district, the City does not consider its participation to be a joint venture and, accordingly, further disclosure of the airport entity is not included. The authority does not meet the criteria to be included in the City's financial reporting entity.

Triangle J Council of Governments. The City, in conjunction with three counties and 22 other municipalities are members of the Triangle J Council of Governments. The participating governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of \$106,102 to the council during the fiscal year ended June 30, 2012. The council does not meet the criteria to be included in the City's financial reporting entity.

Related organizations

The Raleigh Housing Authority. The Raleigh Housing Authority assists in providing housing for low income, elderly and disabled residents of the City. The mayor appoints all members of the authority's governing body, but the authority is not otherwise financially accountable to the City. The City has no responsibility in selecting the management of the authority. The primary revenue sources for the authority are federal grants and program revenues. Financial transactions between the City and the authority reflect contractual agreements between the parties for the provision of specific services by the authority for the City.

The City is not responsible for financing any deficits of the authority nor is it entitled to any surplus. In addition, the City does not guarantee any debt of the authority and such debt is not included in determining the City's statutory debt limit.

The Raleigh Historic Districts Commission, Inc. The Raleigh Historic Districts Commission, Inc. was formed in 1993 to exercise jurisdiction for all historic properties and historic overlay districts within Raleigh's city limits and extraterritorial jurisdiction. The commission consists of 12 members appointed by the city council. The City's accountability for the commission does not extend beyond making appointments to the commission. Revenues to support the commission come from private contributions and grants from local and state governments. In the fiscal year ended June 30, 2012 the City appropriated \$46,350 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

The Raleigh Parking Deck Associates, Inc. A for-profit corporation established to finance and construct a parking deck is reflected in substance through a capital lease with the City. The corporation does not meet the criteria to be included in the City's financial reporting entity.

Interlocal agreement with Wake County

Pursuant to enabling legislation in 1991, the City of Raleigh and Wake County entered into an interlocal agreement to provide for the funding of various projects and facilities from the proceeds to be realized from the levy of a county-wide room occupancy tax and a prepared food and beverage tax. The proceeds and distributions of the taxes are accounted for in a special revenue fund maintained by the County. The City, by terms of the enabling legislation, is granted specific allocations of the taxes, but has entered into the interlocal agreement requiring joint action of the City and County governing bodies to expend both the City and County allocations.

At June 30, 2012 the balance of the trust maintained by the County was \$1,530,762, which is not available to the City except for current and future projects jointly determined by the City and the County. During fiscal year 2011-12, the City received funding as follows: an annual \$1,000,000 that the City Council previously dedicated for continuing support of the performing arts and convention center complex; an annual \$680,000 to fund visitor-related programs and activities and \$15,964,642 to support the financing of the convention center facility. The City will continue to receive \$1,000,000 allocations that the City Council may use for any eligible purpose in the original state legislation. In addition, the City will annually receive 85% of all uncommitted interlocal tax funds for debt service and other costs related to the convention center facility.

A tri-party agreement exists between the City of Raleigh, Wake County and the Centennial Authority, a public body created by the State of North Carolina to construct and govern operations of a multi-purpose regional sports and entertainment complex, which opened in October, 1999. Through the interlocal and tri-party agreements, part of the funding for this construction has been provided by the trust. Future receipts from the taxes are committed by the authority for operating support and repayment of the authority's debt.

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6% occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly 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 City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of \$1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2012. All unexpended funds of the bureau revert to the County and City at the end of the fiscal year. Except for an investment in capital assets previously recorded by the City, the only equity in the fund at year-end is for encumbrances which will be expensed in the subsequent year. Based on this, no additional equity interest in the bureau is recorded at June 30, 2012. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

D. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

Plan description. The City contributes to the statewide Local Government 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 beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System 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 LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.05%, respectively, of annually covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$13,036,530, \$12,137,748, and \$9,061,998, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Supplemental Plans

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description. The City contributes to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a board of trustees. The plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officers' salary, and all amounts collected are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$3,459,405 which consisted of \$2,167,384 from the City and \$1,292,021 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

Plan description. The City administers a public employee retirement system (the "separation allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the City'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 City's report as a pension trust fund. A separate stand-alone report is not issued.

All full-time City law enforcement officers are covered by the separation allowance. At December 31, 2011, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	122
Current active employees	<u>763</u>
Total	<u>885</u>

Summary of significant accounting policies:

Basis of accounting. Financial statements for the separation allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. The City pools money from several funds, including the law enforcement officers' separation allowance fund. All such pooled cash and investments are considered cash and cash equivalents, which approximates fair value.

Contributions. The City 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 current year, the City contributed \$2,350,054 or 5.4% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

The City's annual pension cost and net pension obligation to the separation allowance for the current year were as follows:

Employer annual required contribution	\$ 2,262,849
Interest paid on pension obligation	(88,106)
Adjustment to annual required contribution	105,119
Annual pension cost	<u>2,279,862</u>
Employer contributions made for current fiscal year	<u>(2,350,054)</u>
Increase in net pension asset	(70,192)
Net pension (asset) obligation beginning of fiscal year	<u>(1,762,120)</u>
Net pension (asset) obligation end of fiscal year	<u><u>\$ (1,832,312)</u></u>

Annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included 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 percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

The trend information is as follows:

Funding Status:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset End of Year
June 30, 2010	\$ 1,804,092	98.4%	\$ (2,270,701)
June 30, 2011	2,358,084	78.4%	(1,762,120)
June 30, 2012	2,279,862	103.1%	(1,832,312)

The negative amounts shown above as the net pension obligations represent asset amounts or prepaid expenses. At these year-ends, there was no net pension obligation. Other required supplementary information is included in the required supplemental financial data.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was 11.1% funded. The actuarial accrued liability for benefits was \$26,577,019, and the actuarial value of assets was \$2,935,667, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,641,352. The covered payroll (annual payroll of active employees covered by the plan) was \$43,872,223, and the ratio of UAAL to the covered payroll was 53.9%.

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.

Other Post Employment Benefits (OPEB) Plan

Plan description. The City administers a public employee retirement system, single employer defined benefit pension plan that provides health insurance, life insurance, and Medicare supplement benefits to eligible retirees. Employees who meet any of the retirement options available through NCLGERS and retire with 15 or more years of service may continue in the City's group health plan until age 65. Medicare eligible retirees receive a Medicare supplement of \$100 per month. Dependent health coverage is available until the spouse turns 65. The City's group medical coverage continues with the option of limited or zero cost to the retiree, depending on coverage plan selected, until age 65 for retirees that were hired prior to June 30, 2008.

Retirees that were hired on or after June 30, 2008 will pay a maximum of 50% of the premium cost if they retired with 15 years of service until age 65. The percentage of premium contribution decreases by 5% for each additional year of service at retirement, with retirees that have 25 years of service at retirement able to continue coverage at limited or no cost.

For employees hired before July 1, 2007, spouse / dependent coverage for retirees is provided at the same cost as active members. Employees hired on or after July 1, 2007 will have to pay the entire cost for spouse / dependent coverage as a retiree.

Eligible retirees with a minimum of ten years service are provided life insurance coverage as follows: for the first five years after retirement coverage is \$1,750; after five years of retirement coverage reduces to \$1,000. Disabled retirees receive life insurance equal to their salary at the time of disability until age 65. The City Council may amend the benefit provisions at any time. A separate stand-alone report is not issued.

All active full-time employees are eligible for membership. At December 31, 2011, the plan membership consisted of:
Active members:

Law enforcement officers	763
Firefighters	526
General employees	2,380
Retirees	<u>1,445</u>
Total	<u>5,114</u>

Summary of significant accounting policies:

Funding policy. The City pays the full cost or almost full cost of coverage, depending on coverage plan selected, for health care and life insurance benefits, and a \$100 monthly Medicare supplement for eligible retirees. The City has

chosen to fund the plan benefits based on an actuarially determined annual required contribution. For the current year the City contributed \$11,664,803 or 6.2% of the annual covered payroll. Contributions made by retirees for dependent coverage and Medicare supplement premiums were \$1,741,345.

Basis of accounting. Financial statements for the plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and when the City has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the plan terms.

Method used to value investments. The City pools money from several funds, including the OPEB trust fund. All such pooled cash and investments are considered cash and cash equivalents, which approximates fair value.

The City's annual pension cost and net OPEB obligation for the current year were as follows:

Employer annual required contribution	\$	13,405,285
Interest paid on OPEB obligation		78,376
Adjustment to annual required contribution		(63,816)
Annual OPEB cost		<u>13,419,845</u>
Employer contributions made for current fiscal year		<u>(11,664,803)</u>
Increase in net OPEB obligation		1,755,042
Net OPEB (asset) obligation beginning of fiscal year		<u>1,119,652</u>
Net OPEB (asset) obligation end of fiscal year	\$	<u><u>2,874,694</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected medical cost trend rates of 9.5% to 5.0%, including an inflation component of 3.0%. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as level percentage of pay on a closed basis. The remaining amortization period was 28 years.

The trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Plan Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation End of Year</u>
June 30, 2010	\$ 11,217,531	95.7%	\$ 768,054
June 30, 2011	11,594,778	97.0%	1,119,652
June 30, 2012	13,419,845	86.9%	2,874,694

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was 8.5% funded. The actuarial accrued liability for benefits was \$151,583,713, and the actuarial value of assets was \$12,879,600, resulting in an unfunded actuarial accrued liability (UAAL) of \$138,704,113. The covered payroll (annual payroll of active employees covered by the plan) was \$189,054,112, and the ratio of UAAL to the covered payroll was 73.4%.

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Other required supplementary information is included in the required supplementary financial data.

Supplemental Retirement Plan – Section 401a

Plan description. The City contributes to a Section 401a Money Purchase Pension Plan for the purpose of providing supplemental retirement benefits to general employees. This plan is a defined contribution plan and is reported as a pension trust fund. The City is a trustee of all plan resources. The plan is managed by the City and administered by Branch Banking and Trust Company with investment options being exercised by employees.

Funding policy. For each eligible employee who contributes a minimum of 1.0% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 2.0%) into the 401a plan. During fiscal year 2011-12, the City contributed \$2,261,280 to the plan.

The FY2011-12 Combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENT NET ASSETS

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ASSETS				
Cash and cash equivalents	\$ 36,034,826	\$ 1,926,047	\$ 16,296,154	\$ 54,257,027
Accrued interest receivable	-	16,245	49,141	65,386
Total assets	<u>36,034,826</u>	<u>1,942,292</u>	<u>16,345,295</u>	<u>54,322,413</u>
LIABILITIES				
Claims payable	-	-	515,345	515,345
NET ASSETS				
Held in trust for employees' retirement and other post-employment benefits	<u>\$ 36,034,826</u>	<u>\$ 1,942,292</u>	<u>\$ 15,829,950</u>	<u>\$ 53,807,068</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,261,280	\$ 2,350,054	\$ 11,664,803	\$ 16,276,137
Retiree contributions	-	-	1,741,345	1,741,345
Interest	834,958	75,268	332,266	1,242,492
Net increase (decrease) in the fair value of investments	(684,250)	(104,247)	(197,939)	(986,436)
Less investment expense	(51,956)	-	-	(51,956)
Total additions	<u>2,360,032</u>	<u>2,321,075</u>	<u>13,540,475</u>	<u>18,221,582</u>
DEDUCTIONS				
Benefits	1,583,655	2,831,758	10,500,713	14,916,126
Withdrawals and forfeitures	211,714	-	-	211,714
Total deductions	<u>1,795,369</u>	<u>2,831,758</u>	<u>10,500,713</u>	<u>15,127,840</u>
Change in net assets restricted for:				
Employees' retirement and other post-employment benefits	564,663	(510,683)	3,039,762	3,093,742
Net assets, beginning of year	<u>35,470,163</u>	<u>2,452,975</u>	<u>12,790,188</u>	<u>50,713,326</u>
Net assets, end of year	<u>\$ 36,034,826</u>	<u>\$ 1,942,292</u>	<u>\$ 15,829,950</u>	<u>\$ 53,807,068</u>

E. New Pronouncements

The GASB has issued a pronouncement which is effective for the fiscal year ended June 30, 2012.

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment to GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Management has determined that the impacts of this statement are not applicable to the City.

The GASB has issued pronouncements prior to June 30, 2012 which have an effective date that may impact future presentations.

GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34. This statement is effective for periods beginning after June 15, 2012.

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 63 – Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement is effective for periods beginning after December 15, 2011.

Management has not currently determined what impact the implementation of the above statements may have on the financial statements of the City.

F. Subsequent Events

The City has evaluated events through October 30, 2012 in connection with the preparation of these financial statements which is the date the financials were available to be issued.





Required Supplementary Information



**LAW ENFORCEMENT OFFICERS'
SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2006*	\$ 3,341,952	\$ 18,104,374	\$ 14,762,422	18.5%	\$ 36,919,192	39.9%
2007*	3,212,204	20,637,390	17,425,186	15.6	38,040,517	45.8
2008*	2,954,824	21,207,776	18,252,952	13.9	38,067,290	47.9
2009*	2,795,680	26,817,291	24,021,611	10.4	41,855,845	57.4
2010*	2,967,018	25,647,487	22,680,469	11.6	43,621,569	52.0
2011*	2,935,667	26,577,019	23,641,352	11.1	43,872,223	53.9

Note:

*Information presented as of December 31 actuarial valuation date.

**LAW ENFORCEMENT OFFICERS'
SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 1,498,641	123.6%
2008	1,635,739	115.3
2009	1,734,482	101.4
2010	1,825,948	97.3
2011	2,350,053	78.7
2012	2,262,849	103.9

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2005*	\$ -	\$ 154,882,606	\$ 154,882,606	0.0%	\$ 141,026,686	109.8%
2006*	-	116,429,137	116,429,137	0.0	155,026,716	75.1
2007*	-	133,746,768	133,746,768	0.0	159,006,932	84.1
2008*	4,465,872	132,977,930	128,512,058	3.4	169,937,802	75.6
2010*	10,143,872	150,185,303	140,041,431	6.8	188,427,731	74.3
2011*	12,879,600	151,583,713	138,704,113	8.5	189,054,112	73.4

Notes:

*Information presented as of December 31 actuarial valuation date.

No actuarial report was issued for December 31, 2009.

**OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 9,669,155	89.4%
2009	10,715,321	106.2
2010	11,243,180	95.5
2011	11,580,475	97.1
2012	13,405,285	87.0

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	27 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	7.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50% to 5.00%
Post-Medicare trend rate	3.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%



Combining and Individual Financial Statements and Schedules

The *Combining and Individual Financial Statements and Schedules* reflect the detail level of presentation behind the basic financial statements

Included are the following:

- Combining Statements - By Fund Type
- Individual Fund Schedules with Comparisons to Budget
- Other Schedules - Debt



Nonmajor Governmental Funds

The Nonmajor Governmental Funds statements include the combining balance sheet and combining statement of revenues, expenditures and changes in fund balance for nonmajor special revenue funds and nonmajor capital projects funds that comprise the other governmental funds column in the basic financial statements. The combining nonmajor special revenue funds statements and the combining nonmajor capital projects funds statements are detailed behind the special revenue funds and capital project funds dividers.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 36,500,225	\$ 54,576,500	\$ 91,076,725
Assessments receivable, net of allowance for uncollectibles of \$129,716	-	1,137,897	1,137,897
Due from other funds	274,064	908,250	1,182,314
Due from other governmental agencies	7,934,622	4,711,928	12,646,550
Accrued interest receivable	79,416	129,854	209,270
Sales tax receivable	193,570	1,306,457	1,500,027
Loans receivable	58,122,107	-	58,122,107
Cash and cash equivalents/investments - restricted deposits and bond proceeds	5,860,761	162,797,725	168,658,486
Total assets	\$ 108,964,765	\$ 225,568,611	\$ 334,533,376
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,429,458	\$ 14,527,555	\$ 15,957,013
Accrued salaries and employee payroll taxes	1,242	-	1,242
Loan servicing escrow	439,025	-	439,025
Reimbursable facility fees	-	4,134,094	4,134,094
Other liabilities	-	790,615	790,615
Due to other funds	2,322,596	13,664	2,336,260
Deferred revenue	58,122,107	1,137,897	59,260,004
Unearned revenue	122,020	299,226	421,246
Escrow and other deposits payable from restricted assets	-	98,396	98,396
Total liabilities	62,436,448	21,001,447	83,437,895
Fund balances:			
Restricted for debt service	34,096,788	-	34,096,788
Restricted for public safety	1,695,845	-	1,695,845
Assigned:			
Assigned for subsequent year's appropriation	3,266,081	194,266,117	197,532,198
Assigned for city projects	-	10,301,047	10,301,047
Assigned for community development	6,054,013	-	6,054,013
Assigned for disaster recovery	1,415,590	-	1,415,590
Total fund balances	46,528,317	204,567,164	251,095,481
Total liabilities and fund balances	\$ 108,964,765	\$ 225,568,611	\$ 334,533,376

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds	Capital Projects Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 31,992,147	\$ 13,655,820	\$ -	\$ 45,647,967
Developer participation	-	510,319	-	510,319
Assessments	-	1,336,466	-	1,336,466
Gain (loss) on investments	227,879	424,125	-	652,004
Facility fees	-	6,631,807	-	6,631,807
Rents	307,686	-	-	307,686
Program income	2,569,298	-	-	2,569,298
Miscellaneous other	643,702	101,212	-	744,914
Total revenues	<u>35,740,712</u>	<u>22,659,749</u>	<u>-</u>	<u>58,400,461</u>
EXPENDITURES				
Current:				
General government	2,419,133	-	-	2,419,133
Community development services	6,647,130	-	-	6,647,130
Public works	3,227,876	-	-	3,227,876
Public safety	4,087,119	-	-	4,087,119
Leisure services	8,269,909	-	-	8,269,909
Economic development programs	3,441,666	-	-	3,441,666
Street paving/sidewalk projects	-	22,461,478	-	22,461,478
Parks and recreation projects	-	44,411,915	-	44,411,915
Walnut creek amphitheater projects	-	271,514	-	271,514
Other public improvements	-	9,851,712	-	9,851,712
Technology capital projects	-	1,668,715	-	1,668,715
Debt service:				
Principal	-	120,000	-	120,000
Total expenditures	<u>28,092,833</u>	<u>78,785,334</u>	<u>-</u>	<u>106,878,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,647,879</u>	<u>(56,125,585)</u>	<u>-</u>	<u>(48,477,706)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,514,000	14,462,479	(62,500)	16,913,979
Transfers out	(13,152,152)	(11,052,408)	62,500	(24,142,060)
Bonds issued	-	147,600,000	-	147,600,000
Total other financing sources and uses	<u>(10,638,152)</u>	<u>151,010,071</u>	<u>-</u>	<u>140,371,919</u>
Net change in fund balances	(2,990,273)	94,884,486	-	91,894,213
Fund balances - beginning	49,518,590	109,682,678	-	159,201,268
Fund balances - ending	<u>\$ 46,528,317</u>	<u>\$ 204,567,164</u>	<u>\$ -</u>	<u>\$ 251,095,481</u>



Special Revenue Funds

The primary purpose of the *Special Revenue Funds* is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Revenue sources accounted for through the City's special revenue funds include disaster recovery fund, housing bond fund, convention center financing funds, emergency telephone system fund, and various grant funds.



Special Revenue Funds

Grants Fund (nonmajor fund)

The Grants Fund accounts for activities to which federal, state, and other aid is contributed, with the exception of capital projects, federal community development, and public transportation assistance. This fund centralizes all funding sources for these activities and provides for full budgetary accountability.

Housing Bond Fund (nonmajor fund)

The Housing Bond Fund accounts for City housing development programs which are financed by general obligation bond issues.

Community Development Fund (nonmajor fund)

The Community Development Fund accounts for United States Department of Housing and Urban Development (HUD) grant proceeds allocated to the City for community development programs.

Disaster Recovery Fund (nonmajor fund)

The Disaster Recovery Fund accounts for federal and state reimbursement for disaster recovery activities resulting from various natural disasters and the City's flood mitigation program.

Convention Center Financing Fund (nonmajor fund)

The Convention Center Financing Fund accounts for hotel and motel occupancy taxes collected by the County and remitted to the City per an interlocal agreement to fund the financing of the Convention Center.

Emergency Telephone System Fund (nonmajor fund)

The Emergency Telephone System Fund is used to account for 911 revenues received by the state 911 board to enhance the state's 911 system.

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Grants Fund	Housing Bond Fund	Community Development Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,682,818	\$ -
Due from other governmental agencies	2,799,726	-	687,011
Accrued interest receivable	-	-	-
Sales tax receivable	116,087	-	7,494
Due from other funds	193,787	64,377	15,900
Loans receivable	-	34,611,605	23,510,502
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	5,860,761	-
Total assets	<u>\$ 3,109,600</u>	<u>\$ 44,219,561</u>	<u>\$ 24,220,907</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,195,744	\$ 65,789	\$ 74,392
Accrued salaries and employee payroll taxes	-	-	-
Loan servicing escrow	-	222,073	216,952
Due to other funds	1,791,836	-	419,061
Deferred revenue	-	34,611,605	23,510,502
Unearned revenue	122,020	-	-
Total liabilities	<u>3,109,600</u>	<u>34,899,467</u>	<u>24,220,907</u>
Fund balances:			
Restricted:			
Debt service	-	-	-
Public safety	-	-	-
Assigned:			
Assigned for subsequent year's appropriation	-	3,266,081	-
Assigned for community development	-	6,054,013	-
Assigned for disaster recovery	-	-	-
Total fund balances	<u>-</u>	<u>9,320,094</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,109,600</u>	<u>\$ 44,219,561</u>	<u>\$ 24,220,907</u>



Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 31,104,518	\$ 1,712,889	\$ 36,500,225
1,531,811	2,916,074	-	7,934,622
-	76,196	3,220	79,416
3,244	-	66,745	193,570
-	-	-	274,064
-	-	-	58,122,107
-	-	-	5,860,761
<u>\$ 1,535,055</u>	<u>\$ 34,096,788</u>	<u>\$ 1,782,854</u>	<u>\$ 108,964,765</u>
\$ 7,766	\$ -	\$ 85,767	\$ 1,429,458
-	-	1,242	1,242
-	-	-	439,025
111,699	-	-	2,322,596
-	-	-	58,122,107
-	-	-	122,020
<u>119,465</u>	<u>-</u>	<u>87,009</u>	<u>62,436,448</u>
-	34,096,788	-	34,096,788
-	-	1,695,845	1,695,845
-	-	-	3,266,081
-	-	-	6,054,013
1,415,590	-	-	1,415,590
<u>1,415,590</u>	<u>34,096,788</u>	<u>1,695,845</u>	<u>46,528,317</u>
<u>\$ 1,535,055</u>	<u>\$ 34,096,788</u>	<u>\$ 1,782,854</u>	<u>\$ 108,964,765</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012**

	Grants Fund	Housing Bond Fund	Community Development Fund
REVENUES			
Intergovernmental	\$ 8,616,045	\$ -	\$ 4,494,748
Gain (loss) on investments	-	4,842	-
Rents	-	-	307,686
Program income	-	1,224,357	1,344,941
Miscellaneous other	637,161	6,541	-
Total revenues	<u>9,253,206</u>	<u>1,235,740</u>	<u>6,147,375</u>
EXPENDITURES			
Current:			
General government	1,511,324	-	-
Community development services	499,755	-	6,147,375
Public works	3,227,876	-	-
Public safety	1,855,342	-	-
Leisure services	2,294,909	-	-
Economic development programs	-	3,441,666	-
Total expenditures	<u>9,389,206</u>	<u>3,441,666</u>	<u>6,147,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(136,000)</u>	<u>(2,205,926)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	136,000	-	-
Transfers out	-	(400,000)	-
Total other financing sources and uses	<u>136,000</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	-	(2,605,926)	-
Fund balances - beginning	-	11,926,020	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 9,320,094</u>	<u>\$ -</u>



Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
\$ 907,809	\$ 15,964,642	\$ 2,008,903	\$ 31,992,147
-	214,902	8,135	227,879
-	-	-	307,686
-	-	-	2,569,298
-	-	-	643,702
<u>907,809</u>	<u>16,179,544</u>	<u>2,017,038</u>	<u>35,740,712</u>
907,809	-	-	2,419,133
-	-	-	6,647,130
-	-	-	3,227,876
-	-	2,231,777	4,087,119
-	5,975,000	-	8,269,909
-	-	-	3,441,666
<u>907,809</u>	<u>5,975,000</u>	<u>2,231,777</u>	<u>28,092,833</u>
-	10,204,544	(214,739)	7,647,879
-	2,378,000	-	2,514,000
-	(12,752,152)	-	(13,152,152)
-	(10,374,152)	-	(10,638,152)
-	(169,608)	(214,739)	(2,990,273)
1,415,590	34,266,396	1,910,584	49,518,590
<u>\$ 1,415,590</u>	<u>\$ 34,096,788</u>	<u>\$ 1,695,845</u>	<u>\$ 46,528,317</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
GRANTS FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
U.S. Department of Transportation Corporation for National and Community Service	\$ 5,891,358	\$ 3,484,691	\$ 9,376,049	\$ 11,890,311	\$ (2,514,262)
U.S. Department of Justice	14,000	378,426	392,426	691,135	(298,709)
U.S. Department of Energy	1,581,228	917,122	2,498,350	2,679,288	(180,938)
U.S. Department of Homeland Security	1,117,370	2,738,555	3,855,925	4,550,907	(694,982)
U.S. Department of the Interior	947,465	394,726	1,342,191	1,500,025	(157,834)
U.S. Department of Commerce	14,600	(2,600)	12,000	19,000	(7,000)
Office of National Drug Control Policy	2,454	67,920	70,374	78,000	(7,626)
State of North Carolina	16,611	28,660	45,271	76,535	(31,264)
Wake County	408,988	495,052	904,040	921,809	(17,769)
	67,429	113,493	180,922	213,806	(32,884)
	<u>10,061,503</u>	<u>8,616,045</u>	<u>18,677,548</u>	<u>22,620,816</u>	<u>(3,943,268)</u>
Miscellaneous other	749,727	637,161	1,386,888	1,644,877	(257,989)
Total revenues	<u>10,811,230</u>	<u>9,253,206</u>	<u>20,064,436</u>	<u>24,265,693</u>	<u>(4,201,257)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	73,500	73,500	73,500	-
Miscellaneous capital improvements fund	-	62,500	62,500	62,500	-
Total other financing sources	<u>-</u>	<u>136,000</u>	<u>136,000</u>	<u>136,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 10,811,230</u>	<u>\$ 9,389,206</u>	<u>\$ 20,200,436</u>	<u>\$ 24,401,693</u>	<u>\$ (4,201,257)</u>
EXPENDITURES					
General government	\$ 491,641	\$ 1,511,324	\$ 2,002,965	\$ 2,583,915	\$ (580,950)
Community development services	16,884	499,755	516,639	708,669	(192,030)
Public works	3,436,813	3,227,876	6,664,689	8,828,603	(2,163,914)
Public safety	2,841,396	1,855,342	4,696,738	5,189,112	(492,374)
Leisure services	4,024,496	2,294,909	6,319,405	7,091,394	(771,989)
Total expenditures	<u>\$ 10,811,230</u>	<u>\$ 9,389,206</u>	<u>\$ 20,200,436</u>	<u>\$ 24,401,693</u>	<u>\$ (4,201,257)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING BOND FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 4,842	\$ 4,842	\$ -	\$ 4,842
Program income	-	1,224,357	1,224,357	248,000	976,357
Miscellaneous other	-	6,541	6,541	-	6,541
Total revenues	<u>-</u>	<u>1,235,740</u>	<u>1,235,740</u>	<u>248,000</u>	<u>987,740</u>
OTHER FINANCING SOURCES					
Bonds issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,825,000</u>	<u>(6,825,000)</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,235,740</u>	<u>\$ 1,235,740</u>	<u>7,073,000</u>	<u>\$ (5,837,260)</u>
Fund balance appropriated				<u>17,895,200</u>	
				<u>\$ 24,968,200</u>	
EXPENDITURES					
Economic development programs	<u>\$ 12,995,164</u>	<u>\$ 3,441,666</u>	<u>\$ 16,436,830</u>	<u>\$ 24,568,200</u>	<u>\$ (8,131,370)</u>
OTHER FINANCING USES					
Transfer to general fund	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 12,995,164</u>	<u>\$ 3,841,666</u>	<u>\$ 16,836,830</u>	<u>\$ 24,968,200</u>	<u>\$ (8,131,370)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 COMMUNITY DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2012**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 15,964,086	\$ 4,494,748	\$ 20,458,834	\$ 28,588,998	\$ (8,130,164)
Rents	415,024	307,686	722,710	662,962	59,748
Program income	3,968,759	1,344,941	5,313,700	4,842,527	471,173
Total revenues	\$ 20,347,869	\$ 6,147,375	\$ 26,495,244	\$ 34,094,487	\$ (7,599,243)
EXPENDITURES					
Community development services	\$ 20,347,869	\$ 6,147,375	\$ 26,495,244	\$ 34,094,487	\$ (7,599,243)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 DISASTER RECOVERY FUND
 For the Fiscal Year Ended June 30, 2012**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ 3,587,197	\$ 907,809	\$ 4,495,006	\$ 6,045,666	\$ (1,550,660)
NC Department of Transportation	80,347	-	80,347	80,347	-
Total revenues	\$ 3,667,544	\$ 907,809	\$ 4,575,353	\$ 6,126,013	\$ (1,550,660)
EXPENDITURES					
General government	\$ 3,667,544	\$ 907,809	\$ 4,575,353	\$ 6,126,013	\$ (1,550,660)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 CONVENTION CENTER FINANCING FUND
 For the Fiscal Year Ended June 30, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
Wake County	\$ 15,964,642	\$ 13,787,000	\$ 2,177,642
Gain (loss) on investments	214,902	977,000	(762,098)
Total revenues	<u>16,179,544</u>	<u>14,764,000</u>	<u>1,415,544</u>
OTHER FINANCING SOURCES			
Transfer from:			
Convention center complex operating fund	<u>2,378,000</u>	<u>2,378,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 18,557,544</u>	17,142,000	<u>\$ 1,415,544</u>
Fund balance appropriated		<u>5,512,000</u>	
		<u>\$ 22,654,000</u>	
EXPENDITURES			
Leisure services	<u>\$ 5,975,000</u>	<u>\$ 8,353,000</u>	<u>\$ (2,378,000)</u>
OTHER FINANCING USES			
Transfer to:			
Convention center complex operating fund	<u>12,752,152</u>	<u>14,301,000</u>	<u>(1,548,848)</u>
Total other financing uses	<u>12,752,152</u>	<u>14,301,000</u>	<u>(1,548,848)</u>
Total expenditures and other financing uses	<u>\$ 18,727,152</u>	<u>\$ 22,654,000</u>	<u>\$ (3,926,848)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
EMERGENCY TELEPHONE SYSTEM FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 2,008,903	\$ 2,055,715	\$ (46,812)
Gain (loss) on investments	8,135	-	8,135
Total revenues	<u>\$ 2,017,038</u>	<u>2,055,715</u>	<u>\$ (38,677)</u>
Fund balance appropriated		720,342	
		<u>\$ 2,776,057</u>	
EXPENDITURES			
Telephone	\$ 1,105,449	\$ 1,615,895	\$ (510,446)
Furniture	9,080	-	9,080
Software maintenance	623,437	709,462	(86,025)
Hardware maintenance	197,105	117,596	79,509
Training	9,102	18,580	(9,478)
S.L. 2010-158 expenditures	287,604	314,524	(26,920)
	<u>\$ 2,231,777</u>	<u>\$ 2,776,057</u>	<u>\$ (544,280)</u>



General Capital Projects Funds

The purpose of the *General Capital Projects Funds* are to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures, and the revenues used to fund them, are accumulated until the year the project is completed. General projects accounted for within the general capital projects funds include street projects, park improvements, technology projects, major public facilities and other miscellaneous capital projects.



General Capital Projects Funds

Street Improvement Fund (nonmajor fund)

The Street Improvement Fund accounts for all street improvement programs to be financed from applicable street assessment proceeds and other non-bond street improvement resources.

Street Bond Fund (nonmajor fund)

The Street Bond Fund accounts for the street construction projects financed from the general obligation street bond issues.

Sidewalk Fund (nonmajor fund)

The Sidewalk Fund accounts for capital project costs for the construction of sidewalks within the City.

Park Improvement Fund (nonmajor fund)

The Park Improvement Fund accounts for transfers from the general fund and other revenues and allocations, and all project costs in the construction of park improvements as well as park land and greenway acquisition.

Facility Fees Fund (nonmajor fund)

The Facility Fees Fund accounts for facility fees collected from developers to be expended for street and park capital purposes within designated zones in the City.

Park Bond Fund (nonmajor fund)

The Park Bond Fund accounts for all bond proceeds and capital project costs related to the construction of park improvements or park land acquisition.

Miscellaneous Capital Improvements Fund (nonmajor fund)

The Miscellaneous Capital Improvements Fund accounts for all capital improvement costs not applicable to other capital improvement programs. These improvements are financed from non-bond resources.

Walnut Creek Amphitheater Fund (nonmajor fund)

The Walnut Creek Amphitheater Fund accounts for capital projects costs of the Amphitheater financed by a portion of the Amphitheater rent.

Technology Capital Projects Fund (nonmajor fund)

The Technology Capital Projects Fund accounts for long-term technology projects as recommended by the City's technology governance process. These projects are financed from general fund resources.

Major Public Facilities Fund (nonmajor fund)

The Major Public Facilities Fund accounts for capital project costs for construction of new public facilities including remote operations centers for streets, parks, solid waste and public works. These projects are financed from certificates of participation debt issues.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2012

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 14,558,935	\$ 5,748,232	\$ 5,194,211	\$ 5,697,177
Assessments receivable, net of allowance for uncollectibles of \$129,716	1,137,897	-	-	-
Due from other funds	-	-	-	-
Due from other governmental agencies	164,872	-	-	-
Accrued interest receivable	50,439	12,878	16,098	12,878
Sales tax receivable	142,607	102,643	2,332	32,865
Cash and cash equivalents/investments - restricted deposits and bond proceeds	85,830	54,797,534	-	-
Total assets	<u>16,140,580</u>	<u>60,661,287</u>	<u>5,212,641</u>	<u>5,742,920</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	4,473,474	1,197,386	94,675	66,733
Reimbursable facility fees	-	-	-	-
Other liabilities	617,633	-	150,829	15,457
Due to other funds	-	-	-	-
Deferred revenue	1,137,897	-	-	-
Unearned revenue	18,434	-	6,227	27,046
Escrow and other deposits payable from restricted assets	85,830	-	-	-
Total liabilities	<u>6,333,268</u>	<u>1,197,386</u>	<u>251,731</u>	<u>109,236</u>
Fund balances:				
Assigned:				
Assigned for subsequent year's appropriation	9,807,312	59,463,901	4,458,605	3,070,839
Assigned for city projects	-	-	502,305	2,562,845
Total fund balances	<u>9,807,312</u>	<u>59,463,901</u>	<u>4,960,910</u>	<u>5,633,684</u>
Total liabilities and fund balances	<u>\$ 16,140,580</u>	<u>\$ 60,661,287</u>	<u>\$ 5,212,641</u>	<u>\$ 5,742,920</u>



Facility Fees Fund	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Total Nonmajor Capital Projects Funds
\$ 5,647,253	\$ -	\$ 10,567,638	\$ 2,449,090	\$ 4,340,872	\$ 373,092	\$ 54,576,500
-	-	-	-	-	-	1,137,897
-	-	773,231	135,019	-	-	908,250
-	4,547,056	-	-	-	-	4,711,928
-	-	37,561	-	-	-	129,854
195	724,554	69,836	2,859	13,234	215,332	1,306,457
12,566	69,736,990	7,790,816	-	-	30,373,989	162,797,725
<u>5,660,014</u>	<u>75,008,600</u>	<u>19,239,082</u>	<u>2,586,968</u>	<u>4,354,106</u>	<u>30,962,413</u>	<u>225,568,611</u>
-	8,076,004	543,580	-	75,703	-	14,527,555
4,134,094	-	-	-	-	-	4,134,094
-	-	6,696	-	-	-	790,615
-	13,664	-	-	-	-	13,664
-	-	-	-	-	-	1,137,897
-	247,519	-	-	-	-	299,226
12,566	-	-	-	-	-	98,396
<u>4,146,660</u>	<u>8,337,187</u>	<u>550,276</u>	<u>-</u>	<u>75,703</u>	<u>-</u>	<u>21,001,447</u>
-	66,671,413	14,656,966	896,265	4,278,403	30,962,413	194,266,117
1,513,354	-	4,031,840	1,690,703	-	-	10,301,047
<u>1,513,354</u>	<u>66,671,413</u>	<u>18,688,806</u>	<u>2,586,968</u>	<u>4,278,403</u>	<u>30,962,413</u>	<u>204,567,164</u>
<u>\$ 5,660,014</u>	<u>\$ 75,008,600</u>	<u>\$ 19,239,082</u>	<u>\$ 2,586,968</u>	<u>\$ 4,354,106</u>	<u>\$ 30,962,413</u>	<u>\$ 225,568,611</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2012

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Facility Fees Fund
REVENUES					
Intergovernmental	\$ 6,063,135	\$ -	\$ -	\$ -	\$ -
Developer participation	72,813	437,506	-	-	-
Assessments	1,266,163	-	70,303	-	-
Gain (loss) on investments	141,253	61,416	49,245	32,523	-
Facility fees	-	-	-	35,079	6,461,709
Miscellaneous other	-	-	61,827	30,927	-
Total revenues	<u>7,543,364</u>	<u>498,922</u>	<u>181,375</u>	<u>98,529</u>	<u>6,461,709</u>
EXPENDITURES					
Current:					
Street paving/sidewalk projects	12,235,322	9,731,937	494,219	-	-
Parks and recreation projects	-	-	-	1,452,992	-
Walnut Creek Amphitheater projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Debt Service:					
Principal	120,000	-	-	-	-
Total expenditures	<u>12,355,322</u>	<u>9,731,937</u>	<u>494,219</u>	<u>1,452,992</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,811,958)</u>	<u>(9,233,015)</u>	<u>(312,844)</u>	<u>(1,354,463)</u>	<u>6,461,709</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,363,752	430,000	151,000	2,865,000	-
Transfers out	(1,418,824)	-	(522,539)	(82,610)	(5,525,834)
Bonds issued	-	50,000,000	-	-	-
Total other financing sources and uses	<u>2,944,928</u>	<u>50,430,000</u>	<u>(371,539)</u>	<u>2,782,390</u>	<u>(5,525,834)</u>
Net change in fund balances	(1,867,030)	41,196,985	(684,383)	1,427,927	935,875
Fund balances beginning	11,674,342	18,266,916	5,645,293	4,205,757	577,479
Fund balances - ending	<u>\$ 9,807,312</u>	<u>\$ 59,463,901</u>	<u>\$ 4,960,910</u>	<u>\$ 5,633,684</u>	<u>\$ 1,513,354</u>



Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Combining Eliminations	Total Nonmajor Capital Projects Funds
\$ 7,315,578	\$ -	\$ -	\$ -	\$ 277,107	\$ -	\$ 13,655,820
-	-	-	-	-	-	510,319
-	-	-	-	-	-	1,336,466
9,586	110,776	-	-	19,326	-	424,125
-	-	135,019	-	-	-	6,631,807
1,500	6,958	-	-	-	-	101,212
<u>7,326,664</u>	<u>117,734</u>	<u>135,019</u>	<u>-</u>	<u>296,433</u>	<u>-</u>	<u>22,659,749</u>
-	-	-	-	-	-	22,461,478
42,958,923	-	-	-	-	-	44,411,915
-	-	271,514	-	-	-	271,514
-	2,754,136	-	-	7,097,576	-	9,851,712
-	-	-	1,668,715	-	-	1,668,715
-	-	-	-	-	-	120,000
<u>42,958,923</u>	<u>2,754,136</u>	<u>271,514</u>	<u>1,668,715</u>	<u>7,097,576</u>	<u>-</u>	<u>78,785,334</u>
(35,632,259)	(2,636,402)	(136,495)	(1,668,715)	(6,801,143)	-	(56,125,585)
391,100	1,024,604	-	7,145,396	-	(1,908,373)	14,462,479
-	(1,729,986)	-	(3,680,988)	-	1,908,373	(11,052,408)
96,100,000	1,500,000	-	-	-	-	147,600,000
<u>96,491,100</u>	<u>794,618</u>	<u>-</u>	<u>3,464,408</u>	<u>-</u>	<u>-</u>	<u>151,010,071</u>
60,858,841	(1,841,784)	(136,495)	1,795,693	(6,801,143)	-	94,884,486
5,812,572	20,530,590	2,723,463	2,482,710	37,763,556	-	109,682,678
<u>\$ 66,671,413</u>	<u>\$ 18,688,806</u>	<u>\$ 2,586,968</u>	<u>\$ 4,278,403</u>	<u>\$ 30,962,413</u>	<u>\$ -</u>	<u>\$ 204,567,164</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 14,721,689	\$ 6,063,135	\$ 20,784,824	\$ 39,539,431	\$ (18,754,607)
Developer participation	2,522,921	72,813	2,595,734	3,940,067	(1,344,333)
Assessments	-	1,266,163	1,266,163	936,449	329,714
Gain (loss) on investments	-	141,253	141,253	210,000	(68,747)
Miscellaneous other	97,133	-	97,133	97,133	-
Total revenues	<u>17,341,743</u>	<u>7,543,364</u>	<u>24,885,107</u>	<u>44,723,080</u>	<u>(19,837,973)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	4,341,213	4,341,213	3,272,834	1,068,379
Sidewalk fund	-	22,539	22,539	22,539	-
Facility fees fund	-	-	-	87,389	(87,389)
Total other financing sources	<u>-</u>	<u>4,363,752</u>	<u>4,363,752</u>	<u>3,382,762</u>	<u>980,990</u>
Total revenues and other financing sources	<u>\$ 17,341,743</u>	<u>\$ 11,907,116</u>	<u>\$ 29,248,859</u>	<u>48,105,842</u>	<u>\$ (18,856,983)</u>
Fund balance appropriated				<u>60,534,080</u>	
				<u>\$ 108,639,922</u>	
EXPENDITURES					
Street projects	\$ 67,319,832	\$ 12,355,322	\$ 79,675,154	\$ 107,221,098	\$ (27,545,944)
OTHER FINANCING USES					
Transfers to:					
General fund	-	42,345	42,345	42,345	-
Mass transit fund	-	1,376,479	1,376,479	1,376,479	-
Total other financing uses	<u>-</u>	<u>1,418,824</u>	<u>1,418,824</u>	<u>1,418,824</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 67,319,832</u>	<u>\$ 13,774,146</u>	<u>\$ 81,093,978</u>	<u>\$ 108,639,922</u>	<u>\$ (27,545,944)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET BOND FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 162,206	\$ -	\$ 162,206	\$ 2,491,539	\$ (2,329,333)
Developer participation	-	437,506	437,506	390,000	47,506
Gain (loss) on investments	-	61,416	61,416	340,000	(278,584)
Total revenues	<u>162,206</u>	<u>498,922</u>	<u>661,128</u>	<u>3,221,539</u>	<u>(2,560,411)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	404,166	404,166	404,166	-
Facility fees fund	-	25,834	25,834	25,834	-
Bonds issued	-	50,000,000	50,000,000	50,000,000	-
Total other financing sources	<u>-</u>	<u>50,430,000</u>	<u>50,430,000</u>	<u>50,430,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 162,206</u>	<u>\$ 50,928,922</u>	<u>\$ 51,091,128</u>	53,651,539	<u>\$ (2,560,411)</u>
Fund balance appropriated				<u>67,532,509</u>	
				<u>\$ 121,184,048</u>	
EXPENDITURES					
Street projects	<u>\$ 68,897,914</u>	<u>\$ 9,731,937</u>	<u>\$ 78,629,851</u>	<u>\$ 121,184,048</u>	<u>\$ (42,554,197)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SIDEWALK FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 86,365	\$ -	\$ 86,365	\$ 1,959,941	\$ (1,873,576)
Gain (loss) on investments	-	49,245	49,245	45,000	4,245
Sidewalk paving assessment	-	70,303	70,303	396,000	(325,697)
Fees in lieu various	-	61,827	61,827	-	61,827
Total revenues	<u>86,365</u>	<u>181,375</u>	<u>267,740</u>	<u>2,400,941</u>	<u>(2,133,201)</u>
OTHER FINANCING SOURCES					
Transfer from general fund	-	151,000	151,000	151,000	-
Total revenues and other financing sources	<u>\$ 86,365</u>	<u>\$ 332,375</u>	<u>\$ 418,740</u>	2,551,941	<u>\$ (2,133,201)</u>
Fund balance appropriated				<u>7,236,538</u>	
				<u>\$ 9,788,479</u>	
EXPENDITURES					
Sidewalk projects	<u>\$ 1,998,423</u>	<u>\$ 494,219</u>	<u>\$ 2,492,642</u>	<u>\$ 9,255,940</u>	<u>\$ (6,763,298)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	200,000	200,000	200,000	-
Grants fund	-	-	-	10,000	(10,000)
Park bond fund	-	300,000	300,000	300,000	-
Street Improvement fund	-	22,539	22,539	22,539	-
Total other financing uses	<u>-</u>	<u>522,539</u>	<u>522,539</u>	<u>532,539</u>	<u>(10,000)</u>
Total expenditures and other financing uses	<u>\$ 1,998,423</u>	<u>\$ 1,016,758</u>	<u>\$ 3,015,181</u>	<u>\$ 9,788,479</u>	<u>\$ (6,773,298)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 32,523	\$ 32,523	\$ 15,000	\$ 17,523
Facility fees	31,377	35,079	66,456	31,377	35,079
Miscellaneous other	111,436	30,927	142,363	142,363	-
Total revenues	<u>142,813</u>	<u>98,529</u>	<u>241,342</u>	<u>188,740</u>	<u>52,602</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	1,365,000	1,365,000	1,365,000	-
Facility fees fund	-	1,500,000	1,500,000	1,500,000	-
Total other financing sources	<u>-</u>	<u>2,865,000</u>	<u>2,865,000</u>	<u>2,865,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 142,813</u>	<u>\$ 2,963,529</u>	<u>\$ 3,106,342</u>	3,053,740	<u>\$ 52,602</u>
Fund balance appropriated				19,889,777	
				<u>\$ 22,943,517</u>	
EXPENDITURES					
Park improvement projects	<u>\$ 16,694,604</u>	<u>\$ 1,452,992</u>	<u>\$ 18,147,596</u>	<u>\$ 22,518,258</u>	<u>\$ (4,370,662)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	22,610	22,610	22,610	-
Park bond fund	-	60,000	60,000	402,649	(342,649)
Total other financing uses	<u>-</u>	<u>82,610</u>	<u>82,610</u>	<u>425,259</u>	<u>(342,649)</u>
Total expenditures and other financing uses	<u>\$ 16,694,604</u>	<u>\$ 1,535,602</u>	<u>\$ 18,230,206</u>	<u>\$ 22,943,517</u>	<u>\$ (4,713,311)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
FACILITY FEES FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Facility fees	\$ -	\$ 6,461,709	\$ 6,461,709	\$ 3,922,412	\$ 2,539,297
Fund balance appropriated				1,603,422	
				<u>\$ 5,525,834</u>	
OTHER FINANCING USES					
Transfers to:					
General fund	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ -
Street bond fund	-	25,834	25,834	25,834	-
Park improvement fund	-	1,500,000	1,500,000	1,500,000	-
Total other financing uses	<u>\$ -</u>	<u>\$ 5,525,834</u>	<u>\$ 5,525,834</u>	<u>\$ 5,525,834</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK BOND FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 20,000	\$ -	\$ 20,000	\$ 1,632,966	\$ (1,612,966)
Wake County	-	2,383,022	2,383,022	8,900,000	(6,516,978)
North Carolina Department of Transportation	-	3,477,073	3,477,073	4,710,000	(1,232,927)
Other municipalities	376,526	1,405,483	1,782,009	2,056,674	(274,665)
Other local sources	50,000	50,000	100,000	100,000	-
Gain (loss) on investments	-	9,586	9,586	125,000	(115,414)
Miscellaneous other	-	1,500	1,500	1,500	-
Total revenues	<u>446,526</u>	<u>7,326,664</u>	<u>7,773,190</u>	<u>17,526,140</u>	<u>(9,752,950)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	31,100	31,100	31,100	-
Sidewalk fund	-	300,000	300,000	300,000	-
Park improvement fund	-	60,000	60,000	402,649	(342,649)
Bonds issued	-	96,100,000	96,100,000	96,100,000	-
Total other financing sources	<u>-</u>	<u>96,491,100</u>	<u>96,491,100</u>	<u>96,833,749</u>	<u>(342,649)</u>
Total revenues and other financing sources	<u>\$ 446,526</u>	<u>\$ 103,817,764</u>	<u>\$ 104,264,290</u>	<u>114,359,889</u>	<u>\$ (10,095,599)</u>
Fund balance appropriated				<u>37,035,601</u>	
				<u>\$ 151,395,490</u>	
EXPENDITURES					
Parks and recreation projects	<u>\$ 39,134,580</u>	<u>\$ 42,958,923</u>	<u>\$ 82,093,503</u>	<u>\$ 151,395,490</u>	<u>\$ (69,301,987)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
U.S. Department of HUD	\$ 52,056	\$ -	\$ 52,056	\$ 173,968	\$ (121,912)
Developer participation	62,500	-	62,500	62,500	-
Gain (loss) on investments	-	110,776	110,776	60,000	50,776
Miscellaneous income	125,061	6,958	132,019	275,062	(143,043)
Total revenues	<u>239,617</u>	<u>117,734</u>	<u>357,351</u>	<u>571,530</u>	<u>(214,179)</u>
OTHER FINANCING SOURCES					
Transfer from general fund	-	1,024,604	1,024,604	1,024,604	-
Bonds issued	-	1,500,000	1,500,000	-	1,500,000
Total other financing sources	<u>-</u>	<u>2,524,604</u>	<u>2,524,604</u>	<u>1,024,604</u>	<u>1,500,000</u>
Total revenues and other financing sources	<u>\$ 239,617</u>	<u>\$ 2,642,338</u>	<u>\$ 2,881,955</u>	1,596,134	<u>\$ 1,285,821</u>
Fund balance appropriated				<u>71,145,274</u>	
				<u>\$ 72,741,408</u>	
EXPENDITURES					
Miscellaneous capital projects	<u>\$ 53,196,594</u>	<u>\$ 2,754,136</u>	<u>\$ 55,950,730</u>	<u>\$ 71,011,422</u>	<u>\$ (15,060,692)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	1,667,486	1,667,486	1,667,486	-
Grants fund	-	62,500	62,500	62,500	-
Total other financing uses	<u>-</u>	<u>1,729,986</u>	<u>1,729,986</u>	<u>1,729,986</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 53,196,594</u>	<u>\$ 4,484,122</u>	<u>\$ 57,680,716</u>	<u>\$ 72,741,408</u>	<u>\$ (15,060,692)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WALNUT CREEK AMPHITHEATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Amphitheater rent	\$ -	\$ 135,019	\$ 135,019	\$ 415,010	\$ (279,991)
Fund balance appropriated				2,312,991	
				<u>\$ 2,728,001</u>	
EXPENDITURES					
Amphitheater capital projects	<u>\$ 1,585,212</u>	<u>\$ 271,514</u>	<u>\$ 1,856,726</u>	<u>\$ 2,728,001</u>	<u>\$ (871,275)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
TECHNOLOGY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Mecklenburg County	\$ 358,769	\$ -	\$ 358,769	\$ 358,769	\$ -
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	4,495,396	4,495,396	4,495,396	-
Water and sewer operating fund	-	1,750,000	1,750,000	1,750,000	-
Stormwater utility operating fund	-	450,000	450,000	450,000	-
Convention center operating fund	-	450,000	450,000	450,000	-
Total other financing sources	-	7,145,396	7,145,396	7,145,396	-
Total revenues and other financing sources	<u>\$ 358,769</u>	<u>\$ 7,145,396</u>	<u>\$ 7,504,165</u>	7,504,165	<u>\$ -</u>
Fund balance appropriated				48,329,366	
				<u>\$ 55,833,531</u>	
EXPENDITURES					
Technology projects	\$ 45,872,276	\$ 1,668,715	\$ 47,540,991	\$ 52,152,543	\$ (4,611,552)
OTHER FINANCING USES					
Transfer to general fund	-	3,680,988	3,680,988	3,680,988	-
Total expenditures and other financing uses	<u>\$ 45,872,276</u>	<u>\$ 5,349,703</u>	<u>\$ 51,221,979</u>	<u>\$ 55,833,531</u>	<u>\$ (4,611,552)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MAJOR PUBLIC FACILITIES FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
American Recovery and Reinvestment Act	\$ 838,695	\$ 277,107	\$ 1,115,802	\$ 1,562,923	\$ (447,121)
Gain (loss) on investments	-	19,326	19,326	-	19,326
Total revenues	<u>838,695</u>	<u>296,433</u>	<u>1,135,128</u>	<u>1,562,923</u>	<u>(427,795)</u>
OTHER FINANCING SOURCES					
Certificates of participation issued	-	-	-	61,181,230	(61,181,230)
Bonds issued	46,225,000	-	46,225,000	288,537,726	(242,312,726)
Premium on bonds issued	1,359,612	-	1,359,612	1,359,612	-
Total other financing sources	<u>47,584,612</u>	<u>-</u>	<u>47,584,612</u>	<u>351,078,568</u>	<u>(303,493,956)</u>
Total revenues and other financing sources	<u>\$ 48,423,307</u>	<u>\$ 296,433</u>	<u>\$ 48,719,740</u>	352,641,491	<u>\$ (303,921,751)</u>
Fund balance appropriated				<u>29,463,610</u>	
				<u>\$ 382,105,101</u>	
EXPENDITURES					
Miscellaneous capital projects	<u>\$ 32,683,832</u>	<u>\$ 7,097,576</u>	<u>\$ 39,781,408</u>	<u>\$ 382,105,101</u>	<u>\$ (342,323,693)</u>



Enterprise Funds

Enterprise Funds are a subclassification of the proprietary fund types and are used to account for operations:

- (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public be recovered through user charges; or,
- (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City's enterprise fund operations include water and sewer utility, convention center, parking facilities, mass transit and stormwater utility.

Enterprise Funds

Water and Sewer Fund (major fund)

The Water and Sewer Fund accounts for operating and capital costs associated with the City's water and sewer operations. This fund combines the Water and Sewer Operating Fund, the Water Capital Projects Fund, the Sewer Capital Projects Fund, the Water and Sewer Revenue Bond Fund.

Convention Center Complex Fund (major fund)

The Convention Center Complex Fund accounts for the operating and capital costs at the City's convention center and performing arts complex. This fund combines the Convention Center Operating Fund, the Convention Center and Memorial Auditorium Projects Fund and the Convention Center Complex Capital Projects Fund.

Parking Facilities Fund (nonmajor fund)

The Parking Facilities Fund accounts for the parking fee charges and all operating costs associated with City-owned off-street and on-street parking facilities. This fund combines the Parking Facilities Operating Fund and the Parking Facilities Capital Projects Fund.

Mass Transit Fund (major fund)

The Mass Transit Fund accounts for the user charges, fees, federal contributions and all operating costs associated with the operation of the transit system in the City. This fund also accounts for all capital projects financed by transit grant proceeds.

Stormwater Utility Fund (nonmajor fund)

The Stormwater Utility Fund accounts for operating and capital costs associated with the City's stormwater management program. This fund combines the Stormwater Utility Operating Fund, the Stormwater Utility Capital Projects Fund, and the Stormwater Utility Bond Fund.

Nonmajor Enterprise Funds Combining Statements

The Nonmajor Enterprise Funds combining statements include the combining statement of net assets, the combining statement of revenues, expenses, and changes in net assets, and the combining statement of cash flows for nonmajor enterprise funds that comprise the other enterprise funds column in the basic financial statements.

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012**

	Parking Facilities Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,797,101	\$ 34,772,516	\$ 41,569,617
Customer receivables, net of allowance for uncollectibles of \$381,083	606,410	869,440	1,475,850
Due from other governmental agencies	-	295,450	295,450
Accrued interest receivable	11,805	91,220	103,025
Sales tax receivable	13,600	29,057	42,657
Deferred charges	273,188	-	273,188
Total current assets	7,702,104	36,057,683	43,759,787
Noncurrent assets:			
Restricted cash and cash equivalents	561,297	7,394,960	7,956,257
Capital assets:			
Land and improvements	8,009,899	2,724,629	10,734,528
Construction in progress	677,578	17,131,877	17,809,455
Parking decks	146,285,160	-	146,285,160
Equipment	272,939	833,863	1,106,802
Furniture and fixtures	51,382	-	51,382
Improvements	1,814,807	19,343,779	21,158,586
Less accumulated depreciation	(29,102,017)	(5,661,337)	(34,763,354)
Total noncurrent assets	128,571,045	41,767,771	170,338,816
Total assets	136,273,149	77,825,454	214,098,603
LIABILITIES			
Current liabilities:			
Accounts payable	196,767	496,329	693,096
Accrued salaries and employee payroll taxes	4,011	8,927	12,938
Claims payable and other liabilities	801,025	-	801,025
Due to other funds	773,231	-	773,231
Deferred revenue	-	12,435	12,435
Bonds, notes and loans payable, net of unamortized premiums and deferred refunding	533,202	-	533,202
Contracts and other notes payable, net of unamortized premiums and discounts	3,241,355	-	3,241,355
Total current liabilities	5,549,591	517,691	6,067,282
Noncurrent liabilities:			
Bonds, notes and loans payable, net of unamortized premiums and deferred refunding	1,733,220	-	1,733,220
Contracts and other notes payable, net of unamortized premiums and discounts	87,000,028	-	87,000,028
Escrow and other deposits payable from restricted assets	-	7,382,525	7,382,525
Earned vacation pay	75,086	239,593	314,679
Net OPEB liability	26,298	36,065	62,363
Total noncurrent liabilities	88,834,632	7,658,183	96,492,815
Total liabilities	94,384,223	8,175,874	102,560,097
NET ASSETS			
Invested in capital assets, net of related debt	36,063,240	34,372,811	70,436,051
Unrestricted	5,825,686	35,276,769	41,102,455
Total net assets	\$ 41,888,926	\$ 69,649,580	\$ 111,538,506

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2012

	Parking Facilities Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
User charges	\$ 10,755,376	\$ 15,100,817	\$ 25,856,193
Other charges	82,249	419,907	502,156
Total operating revenues	<u>10,837,625</u>	<u>15,520,724</u>	<u>26,358,349</u>
OPERATING EXPENSES			
Administration	1,430,674	3,535,795	4,966,469
Other facility operating costs	3,721,839	6,134,233	9,856,072
Depreciation	3,634,658	1,023,725	4,658,383
Total operating expenses	<u>8,787,171</u>	<u>10,693,753</u>	<u>19,480,924</u>
Operating income (loss)	<u>2,050,454</u>	<u>4,826,971</u>	<u>6,877,425</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on investments	29,665	266,675	296,340
Subsidy income - federal and state	-	325,602	325,602
Other revenues (expenses)	(2,449,552)	-	(2,449,552)
Interest expense	(502,553)	-	(502,553)
Total nonoperating revenues (expenses)	<u>(2,922,440)</u>	<u>592,277</u>	<u>(2,330,163)</u>
Income (loss) before contributions and transfers	(871,986)	5,419,248	4,547,262
Capital contributions	-	5,288,012	5,288,012
Transfers in	1,856,838	-	1,856,838
Transfers out	<u>(74,419)</u>	<u>(450,000)</u>	<u>(524,419)</u>
Change in net assets	910,433	10,257,260	11,167,693
Total net assets, beginning of year	40,978,493	59,392,320	100,370,813
Total net assets, end of year	<u>\$ 41,888,926</u>	<u>\$ 69,649,580</u>	<u>\$ 111,538,506</u>

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2012**

	Parking Facilities Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 10,922,282	\$ 15,668,308	\$ 26,590,590
Payments to employees	(1,452,999)	(3,605,343)	(5,058,342)
Payments to suppliers and service providers	(3,888,062)	(5,989,517)	(9,877,579)
Net cash provided by (used in) operating activities	<u>5,581,221</u>	<u>6,073,448</u>	<u>11,654,669</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	1,856,838	-	1,856,838
Operating subsidies and transfers to other funds	(74,419)	(450,000)	(524,419)
Internal activity - payments from (to) other funds	773,231	26,708	799,939
Net cash provided by noncapital financing activities	<u>2,555,650</u>	<u>(423,292)</u>	<u>2,132,358</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(287,198)	(4,526,624)	(4,813,822)
Capital grants and other capital contributions	-	501,869	501,869
Proceeds on the sale of capital assets	-	-	-
Principal paid on capital debt	(3,747,596)	-	(3,747,596)
Interest paid on capital debt	(2,486,858)	-	(2,486,858)
Other debt related payments	(502,553)	-	(502,553)
Escrow deposits	-	108,860	108,860
Net cash (used in) capital and related financing activities	<u>(7,024,205)</u>	<u>(3,915,895)</u>	<u>(10,940,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on investments	30,519	249,722	280,241
Net cash provided by investing activities	<u>30,519</u>	<u>249,722</u>	<u>280,241</u>
Net increase in cash and cash equivalents/investments	1,143,185	1,983,983	3,127,168
Cash and cash equivalents/investments - beginning of year	6,215,213	40,183,493	46,398,706
Cash and cash equivalents/investments - end of year	<u>\$ 7,358,398</u>	<u>\$ 42,167,476</u>	<u>\$ 49,525,874</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,050,454	\$ 4,826,971	\$ 6,877,425
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	3,634,658	1,023,725	4,658,383
Change in assets and liabilities			
Operating receivables	84,657	147,584	232,241
Sales tax receivable	15,293	154,110	169,403
Inventories	-	-	-
Accounts payable and other accrued liabilities	(181,516)	(9,394)	(190,910)
Deferred revenue	-	-	-
Escrow and other deposits	-	-	-
Earned vacation pay and other payroll liabilities	(22,325)	(69,548)	(91,873)
Total adjustments	<u>3,530,767</u>	<u>1,246,477</u>	<u>4,777,244</u>
Net cash provided by (used in) operating activities	<u>\$ 5,581,221</u>	<u>\$ 6,073,448</u>	<u>\$ 11,654,669</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	\$ -	\$ (485,946)	\$ (485,946)
Transfer of capital assets from other funds	\$ -	\$ 5,288,012	\$ 5,288,012

Schedule of Revenues and Expenditures – Budget (Modified Accrual Basis) and Actual Enterprise Funds

The following schedules present the results of operations for all individual enterprise funds on the modified accrual basis for comparison to the legally adopted budgets for each fund. For GAAP purposes the individual funds are consolidated into the three funds shown in basic financial statements and the two funds shown in the preceding combining financial statements. A reconciliation of the modified accrual basis to the full accrual basis (per generally accepted accounting principles) follows each schedule or group of schedules.

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Water and sewer user charges	\$ 153,611,382	\$ 159,771,083	\$ (6,159,701)
Water and sewer services	4,109,581	931,428	3,178,153
Outside sewer connections	1,400	39,480	(38,080)
Water and sewer penalties	1,178,415	507,392	671,023
Water and sewer sales - municipalities	284,358	14,604	269,754
Capital facility charges	1,890,656	1,257,956	632,700
Water and sewer assessments	1,497,385	684,388	812,997
Acreage connection fees	350,938	1,253,750	(902,812)
Other sewer and treatment fees	6,997,088	3,015,229	3,981,859
Miscellaneous other	990,108	978,007	12,101
Total operating revenues	<u>170,911,311</u>	<u>168,453,317</u>	<u>2,457,994</u>
NONOPERATING REVENUES			
Interest on investments	419,642	935,900	(516,258)
Other	1,400,383	844,447	555,936
Total nonoperating revenues	<u>1,820,025</u>	<u>1,780,347</u>	<u>39,678</u>
OTHER FINANCING SOURCES			
Transfer from public utilities equipment replacement fund	700,000	700,000	-
Refunding bonds issued	31,230,000	31,230,000	-
Premium on refunding bonds issued	5,715,575	-	5,715,575
Total other financing sources	<u>37,645,575</u>	<u>31,930,000</u>	<u>5,715,575</u>
Total revenues and other financing sources	<u>\$ 210,376,911</u>	<u>202,163,664</u>	<u>\$ 8,213,247</u>
Fund balance appropriated		<u>19,533,535</u>	
		<u>\$ 221,697,199</u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 8,066,393	\$ 8,974,518	\$ (908,125)
Water plant	24,915,855	29,772,597	(4,856,742)
Waste treatment plant	14,649,561	17,489,531	(2,839,970)
Sewer maintenance	9,278,436	11,204,848	(1,926,412)
Utilities reuse	4,207,243	5,929,590	(1,722,347)
Meters	4,847,995	5,624,971	(776,976)
Warehouse	2,681,828	4,064,056	(1,382,228)
Repairs and maintenance	2,002,593	2,723,602	(721,009)
	<u>70,649,904</u>	<u>85,783,713</u>	<u>(15,133,809)</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
EXPENDITURES (CONTINUED)			
Special appropriations:			
Reimbursement to general fund	\$ 14,982,005	\$ 14,982,005	\$ -
Insurance and risk management charges	4,309,530	4,310,460	(930)
Other expenditures	1,864,063	12,409,497	(10,545,434)
	<u>21,155,598</u>	<u>31,701,962</u>	<u>(10,546,364)</u>
Debt service:			
General obligations bonds:			
Principal	1,217,493	1,217,493	-
Interest	190,017	190,017	-
Revenue bonds:			
Principal	11,800,000	11,800,000	-
Interest	30,106,892	32,154,050	(2,047,158)
Installment financing agreements	5,178,316	5,178,316	-
Escrow expenditures - merged systems' debt	2,820,521	2,702,649	117,872
Other expenditures	1,230,037	1,680,420	(450,383)
	<u>52,543,276</u>	<u>54,922,945</u>	<u>(2,379,669)</u>
OTHER EXPENDITURES			
Refunds and other	77,304	150,000	(72,696)
Total expenditures	<u>144,426,082</u>	<u>172,558,620</u>	<u>(28,132,538)</u>
OTHER FINANCING USES			
Transfers to:			
General fund	75,000	75,000	-
Water capital projects fund	8,776,999	8,776,999	-
Sewer capital projects fund	7,500,000	7,500,000	-
Technology capital projects fund	1,750,000	1,750,000	-
Total transfers	<u>18,101,999</u>	<u>18,101,999</u>	<u>-</u>
Payment to refunded bond escrow agent	36,752,155	31,036,580	5,715,575
Total other financing uses	<u>54,854,154</u>	<u>49,138,579</u>	<u>5,715,575</u>
Total expenditures and other financing uses	<u>\$ 199,280,236</u>	<u>\$ 221,697,199</u>	<u>\$ (22,416,963)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 75,516	\$ 75,516	\$ -	\$ 75,516
OTHER FINANCING SOURCES					
Transfer from water and sewer operating fund	-	8,776,999	8,776,999	8,776,999	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 8,852,515</u>	<u>\$ 8,852,515</u>	8,776,999	<u>\$ 75,516</u>
Fund balance appropriated				12,815,665	
				<u>\$ 21,592,664</u>	
EXPENDITURES					
Water capital projects	<u>\$ 4,580,070</u>	<u>\$ 3,384,145</u>	<u>\$ 7,964,215</u>	<u>\$ 21,592,664</u>	<u>\$ (13,628,449)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Miscellaneous other	\$ -	\$ 10,895	\$ 10,895	\$ -	\$ 10,895
Developer participation	94,769	10,895	105,664	140,740	(35,076)
Total revenues	<u>94,769</u>	<u>21,790</u>	<u>116,559</u>	<u>140,740</u>	<u>(24,181)</u>
OTHER FINANCING SOURCES					
Transfer from water and sewer operating fund	<u>-</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 94,769</u>	<u>\$ 7,521,790</u>	<u>\$ 7,616,559</u>	7,640,740	<u>\$ (24,181)</u>
Fund balance appropriated				<u>6,920,913</u>	
				<u>\$ 14,561,653</u>	
EXPENDITURES					
Sewer capital projects	<u>\$ 6,261,769</u>	<u>\$ 1,041,655</u>	<u>\$ 7,303,424</u>	<u>\$ 14,561,653</u>	<u>\$ (7,258,229)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER REVENUE BOND FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
US Environmental Protection Agency	\$ 479,442	\$ 32,887	\$ 512,329	\$ 1,526,640	\$ (1,014,311)
State of North Carolina	66,111	-	66,111	66,111	-
Gain (loss) on investments	-	243,095	243,095	250,000	(6,905)
Miscellaneous other	94,695	-	94,695	332,970	(238,275)
Total revenues	<u>640,248</u>	<u>275,982</u>	<u>916,230</u>	<u>2,175,721</u>	<u>(1,259,491)</u>
OTHER FINANCING SOURCES					
Bonds issued	-	-	-	129,523,780	(129,523,780)
Total revenues and other financing sources	<u>\$ 640,248</u>	<u>\$ 275,982</u>	<u>\$ 916,230</u>	131,699,501	<u>\$ (130,783,271)</u>
Fund balance appropriated				<u>463,024,443</u>	
				<u>\$ 594,723,944</u>	
EXPENDITURES					
Water capital projects	\$ 208,125,793	\$ 9,596,090	\$ 217,721,883	\$ 266,562,066	\$ (48,840,183)
Sewer capital projects	<u>195,529,953</u>	<u>22,785,078</u>	<u>218,315,031</u>	<u>328,091,878</u>	<u>(109,776,847)</u>
Total expenditures	<u>403,655,746</u>	<u>32,381,168</u>	<u>436,036,914</u>	<u>594,653,944</u>	<u>(158,617,030)</u>
OTHER FINANCING USES					
Transfer to park improvement fund	-	-	-	70,000	(70,000)
Total expenditures and other financing uses	<u>\$ 403,655,746</u>	<u>\$ 32,381,168</u>	<u>\$ 436,036,914</u>	<u>\$ 594,723,944</u>	<u>\$ (158,687,030)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER FUNDS**

For the Fiscal Year Ended June 30, 2012

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis:	
Water and sewer operating fund	\$ 210,376,911
Water capital projects fund	8,852,515
Sewer capital projects fund	7,521,790
Water and sewer revenue bond fund	275,982
Total current year expenditures and other financing uses - modified accrual basis:	
Water and sewer operating fund	(199,280,236)
Water capital projects fund	(3,384,145)
Sewer capital projects fund	(1,041,655)
Water and sewer revenue bond fund	<u>(32,381,168)</u>
Excess of revenues and other financing sources under expenditures and other financing uses	(9,060,006)
Adjustments to full accrual basis:	
Amortization of deferred costs	(947,540)
Amortization of bond premiums and discounts	1,871,993
Bond and note proceeds	(36,752,155)
Bond and note principal payments	54,563,984
Capital contributions	2,147,426
Capital outlay	37,471,605
Capitalized interest	19,502,040
Depreciation	(30,942,557)
Earned vacation pay expense	34,144
Interest expense accrual	555,317
OPEB expense	(268,132)
Other escrow expenditures	1,288,223
Revenue accruals from receivables	<u>335,540</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u>\$ 39,799,882</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX OPERATING FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges:			
Convention and civic center	\$ 6,904,361	\$ 5,082,458	\$ 1,821,903
Performing arts center	4,383,801	4,795,492	(411,691)
Downtown amphitheater	1,050,986	1,083,230	(32,244)
Special events	19,179	10,005	9,174
Other fees and charges	-	2,500	(2,500)
Total user charges	<u>12,358,327</u>	<u>10,973,685</u>	<u>1,384,642</u>
Gain (loss) on investments	102,447	42,790	59,657
Total revenues	<u>12,460,774</u>	<u>11,016,475</u>	<u>1,444,299</u>
OTHER FINANCING SOURCES			
Transfers from:			
General fund	1,486,746	1,486,746	-
Parking operations fund	74,419	74,419	-
Convention center financing fund	12,752,152	14,301,000	(1,548,848)
Total other financing sources	<u>14,313,317</u>	<u>15,862,165</u>	<u>(1,548,848)</u>
Total revenues and other financing sources	<u>\$ 26,774,091</u>	26,878,640	<u>\$ (104,549)</u>
Fund balance appropriated		<u>4,039,757</u>	
		<u>\$ 30,918,397</u>	
EXPENDITURES			
Administration	\$ -	\$ 159,404	\$ (159,404)
Civic and convention center	8,325,695	8,806,741	(481,046)
Performing arts center	5,293,350	5,727,734	(434,384)
Downtown amphitheater	1,101,755	1,227,192	(125,437)
Special events	11,956	10,005	1,951
Total operating expenditures	<u>14,732,756</u>	<u>15,931,076</u>	<u>(1,198,320)</u>
DEBT SERVICE			
Interest	8,272,536	9,481,430	(1,208,894)
Other debt service costs	1,549,885	2,021,500	(471,615)
Total debt service	<u>9,822,421</u>	<u>11,502,930</u>	<u>(1,680,509)</u>
OTHER FINANCING USES			
Transfers to:			
General fund	164,946	164,946	-
Technology capital projects fund	450,000	450,000	-
Parking operations fund	381,337	491,445	(110,108)
Convention center financing fund	2,378,000	2,378,000	-
Total other financing uses	<u>3,374,283</u>	<u>3,484,391</u>	<u>(110,108)</u>
Total expenditures and other financing uses	<u>\$ 27,929,460</u>	<u>\$ 30,918,397</u>	<u>\$ (2,988,937)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 CONVENTION CENTER AND MEMORIAL AUDITORIUM PROJECTS FUND
 For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Fund balance appropriated				\$ 1,127,050	
EXPENDITURES					
Convention center and memorial auditorium projects	\$ 928,519	\$ 117,265	\$ 1,045,784	\$ 1,127,050	\$ (81,266)

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 23,306	\$ 23,306	\$ -	\$ 23,306
Miscellaneous other	775,386	131,764	907,150	775,386	131,764
Total revenues	<u>\$ 775,386</u>	<u>\$ 155,070</u>	<u>\$ 930,456</u>	775,386	<u>\$ 155,070</u>
Fund balance appropriated				28,224,988	
				<u>\$ 29,000,374</u>	
EXPENDITURES					
Convention center projects	<u>\$ 25,961,992</u>	<u>\$ 1,012,206</u>	<u>\$ 26,974,198</u>	<u>\$ 29,000,374</u>	<u>\$ (2,026,176)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER FUNDS**

For the Fiscal Year Ended June 30, 2012

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Convention center complex operating fund)	\$ 26,774,091
Total current expenditures and other financing uses - modified accrual basis (Convention center complex operating fund)	(27,929,460)
Total current expenditures - modified accrual basis (Convention center and memorial auditorium projects fund)	(117,265)
Total current year revenues - modified accrual basis (Convention center complex capital projects fund)	155,070
Total current expenditures - modified accrual basis (Convention center complex capital projects fund)	<u>(1,012,206)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(2,129,770)
Adjustments to full accrual basis:	
Amortization deferred issue costs	(67,105)
Capital outlay	234,157
Depreciation	(8,602,102)
Net OPEB pension liability	(46,411)
Principal payment on internal note	137,805
Vacation expense	<u>(19,978)</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u>\$ (10,493,404)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the fiscal year ended June 30, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Parking Fees	\$ 10,755,376	\$ 10,280,022	\$ 475,354
Gain (loss) on investments	29,632	49,546	(19,914)
Miscellaneous other	57,151	125,000	(67,849)
Total revenues	<u>10,842,159</u>	<u>10,454,568</u>	<u>387,591</u>
OTHER FINANCING SOURCES			
Transfers from:			
General fund	1,475,501	1,475,501	-
Convention center fund	381,337	491,445	(110,108)
Total other financing sources	<u>1,856,838</u>	<u>1,966,946</u>	<u>(110,108)</u>
Total revenues and other financing sources	<u>\$ 12,698,997</u>	12,421,514	<u>\$ 277,483</u>
Fund balance appropriated		3,452,805	
		<u>\$ 15,874,319</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 5,324,421</u>	<u>\$ 8,033,356</u>	<u>\$ (2,708,935)</u>
DEBT SERVICE			
Bond principal	672,596	672,596	-
Bond interest	80,504	80,504	-
Note principal	3,075,000	3,075,000	-
Note interest	2,406,354	3,383,444	(977,090)
Other debt service expenditures	329,234	555,000	(225,766)
Total debt service	<u>6,563,688</u>	<u>7,766,544</u>	<u>(1,202,856)</u>
OTHER FINANCING USES			
Transfer to convention center fund	<u>74,419</u>	<u>74,419</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 11,962,528</u>	<u>\$ 15,874,319</u>	<u>\$ (3,911,791)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the fiscal year ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ 1,512,307	\$ 32	\$ 1,512,339	\$ -	\$ 1,512,339
Miscellaneous income	210,593	25,098	235,691	-	235,691
Total revenues	<u>1,722,900</u>	<u>25,130</u>	<u>1,748,030</u>	<u>-</u>	<u>1,748,030</u>
OTHER FINANCING SOURCES					
Transfer from:					
Parking facilities operating fund	-	-	-	275,000	(275,000)
Total revenues and other financing sources	<u>\$ 1,722,900</u>	<u>\$ 25,130</u>	<u>\$ 1,748,030</u>	275,000	<u>\$ 1,473,030</u>
Fund balance appropriated				<u>4,240,897</u>	
				<u>\$ 4,515,897</u>	
EXPENDITURES					
Parking facilities capital projects	<u>\$ 2,825,061</u>	<u>\$ 264,719</u>	<u>\$ 3,089,780</u>	<u>\$ 4,515,897</u>	<u>\$ (1,426,117)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES FUNDS**

For the fiscal year ended June 30, 2012

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Parking facilities operating fund)	\$ 12,698,997
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities operating fund)	(11,962,528)
Total current year revenues and other financing sources - modified accrual basis (Parking facilities capital projects fund)	25,130
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities capital projects fund)	<u>(264,719)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	496,880
Adjustments to full accrual basis:	
Accrued interest expense	31,465
Amortization of deferred issue costs	(17,686)
Amortization of deferred refunding costs	(21,201)
Amortization of premiums and discounts	44,729
Bond and note principal	3,747,596
Capital outlay	287,199
Depreciation	(3,634,658)
Net OPEB liability	(16,015)
Vacation expense	<u>(7,876)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 910,433</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND**

For the Fiscal Year Ended June 30, 2012

	Actual		Total	Budget	Over (Under) Budget
	Prior Years	Current Year			
REVENUES					
Farebox	\$ -	\$ 4,354,988	\$ 4,354,988	\$ 5,753,266	\$ (1,398,278)
ART program fees	-	749,441	749,441	600,000	149,441
Intergovernmental revenue:					
Federal Transit Administration	40,166,962	5,700,603	45,867,565	56,108,761	(10,241,196)
State of North Carolina	1,733,438	3,914,152	5,647,590	5,802,740	(155,150)
Miscellaneous other	-	111,612	111,612	72,045	39,567
Total revenues	<u>41,900,400</u>	<u>14,830,796</u>	<u>56,731,196</u>	<u>68,336,812</u>	<u>(11,605,616)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	16,868,957	16,868,957	16,868,957	-
Street improvement fund	-	1,376,479	1,376,479	1,514,619	(138,140)
Total other financing sources	<u>-</u>	<u>18,245,436</u>	<u>18,245,436</u>	<u>18,383,576</u>	<u>(138,140)</u>
Total revenues and other financing sources	<u>\$ 41,900,400</u>	<u>\$ 33,076,232</u>	<u>\$ 74,976,632</u>	86,720,388	<u>\$ (11,743,756)</u>
Fund balance appropriated				<u>7,879,247</u>	
				<u>\$ 94,599,635</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 17,421,828	\$ 17,421,828	\$ 17,966,531	\$ (544,703)
ART program operating expenditures	-	8,502,868	8,502,868	8,490,170	12,698
Capital grant expenditures	51,283,448	8,154,045	59,437,493	68,142,934	(8,705,441)
Total expenditures	<u>\$ 51,283,448</u>	<u>\$ 34,078,741</u>	<u>\$ 85,362,189</u>	<u>\$ 94,599,635</u>	<u>\$ (9,237,446)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND**

For the Fiscal Year Ended June 30, 2012

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 33,076,232
Total current year expenditures and other financing uses - modified accrual basis	<u>(34,078,741)</u>
Excess of revenues and other financing sources over expenditures	(1,002,509)
Adjustments to full accrual basis:	
Capital outlay	3,074,939
Deferred contributions from other funds	(146,705)
Depreciation	(3,522,399)
Gain/loss on disposal	(94,869)
Net OPEB pension liability	(8,169)
Vacation expense	<u>(1,132)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ (1,700,844)</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY OPERATING FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges	\$ 15,100,819	\$ 14,383,761	\$ 717,058
Gain (loss) on investments	30,779	150,000	(119,221)
Miscellaneous other	392,032	460,000	(67,968)
Total revenues	<u>\$ 15,523,630</u>	<u>14,993,761</u>	<u>\$ 529,869</u>
Fund balance appropriated		113,225	
		<u>\$ 15,106,986</u>	
EXPENDITURES			
Operating expenditures	\$ <u>9,574,282</u>	\$ <u>10,656,986</u>	\$ <u>(1,082,704)</u>
OTHER FINANCING USES			
Transfers to:			
Stormwater utility capital projects fund	4,000,000	4,000,000	-
Technology capital projects fund	450,000	450,000	-
Total other financing uses	<u>4,450,000</u>	<u>4,450,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,024,282</u>	<u>\$ 15,106,986</u>	<u>\$ (1,082,704)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 235,895	\$ 235,895	\$ 100,000	\$ 135,895
Intergovernmental:					
American Recovery and Reinvestment Act	-	-	-	459,737	(459,737)
Federal Emergency Management Agency	-	325,602	325,602	1,861,528	(1,535,926)
U.S. EPA	328,000	-	328,000	328,000	-
State of North Carolina	620,300	-	620,300	2,417,800	(1,797,500)
Miscellaneous other	40,647	27,875	68,522	10,867	57,655
Total revenues	<u>988,947</u>	<u>589,372</u>	<u>1,578,319</u>	<u>5,177,932</u>	<u>(3,599,613)</u>
OTHER FINANCING SOURCES					
Transfer from stormwater utility operating fund	-	4,000,000	4,000,000	4,000,000	-
Total revenues and other financing sources	<u>\$ 988,947</u>	<u>\$ 4,589,372</u>	<u>\$ 5,578,319</u>	9,177,932	<u>\$ (3,599,613)</u>
Fund balance appropriated				<u>68,619,821</u>	
				<u>\$ 77,797,753</u>	
EXPENDITURES					
Stormwater capital projects	<u>\$ 19,198,792</u>	<u>\$ 3,720,632</u>	<u>\$ 22,919,424</u>	<u>\$ 77,797,753</u>	<u>\$ (54,878,329)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY BOND FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
OTHER FINANCING SOURCES					
Bonds issued	\$ -	\$ -	\$ -	\$ 2,649,843	\$ (2,649,843)
Fund balance appropriated				1,790,891	
				<u>\$ 4,440,734</u>	
EXPENDITURES					
Stormwater capital projects	\$ 1,759,428	\$ 350,754	\$ 2,110,182	\$ 4,440,734	\$ (2,330,552)

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2012**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 15,523,630
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility operating fund)	(14,024,282)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	4,589,372
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility capital projects fund)	(3,720,632)
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility bond fund)	<u>(350,754)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	2,017,334
Adjustments to full accrual basis:	
Capital outlay	4,016,106
Capital contributions	5,288,012
Depreciation	(1,023,725)
Earned vacation pay	(18,504)
Net OPEB pension liability	<u>(21,963)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 10,257,260</u></u>

Internal Service Funds

Internal Service Funds are used to account for centralized services provided on a cost-reimbursement basis. The City maintains six internal service funds for its print shop, risk management, health benefit, equipment replacement programs, and central garage operations.



Internal Service Funds

Print Services Fund

The Print Services Fund accounts for the operations of the City's print shop.

Risk Management Fund

The Risk Management Fund accounts for risk management activities of the City, including premiums, claims expenses and loss reserves.

Employees' Health Benefits Fund

The Employees' Health Benefits Fund accounts for the City and employees contributions to a medical trust and its related costs, including claims and operating expenses.

Governmental Equipment Replacement Fund

The Governmental Equipment Replacement Fund accounts for the activities related to managing the equipment replacement program for governmental activities.

Public Utilities Equipment Replacement Fund

The Public Utilities Equipment Replacement Fund accounts for the activities related to managing the City's equipment replacement program for the City's public utilities.

Vehicle Fleet Services Fund

The Vehicle Fleet Services Fund accounts for the activities related to the City's central garage operation.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 964,401	\$ 34,724,826	\$ 4,185,687
Accrued interest receivable	-	77,842	40
Sales tax receivable	23,774	11,965	-
Due from other funds	-	-	-
Inventories	-	-	-
Insurance deposit	-	400,000	-
Total current assets	<u>988,175</u>	<u>35,214,633</u>	<u>4,185,727</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	23,496	-	-
Furniture and fixtures	-	-	-
Less accumulated depreciation	(23,496)	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>988,175</u>	<u>35,214,633</u>	<u>4,185,727</u>
LIABILITIES			
Current liabilities:			
Accounts payable	27,608	686	-
Accrued salaries and employee payroll taxes	-	910	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	24,389,999	3,270,007
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>27,608</u>	<u>24,391,595</u>	<u>3,270,007</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Earned vacation pay	1,897	4,804	-
Total noncurrent liabilities	<u>1,897</u>	<u>4,804</u>	<u>-</u>
Total liabilities	<u>29,505</u>	<u>24,396,399</u>	<u>3,270,007</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	958,670	10,818,234	915,720
Total net assets	<u>\$ 958,670</u>	<u>\$ 10,818,234</u>	<u>\$ 915,720</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2012
\$ 1,609,562	\$ -	\$ 1,915,612	\$ 43,400,088
5,366	2,146	-	85,394
170,584	9,833	259,926	476,082
114,782	1,490	10,240	126,512
248,649	-	718,543	967,192
-	-	-	400,000
<u>2,148,943</u>	<u>13,469</u>	<u>2,904,321</u>	<u>45,455,268</u>
1,226,169	549,547	-	1,775,716
-	-	230,912	230,912
76,627,251	19,965,842	1,506,918	98,123,507
-	-	5,636	5,636
(56,910,135)	(16,053,726)	(1,565,418)	(74,552,775)
<u>20,943,285</u>	<u>4,461,663</u>	<u>178,048</u>	<u>25,582,996</u>
<u>23,092,228</u>	<u>4,475,132</u>	<u>3,082,369</u>	<u>71,038,264</u>
45,894	75,928	836,594	986,710
-	-	9,451	10,361
12,198	1,566	-	13,764
-	-	-	27,660,006
<u>4,917,782</u>	<u>904,782</u>	<u>-</u>	<u>5,822,564</u>
<u>4,975,874</u>	<u>982,276</u>	<u>846,045</u>	<u>34,493,405</u>
9,208,518	1,455,771	-	10,664,289
-	-	262,624	269,325
<u>9,208,518</u>	<u>1,455,771</u>	<u>262,624</u>	<u>10,933,614</u>
<u>14,184,392</u>	<u>2,438,047</u>	<u>1,108,669</u>	<u>45,427,019</u>
6,816,985	2,101,110	178,048	9,096,143
2,090,851	(64,025)	1,795,652	16,515,102
<u>\$ 8,907,836</u>	<u>\$ 2,037,085</u>	<u>\$ 1,973,700</u>	<u>\$ 25,611,245</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012**

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
OPERATING REVENUES			
Charges for services - internal	\$ 459,769	\$ 12,040,951	\$ 33,125,540
Other charges	-	-	386,990
Total operating revenues	<u>459,769</u>	<u>12,040,951</u>	<u>33,512,530</u>
OPERATING EXPENSES			
Administration	83,901	595,099	3,074,093
Other facility operating costs	454,236	-	-
Claims	-	4,560,041	27,125,439
Premiums	-	1,576,899	-
Depreciation	-	-	-
Other	-	-	-
Total operating expenses	<u>538,137</u>	<u>6,732,039</u>	<u>30,199,532</u>
Operating income (loss)	<u>(78,368)</u>	<u>5,308,912</u>	<u>3,312,998</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on investments	-	(101,567)	386
Recovery of claims	-	1,058,330	-
Interest expenses	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>956,763</u>	<u>386</u>
Income (loss) before transfers	(78,368)	6,265,675	3,313,384
Transfers in	242,206	-	-
Transfers out	-	-	-
Change in net assets	<u>163,838</u>	<u>6,265,675</u>	<u>3,313,384</u>
Total net assets, beginning of year	794,832	4,552,559	(2,397,664)
Total net assets, end of year	<u>\$ 958,670</u>	<u>\$ 10,818,234</u>	<u>\$ 915,720</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 7,673,163	\$ 1,674,101	\$ 15,579,937	\$ 70,553,461
51,779	-	-	438,769
<u>7,724,942</u>	<u>1,674,101</u>	<u>15,579,937</u>	<u>70,992,230</u>
-	-	3,605,987	7,359,080
1,547,104	-	11,879,963	13,881,303
-	-	-	31,685,480
-	-	-	1,576,899
6,683,628	1,764,077	25,698	8,473,403
99,953	9,574	-	109,527
<u>8,330,685</u>	<u>1,773,651</u>	<u>15,511,648</u>	<u>63,085,692</u>
<u>(605,743)</u>	<u>(99,550)</u>	<u>68,289</u>	<u>7,906,538</u>
16,448	5,569	-	(79,164)
-	-	-	1,058,330
(526,039)	(117,377)	-	(643,416)
130,061	(66,208)	8,319	72,172
<u>(379,530)</u>	<u>(178,016)</u>	<u>8,319</u>	<u>407,922</u>
(985,273)	(277,566)	76,608	8,314,460
-	-	-	242,206
(155,000)	(700,000)	-	(855,000)
<u>(1,140,273)</u>	<u>(977,566)</u>	<u>76,608</u>	<u>7,701,666</u>
10,048,109	3,014,651	1,897,092	17,909,579
<u>\$ 8,907,836</u>	<u>\$ 2,037,085</u>	<u>\$ 1,973,700</u>	<u>\$ 25,611,245</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 459,769	\$ 12,040,951	\$ 33,125,540
Payments to employees	(96,536)	(272,408)	-
Payments to suppliers and service providers	(453,513)	(393,488)	(3,074,093)
Claims paid	-	(4,537,102)	(27,300,576)
Premiums paid	-	(1,576,899)	-
Other receipts	-	1,058,330	386,990
Other payments	-	-	-
Net cash provided by (used in) operating activities	<u>(90,280)</u>	<u>6,319,384</u>	<u>3,137,861</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	242,206	-	-
Operating subsidies and transfers to other funds	-	-	-
Internal activity - payments from (to) other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>242,206</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on investments held	-	(131,079)	368
Net cash provided by (used in) investing activities	<u>-</u>	<u>(131,079)</u>	<u>368</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>151,926</u>	<u>6,188,305</u>	<u>3,138,229</u>
Cash and cash equivalents/investments			
Beginning of year	812,475	28,536,521	1,047,458
End of year	<u>\$ 964,401</u>	<u>\$ 34,724,826</u>	<u>\$ 4,185,687</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (78,368)	\$ 5,308,912	\$ 3,312,998
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	-	-
Miscellaneous nonoperating income	-	1,058,330	-
Change in assets and liabilities:			
Sales tax receivable	46,851	(8,407)	-
Inventories	-	-	-
Accounts payable and other accrued liabilities	(46,128)	(28,905)	(175,137)
Earned vacation pay and other payroll liabilities	(12,635)	(10,546)	-
Total adjustments	<u>(11,912)</u>	<u>1,010,472</u>	<u>(175,137)</u>
Net cash provided by (used in) operating activities	<u>\$ (90,280)</u>	<u>\$ 6,319,384</u>	<u>\$ 3,137,861</u>



Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 7,673,163	\$ 1,674,101	\$ 15,579,937	\$ 70,553,461
-	-	(3,711,332)	(4,080,276)
(1,570,798)	41,448	(11,408,731)	(16,859,175)
-	-	-	(31,837,678)
-	-	-	(1,576,899)
51,779	-	-	1,497,099
(99,953)	(9,574)	-	(109,527)
<u>6,054,191</u>	<u>1,705,975</u>	<u>459,874</u>	<u>17,587,005</u>
-	-	-	242,206
(155,000)	(700,000)	-	(855,000)
109,389	112,429	(2,140)	219,678
<u>(45,611)</u>	<u>(587,571)</u>	<u>(2,140)</u>	<u>(393,116)</u>
(2,474,154)	(211,354)	(5,580)	(2,691,088)
(7,917,350)	(1,992,373)	-	(9,909,723)
(528,958)	(117,752)	-	(646,710)
130,061	-	8,319	138,380
<u>(10,790,401)</u>	<u>(2,321,479)</u>	<u>2,739</u>	<u>(13,109,141)</u>
16,990	5,955	-	(107,766)
<u>16,990</u>	<u>5,955</u>	<u>-</u>	<u>(107,766)</u>
(4,764,831)	(1,197,120)	460,473	3,976,982
7,600,562	1,746,667	1,455,139	41,198,822
<u>\$ 2,835,731</u>	<u>\$ 549,547</u>	<u>\$ 1,915,612</u>	<u>\$ 45,175,804</u>
\$ (605,743)	\$ (99,550)	\$ 68,289	\$ 7,906,538
6,683,628	1,764,077	25,698	8,473,403
-	-	-	1,058,330
202,308	34,739	264,208	539,699
(248,649)	-	32,178	(216,471)
22,647	6,709	174,846	(45,968)
-	-	(105,345)	(128,526)
<u>6,659,934</u>	<u>1,805,525</u>	<u>391,585</u>	<u>9,680,467</u>
<u>\$ 6,054,191</u>	<u>\$ 1,705,975</u>	<u>\$ 459,874</u>	<u>\$ 17,587,005</u>



Fiduciary Funds

The ***Fiduciary Funds*** are used to account for resources received and held by the City as the trustee or for which the City acts as agent. These funds are expended or invested in accordance with agreements or applicable prescribed procedures.

The City's fiduciary funds include three pension trust funds which account for activities of the City's general supplemental retirement plan, the law enforcement officers' special separation allowance, and other post employment benefits.



Fiduciary Funds

Supplemental Money Purchase Pension Plan Fund

The Supplemental Money Purchase Pension Plan Fund accounts for the City's contributions to the City of Raleigh Money Purchase Pension Plan, a Section 401a plan established to provide supplemental retirement benefits to eligible general government employees. Plan assets are held by the City through a third party in a fiduciary capacity.

Law Enforcement Officers' Special Separation Allowance Fund

The Law Enforcement Officers' Special Separation Allowance Fund accounts for the City's contributions to a defined benefit plan provided to City law enforcement officers. The City is administrator of the plan and holds all plan assets.

Other Post Employment Benefits Fund

The Other Post Employment Benefits Fund accounts for the City's contributions and retirees' contributions to health, life insurance, and Medicare supplement benefits provided to eligible retirees.

**COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
June 30, 2012**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total June 30, 2012
ASSETS				
Cash and cash equivalents	\$ 36,034,826	\$ 1,926,047	\$ 16,296,154	\$ 54,257,027
Accrued interest receivable	-	16,245	49,141	65,386
Total assets	<u>36,034,826</u>	<u>1,942,292</u>	<u>16,345,295</u>	<u>54,322,413</u>
LIABILITIES				
Claims payable	-	-	515,345	515,345
Total liabilities	<u>-</u>	<u>-</u>	<u>515,345</u>	<u>515,345</u>
NET ASSETS				
Held in trust for employees' retirement and other post- employment benefits	<u>\$ 36,034,826</u>	<u>\$ 1,942,292</u>	<u>\$ 15,829,950</u>	<u>\$ 53,807,068</u>

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2012**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,261,280	\$ 2,350,054	\$ 11,664,803	\$ 16,276,137
Retiree contributions	-	-	1,741,345	1,741,345
Interest	834,958	75,268	332,266	1,242,492
Net increase (decrease) in the fair value of investments	(684,250)	(104,247)	(197,939)	(986,436)
Less investment expense	(51,956)	-	-	(51,956)
Total additions	<u>2,360,032</u>	<u>2,321,075</u>	<u>13,540,475</u>	<u>18,221,582</u>
DEDUCTIONS				
Benefits	1,583,655	2,831,758	10,500,713	14,916,126
Withdrawals and forfeitures	211,714	-	-	211,714
Total deductions	<u>1,795,369</u>	<u>2,831,758</u>	<u>10,500,713</u>	<u>15,127,840</u>
Change in net assets restricted for:				
Employees' retirement and other post-employment benefits	564,663	(510,683)	3,039,762	3,093,742
Net assets, beginning of year	35,470,163	2,452,975	12,790,188	50,713,326
Net assets, end of year	<u>\$ 36,034,826</u>	<u>\$ 1,942,292</u>	<u>\$ 15,829,950</u>	<u>\$ 53,807,068</u>



Other Schedules

The *Other Schedules* represent various financial schedules of the City. Included are a schedule of long-term obligation maturities covering all fund types and detailed schedules of general, enterprise, and internal service long-term obligations.

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES
AND DEBT SERVICE REQUIREMENTS**
June 30, 2012

Maturities on all long-term obligations are:

General Obligation Bonded Debt: Fiscal Year Ended June 30	Enterprise					
	Water and Sewer		Convention Center		Parking Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,186,502	\$ 141,316	\$ -	\$ -	\$ 536,029	\$ 53,600
2014	1,081,948	96,612	-	-	523,510	41,539
2015	1,067,728	65,307	-	-	512,129	29,760
2016	1,005,383	34,027	-	-	380,114	16,957
2017	87,584	2,191	-	-	298,173	7,455
2018-2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
2028-2032	-	-	-	-	-	-
Total General Obligation Bonded Debt	4,429,145	339,453	-	-	2,249,955	149,311
Revenue Bonds:						
2013	12,895,000	29,085,687	-	-	-	-
2014	15,715,000	28,648,138	-	-	-	-
2015	19,445,000	27,968,263	-	-	-	-
2016	20,320,000	27,076,099	-	-	-	-
2017	21,190,000	26,227,204	-	-	-	-
2018-2022	121,600,000	115,678,027	-	-	-	-
2023-2027	132,645,000	86,948,138	-	-	-	-
2028-2032	148,525,000	54,198,476	-	-	-	-
2033-2037	117,425,000	19,363,566	-	-	-	-
2038-2040	19,990,000	2,031,500	-	-	-	-
Total Revenue Bonded Debt	629,750,000	417,225,098	-	-	-	-
Other Long-Term Obligations:						
Installment Financing Agreement:						
2013	994,336	203,801	-	9,481,430	3,215,000	3,308,348
2014	994,335	169,279	-	9,527,071	3,325,000	3,192,882
2015	994,335	134,850	7,360,000	9,458,610	3,435,000	3,074,723
2016	994,335	100,015	7,695,000	9,138,605	3,530,000	2,968,770
2017	744,335	76,555	8,040,000	8,825,032	3,660,000	3,003,135
2018-2022	1,799,475	157,183	46,165,000	38,534,595	19,290,000	13,264,060
2023-2027	606,424	23,940	58,010,000	27,486,874	20,105,000	10,242,650
2028-2032	93,854	-	77,615,000	13,764,081	21,840,000	5,972,100
2033-2037	-	-	38,540,000	1,653,388	11,525,000	1,075,800
	7,221,429	865,623	243,425,000	127,869,686	89,925,000	46,102,468



Other Enterprise		General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ 21,227,470	\$ 13,449,324	\$ -	\$ -	\$ 22,950,001	\$ 13,644,240
-	-	20,969,543	13,521,887	-	-	22,575,001	13,660,038
-	-	20,760,143	12,862,355	-	-	22,340,000	12,957,422
-	-	19,969,503	12,015,797	-	-	21,355,000	12,066,781
-	-	19,739,243	11,121,775	-	-	20,125,000	11,131,421
-	-	99,065,000	41,365,738	-	-	99,065,000	41,365,738
-	-	82,210,000	21,799,888	-	-	82,210,000	21,799,888
-	-	60,105,000	5,812,012	-	-	60,105,000	5,812,012
-	-	344,045,902	131,948,776	-	-	350,725,002	132,437,540
-	-	-	-	-	-	12,895,000	29,085,687
-	-	-	-	-	-	15,715,000	28,648,138
-	-	-	-	-	-	19,445,000	27,968,263
-	-	-	-	-	-	20,320,000	27,076,099
-	-	-	-	-	-	21,190,000	26,227,204
-	-	-	-	-	-	121,600,000	115,678,027
-	-	-	-	-	-	132,645,000	86,948,138
-	-	-	-	-	-	148,525,000	54,198,476
-	-	-	-	-	-	117,425,000	19,363,566
-	-	-	-	-	-	19,990,000	2,031,500
-	-	-	-	-	-	629,750,000	417,225,098
-	-	10,362,763	4,769,638	5,822,564	351,482	20,394,663	18,114,699
-	-	10,456,402	4,419,692	5,862,945	204,745	20,638,682	17,513,669
-	-	10,549,017	4,071,734	2,378,937	73,661	24,717,289	16,813,578
-	-	9,688,287	3,752,004	2,422,406	30,191	24,330,028	15,989,585
-	-	9,730,438	3,460,004	-	-	22,174,773	15,364,726
-	-	30,313,295	13,516,568	-	-	97,567,770	65,472,406
-	-	22,955,000	8,405,021	-	-	101,676,424	46,158,485
-	-	16,135,000	4,129,456	-	-	115,683,854	23,865,637
-	-	8,305,000	743,313	-	-	58,370,000	3,472,501
-	-	128,495,202	47,267,430	16,486,852	660,079	485,553,483	222,765,286

Continued

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES
AND DEBT SERVICE REQUIREMENTS**
June 30, 2012

Maturities on all long-term obligations are:

	Enterprise					
	Water and Sewer		Convention Center		Parking Facilities	
<u>Other Long-Term Obligations:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<i>Continued:</i>						
Other Installment Obligations:						
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other:						
Earned Vacation Pay (1)	1,925,974	-	548,200	-	75,086	-
Landfill Postclosure Costs (1)	-	-	-	-	-	-
	<u>1,925,974</u>	<u>-</u>	<u>548,200</u>	<u>-</u>	<u>75,086</u>	<u>-</u>
Total Other Long-Term Obligations	<u>9,147,403</u>	<u>865,623</u>	<u>243,973,200</u>	<u>127,869,686</u>	<u>90,000,086</u>	<u>46,102,468</u>
Total Long-Term Obligations	<u>\$ 643,326,548</u>	<u>\$ 418,430,174</u>	<u>\$ 243,973,200</u>	<u>\$ 127,869,686</u>	<u>\$ 92,250,041</u>	<u>\$ 46,251,779</u>

Notes:

(1) Interest not applicable.



<u>Other Enterprise</u>		<u>General Governmental</u>		<u>Internal Service</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ -	\$ 179,667	\$ 8,698	\$ -	\$ -	\$ 179,667	\$ 8,698
-	-	53,554	4,594	-	-	53,554	4,594
-	-	28,060	623	-	-	28,060	623
<u>-</u>	<u>-</u>	<u>261,281</u>	<u>13,915</u>	<u>-</u>	<u>-</u>	<u>261,281</u>	<u>13,915</u>
279,063	-	17,663,101	-	269,325	-	20,760,749	-
-	-	4,181,908	-	-	-	4,181,908	-
<u>279,063</u>	<u>-</u>	<u>21,845,009</u>	<u>-</u>	<u>269,325</u>	<u>-</u>	<u>24,942,657</u>	<u>-</u>
279,063	-	150,601,492	47,281,345	16,756,177	660,079	510,757,421	222,779,201
<u>\$ 279,063</u>	<u>\$ -</u>	<u>\$ 494,647,394</u>	<u>\$ 179,230,121</u>	<u>\$ 16,756,177</u>	<u>\$ 660,079</u>	<u>\$ 1,491,232,423</u>	<u>\$ 772,441,839</u>

SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2012

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2011</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Housing, Series 1996, Taxable	5.60 - 5.75	6/01/96	\$ 575,000	\$ -
Housing, Series 1997, Taxable	6.70	10/01/97	1,820,000	-
G. O. Refunding, Series 1998	4.20	12/01/98	185,000	-
Public Improvement, Series 2002	4.50	06/01/02	500,000	-
Public Improvement, Series 2002A	4.00	12/01/02	175,000	-
Public Improvement, Series 2002B	4.00	12/01/02	2,700,000	-
Public Improvement Refunding, Series 2002C	4.00	12/01/02	780,000	-
Public Improvement, Series 2004	3.00 - 4.00	3/01/04	11,850,000	-
Public Improvement Refunding, Series 2004A	3.00 - 4.00	3/01/04	8,136,820	-
Housing, Series 2004B, Taxable	4.00 - 4.375	3/01/04	3,915,000	-
Housing Refunding, Series 2004B, Taxable	4.00	3/01/04	340,000	-
Street Improvement, Series 2005A	4.00 - 4.50	8/01/05	6,475,000	-
Public Improvement, Series 2005B	4.00 - 4.50	8/01/05	30,210,000	-
Housing, Series 2007, Taxable	4.95 - 5.40	3/01/07	5,600,000	-
Public Improvement, Series 2009A	2.25 - 4.25	3/10/09	10,020,000	-
Public Improvement Refunding, Series 2009B	2.25 - 4.00	3/11/09	9,058,992	-
Housing, Series 2009C Taxable	3.50 - 5.50	3/11/09	9,000,000	-
General Obligation Refunding, Series 2009D	3.50 - 5.00	7/28/09	33,530,000	-
General Obligation Refunding, Series 2009E	4.00 - 5.00	7/28/09	14,180,000	-
Public Improvement, Series 2009F	3.00 - 5.00	9/03/09	55,365,000	-
Housing, Series 2009G, Taxable	3.50 - 5.30	9/03/09	9,500,000	-
General Obligation Refunding, Series 2011A	3.00 - 5.00	10/27/11	-	32,055,000
General Obligation Refunding Housing, Series 2011B	0.55 - 1.50	10/27/11	-	1,870,000
Public Improvement, Series 2012A	2.00 - 5.00	5/15/12	-	9,000,000
Public Improvement, Series 2012B	2.00 - 5.00	5/16/12	-	138,600,000
Total General Obligation Bonded Debt			<u>213,915,812</u>	<u>181,525,000</u>
<u>OTHER GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			138,758,853	-
Other Installment Obligations			426,935	92
Earned Vacation Pay			18,175,801	11,472,514
Landfill closure and Postclosure Costs			5,205,378	109,313
Total Other General Governmental Long-Term Obligations			<u>162,566,967</u>	<u>11,581,919</u>
Total General Governmental Long-Term Obligations			<u>\$ 376,482,779</u>	<u>\$ 193,106,919</u>

Note:

- (1) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.

Payments During Fiscal 2011-2012		Principal Balance June 30, 2012	Due Fiscal 2012-2013		
Principal	Interest		Principal	Interest	Total
\$ 115,000	\$ 32,717	\$ 460,000	\$ 115,000	\$ 26,277	\$ 141,277
1,820,000	60,970	-	-	-	-
185,000	7,770	-	-	-	-
500,000	22,500	-	-	-	-
175,000	7,000	-	-	-	-
2,700,000	108,000	-	-	-	-
355,000	31,200	425,000	425,000	17,000	442,000
10,350,000	255,313	1,500,000	500,000	47,500	547,500
1,670,072	281,243	6,466,748	1,650,949	214,440	1,865,389
410,000	167,994	3,505,000	700,000	151,594	851,594
340,000	13,600	-	-	-	-
4,725,000	181,406	1,750,000	550,000	70,000	620,000
21,760,000	853,463	8,450,000	2,650,000	338,000	2,988,000
350,000	292,250	5,250,000	350,000	274,925	624,925
555,000	335,663	9,465,000	555,000	323,175	878,175
2,084,838	249,537	6,974,154	1,661,521	166,143	1,827,664
500,000	422,000	8,500,000	500,000	404,500	904,500
-	1,485,750	33,530,000	3,205,000	1,421,650	4,626,650
-	674,650	14,180,000	-	674,650	674,650
2,300,000	2,418,600	53,065,000	2,300,000	2,349,600	4,649,600
500,000	435,250	9,000,000	500,000	417,750	917,750
-	466,920	32,055,000	-	1,355,575	1,355,575
-	6,265	1,870,000	565,000	16,636	581,636
-	-	9,000,000	300,000	316,549	616,549
-	-	138,600,000	4,700,000	4,863,360	9,563,360
<u>51,394,910</u>	<u>8,810,061</u>	<u>344,045,902</u>	<u>21,227,470</u>	<u>13,449,324</u>	<u>34,676,794</u>
10,263,651	4,357,464	128,495,202	10,362,763	4,769,638	15,132,401
165,746	12,493	261,281	179,667	8,698	188,365
11,985,214	-	17,663,101	- (1)	-	-
1,132,783	-	4,181,908	-	-	-
<u>23,547,394</u>	<u>4,369,957</u>	<u>150,601,492</u>	<u>10,542,430</u>	<u>4,778,336</u>	<u>15,320,766</u>
<u>\$ 74,942,304</u>	<u>\$ 13,180,018</u>	<u>\$ 494,647,394</u>	<u>\$ 31,769,900</u>	<u>\$ 18,227,660</u>	<u>\$ 49,997,560</u>

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2012

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2011</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Sanitary Sewer Refunding, Series 2002C	4.00	12/01/02	\$ 160,000	\$ -
Water Refunding, Series 2004A	3.00 - 4.00	3/1/04	2,903,859	-
Sanitary Sewer Refunding, Series 2004A	3.00 - 4.00	3/1/04	1,724,322	-
Sanitary Sewer Refunding, Series 2009B	2.25 - 4.00	3/11/09	858,457	-
Total Water and Sewer General Obligation Debt			<u>5,646,638</u>	<u>-</u>
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 2004	5.00	5/4/04	42,580,000	-
Water/Sewer Refunding, Series 2005	5.00	5/5/05	34,635,000	-
Water/Sewer, Series 2006A	4.00 - 5.00	10/10/06	184,775,000	-
Water/Sewer Refunding, Series 2006B	3.90 - 4.25	10/10/06	58,040,000	-
Water/Sewer, Series 2008A Variable Rate	4.163	6/12/08	87,965,000	-
Water/Sewer, Series 2008B Variable Rate	4.163	6/12/08	58,645,000	-
Water/Sewer Refunding, Series 2010A	2.25 - 5.00	3/20/10	68,745,000	-
Water/Sewer, Series 2011	3.00 - 5.00	2/10/11	108,340,000	-
Water/Sewer Refunding, Series 2012A	5.00	4/05/12	-	31,230,000
Total Water and Sewer Revenue Debt			<u>643,725,000</u>	<u>31,230,000</u>
<u>OTHER WATER AND SEWER LONG TERM OBLIGATIONS</u>				
Installment Financing Agreement			12,015,765	-
Reimbursement Contracts - Water and Sewer Lines			-	-
Earned Vacation Pay			1,960,118	1,192,090
Total Other Water and Sewer Long-Term Obligations			<u>13,975,883</u>	<u>1,192,090</u>
Total Water and Sewer Long-Term Obligations			<u>663,347,521</u>	<u>32,422,090</u>
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding Series 2009B	2.25 - 4.00	3/11/09	2,922,551	-
Total Parking Facilities General Obligation Bonded Debt			<u>2,922,551</u>	<u>-</u>
<u>OTHER PARKING FACILITIES LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			93,000,000	-
Earned Vacation Pay			67,210	52,273
Total Other Parking Facilities Long-Term Obligations			<u>93,067,210</u>	<u>52,273</u>
Total Parking Facilities Long-Term Obligations			<u>95,989,761</u>	<u>52,273</u>
<u>CONVENTION CENTER FACILITIES LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			243,425,000	-
Earned Vacation Pay			528,222	121,078
Total Convention Center Facilities Long-Term Obligations			<u>243,953,222</u>	<u>121,078</u>
<u>OTHER ENTERPRISE LONG-TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			38,339	19,870
Stormwater Earned Vacation Pay			221,089	107,784
Total Other Enterprise Long-Term Obligations			<u>259,428</u>	<u>127,654</u>
Total Enterprise Long-Term Obligations			<u>\$ 1,003,549,932</u>	<u>\$ 32,723,095</u>

Notes:

- (1) Actual variable rate interest may differ from the fixed swap rate presented here.
- (2) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.



Payments During Fiscal 2011-2012		Principal Balance June 30, 2012	Due Fiscal 2012-2013		Total
Principal	Interest		Principal	Interest	
\$ 70,000	\$ 6,400	\$ 90,000	\$ 90,000	\$ 3,600	\$ 93,600
596,013	100,370	2,307,846	589,189	76,529	665,718
353,915	59,600	1,370,407	349,862	45,443	395,305
197,565	23,647	660,892	157,451	15,744	173,195
<u>1,217,493</u>	<u>190,017</u>	<u>4,429,145</u>	<u>1,186,502</u>	<u>141,316</u>	<u>1,327,818</u>
36,315,000	2,129,000	6,265,000	3,055,000	313,250	3,368,250
3,110,000	1,731,750	31,525,000	3,270,000	1,576,250	4,846,250
2,000,000	9,114,200	182,775,000	2,660,000	9,034,200	11,694,200
240,000	2,349,473	57,800,000	245,000	2,339,873	2,584,873
2,125,000	3,616,397	85,840,000	2,200,000	3,573,519 (1)	5,773,519
1,415,000	2,410,934	57,230,000	1,465,000	2,382,485 (1)	3,847,485
-	3,256,875	68,745,000	-	3,256,875	3,256,875
-	5,498,264	108,340,000	-	5,195,210	5,195,210
-	-	31,230,000	-	1,414,025	1,414,025
<u>45,205,000</u>	<u>30,106,893</u>	<u>629,750,000</u>	<u>12,895,000</u>	<u>29,085,687</u>	<u>41,980,687</u>
4,794,336	383,980	7,221,429	994,336	203,801	1,198,137
-	-	-	-	-	-
1,226,234	-	1,925,974	- (2)	-	-
<u>6,020,570</u>	<u>383,980</u>	<u>9,147,403</u>	<u>994,336</u>	<u>203,801</u>	<u>1,198,137</u>
<u>52,443,063</u>	<u>30,680,890</u>	<u>643,326,548</u>	<u>15,075,838</u>	<u>29,430,804</u>	<u>44,506,642</u>
672,596	80,504	2,249,955	536,029	53,600	589,629
<u>672,596</u>	<u>80,504</u>	<u>2,249,955</u>	<u>536,029</u>	<u>53,600</u>	<u>589,629</u>
3,075,000	2,399,677	89,925,000	3,215,000	3,308,348	6,523,348
44,397	-	75,086	- (2)	-	-
<u>3,119,397</u>	<u>2,399,677</u>	<u>90,000,086</u>	<u>3,215,000</u>	<u>3,308,348</u>	<u>6,523,348</u>
<u>3,791,993</u>	<u>2,480,181</u>	<u>92,250,041</u>	<u>3,751,029</u>	<u>3,361,948</u>	<u>7,112,977</u>
-	8,272,536	243,425,000	-	9,481,430 (1)	9,481,430
101,100	-	548,200	- (2)	-	-
<u>101,100</u>	<u>8,272,536</u>	<u>243,973,200</u>	<u>-</u>	<u>9,481,430 (1)</u>	<u>9,481,430</u>
18,739	-	39,470	- (2)	-	-
89,280	-	239,593	- (2)	-	-
<u>108,019</u>	<u>-</u>	<u>279,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 56,444,175</u>	<u>\$ 41,433,607</u>	<u>\$ 979,828,852</u>	<u>\$ 18,826,867</u>	<u>\$ 42,274,182</u>	<u>\$ 61,101,049</u>

SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2012

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2011</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>INSTALLMENT FINANCING AGREEMENTS:</u>				
Equipment Acquisition Project, Schedule 1A	4.16	06/28/07	\$ 3,226,843	\$ -
Equipment Acquisition Project, Schedule 1C	4.16	06/28/07	900,000	-
Equipment Acquisition Project, Series 2009	2.785	06/23/09	10,575,300	-
Equipment Acquisition Project, Series 2011	1.75	05/18/11	11,694,432	-
Total Installment Financing Agreements:			<u>26,396,575</u>	<u>-</u>
<u>OTHER INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			10,757	3,771
Earned Vacation Pay - Risk Management			10,841	19,138
Earned Vacation Pay - Vehicle Fleet Services			249,097	154,661
Total Other Internal Service Long-Term Obligations			<u>270,695</u>	<u>177,570</u>
Total Internal Service Long-Term Obligations			<u>\$ 26,667,270</u>	<u>\$ 177,570</u>

Note:

(1) The amount of vacation pay to be paid in any fiscal year cannot be determined.



<u>Payments During Fiscal 2011-2012</u>		<u>Principal Balance June 30, 2012</u>	<u>Due Fiscal 2012-2013</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 3,226,843	\$ 123,051	\$ -	\$ -	\$ -	\$ -
900,000	34,320	-	-	-	-
3,525,100	294,522	7,050,200	3,525,100	196,348	3,721,448
2,257,780	194,818	9,436,652	2,297,464	155,134	2,452,598
<u>9,909,723</u>	<u>646,711</u>	<u>16,486,852</u>	<u>5,822,564</u>	<u>351,482</u>	<u>6,174,046</u>
12,631	-	1,897	- (1)	-	-
25,175	-	4,804	- (1)	-	-
141,134	-	262,624	- (1)	-	-
<u>178,940</u>	<u>-</u>	<u>269,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,088,663</u>	<u>\$ 646,711</u>	<u>\$ 16,756,177</u>	<u>\$ 5,822,564</u>	<u>\$ 351,482</u>	<u>\$ 6,174,046</u>





STATISTICAL SECTION

The *Statistical Section* presents detailed information on financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.





Statistical Schedules

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 449,699	\$ 463,753	\$ 440,349	\$ 455,991
Restricted	46,376	65,539	76,234	96,224
Unrestricted	128,885	123,379	131,575	131,896
Total governmental activities net assets	<u>624,960</u>	<u>652,671</u>	<u>648,158</u>	<u>684,111</u>
Business-type activities				
Invested in capital assets, net of related debt	417,486	435,295	514,326	584,402
Unrestricted	88,157	68,243	75,199	90,117
Total business-type activities net assets	<u>505,643</u>	<u>503,538</u>	<u>589,525</u>	<u>674,519</u>
Total government				
Invested in capital assets, net of related debt	867,185	899,048	954,675	1,040,393
Restricted	46,376	65,539	76,234	96,224
Unrestricted	217,042	191,622	206,774	222,013
Total government net assets	<u>\$ 1,130,603</u>	<u>\$ 1,156,209</u>	<u>\$ 1,237,683</u>	<u>\$ 1,358,630</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 462,286	\$ 493,738	\$ 525,177	\$ 559,035	\$ 574,134	\$ 563,336
120,362	113,337	120,517	112,849	203,561	294,462
156,309	163,270	162,693	135,746	61,324	7,234
<u>738,957</u>	<u>770,345</u>	<u>808,387</u>	<u>807,630</u>	<u>839,019</u>	<u>865,032</u>
662,101	701,221	682,123	682,642	692,069	703,484
79,776	88,288	111,066	124,426	147,898	175,696
<u>741,877</u>	<u>789,509</u>	<u>793,189</u>	<u>807,068</u>	<u>839,967</u>	<u>879,180</u>
1,124,387	1,194,959	1,207,300	1,241,677	1,266,203	1,266,820
120,362	113,337	120,517	112,849	203,561	294,462
236,085	251,558	273,759	260,172	209,222	182,930
<u>\$ 1,480,834</u>	<u>\$ 1,559,854</u>	<u>\$ 1,601,576</u>	<u>\$ 1,614,698</u>	<u>\$ 1,678,986</u>	<u>\$ 1,744,212</u>

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 27,607	\$ 32,495	\$ 30,698	\$ 46,666	\$ 37,624
Community development services	53,025	17,110	19,269	33,174	15,084
Public works (1)	-	39,038	43,768	44,786	50,141
Public safety	90,291	95,588	104,268	110,965	118,436
Solid waste services	19,424	19,394	21,706	17,494	17,996
Leisure services	48,567	53,482	36,640	39,645	42,690
Economic development programs	3,592	3,265	2,644	4,003	4,456
Interest on long-term debt	6,445	7,827	9,354	9,936	10,035
Total governmental activities expenses	<u>248,951</u>	<u>268,199</u>	<u>268,347</u>	<u>306,669</u>	<u>296,462</u>
Business-type activities:					
Water and sewer	64,825	71,685	75,710	86,099	108,461
Convention center (2)	-	-	22,593	26,337	29,880
Mass transit	13,636	14,877	16,621	18,376	19,923
Parking facilities	2,771	2,674	4,723	6,395	6,641
Stormwater (3)	2,654	3,032	3,328	4,512	5,359
Total business-type activities	<u>83,886</u>	<u>92,268</u>	<u>122,975</u>	<u>141,719</u>	<u>170,264</u>
Total government expenses	<u>\$ 332,837</u>	<u>\$ 360,467</u>	<u>\$ 391,322</u>	<u>\$ 448,388</u>	<u>\$ 466,726</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 548	\$ 459	\$ 1,491	\$ 947	\$ 864
Community development services	9,073	9,469	10,825	22,488	12,805
Public works	-	858	2,045	1,638	663
Public safety	1,897	2,225	2,470	2,905	3,081
Solid waste services	6,272	9,645	9,705	12,521	13,347
Leisure services	13,716	21,384	8,579	7,695	7,732
Economic development programs	1,003	1,131	977	965	1,324
Operating grants and contributions	25,221	24,139	25,193	27,593	28,725
Capital grants and contributions	21,336	18,618	61,891	40,263	22,666
Total governmental activities program revenues	<u>79,066</u>	<u>87,928</u>	<u>123,176</u>	<u>117,015</u>	<u>91,207</u>
Business-type activities:					
Charges for services:					
Water and sewer	58,550	66,926	77,877	98,207	106,758
Convention center	-	-	13,555	13,374	20,794
Mass transit	2,046	2,115	2,241	2,423	2,787
Parking facilities	2,334	2,906	4,029	5,203	6,001
Stormwater	4	3,251	11,516	12,480	13,257
Operating grants and contributions	3,449	4,525	4,408	4,501	4,831
Capital grants and contributions	16,237	8,798	22,685	67,099	49,740
Total business-type activities program revenues	<u>82,620</u>	<u>88,521</u>	<u>136,311</u>	<u>203,287</u>	<u>204,168</u>
Total government program revenues	<u>\$ 161,686</u>	<u>\$ 176,449</u>	<u>\$ 259,487</u>	<u>\$ 320,302</u>	<u>\$ 295,375</u>
Net (expense)/revenue					
Governmental activities	\$ (169,885)	\$ (180,271)	\$ (145,171)	\$ (189,654)	\$ (205,255)
Business-type activities	(1,266)	(3,747)	13,336	61,568	33,904
Total government net expense	<u>\$ (171,151)</u>	<u>\$ (184,018)</u>	<u>\$ (131,835)</u>	<u>\$ (128,086)</u>	<u>\$ (171,351)</u>

Fiscal Year				
2008	2009	2010	2011	2012
\$ 37,801	\$ 36,884	\$ 51,866	\$ 57,866	\$ 52,370
19,827	22,269	25,247	25,695	25,031
53,691	54,530	44,084	42,207	51,828
130,067	136,331	143,480	145,189	141,602
22,383	24,460	23,769	24,453	23,621
45,530	49,674	53,314	56,473	60,265
5,329	4,399	4,375	5,710	5,656
10,772	11,541	13,516	14,401	11,043
<u>325,400</u>	<u>340,088</u>	<u>359,651</u>	<u>371,994</u>	<u>371,416</u>
124,613	136,935	129,034	134,033	133,804
20,100	28,409	33,889	35,130	34,106
23,895	28,552	28,724	30,358	34,769
7,149	8,874	11,307	12,043	11,699
7,951	8,728	10,249	9,980	10,583
<u>183,708</u>	<u>211,498</u>	<u>213,203</u>	<u>221,544</u>	<u>224,961</u>
<u>\$ 509,108</u>	<u>\$ 551,586</u>	<u>\$ 572,854</u>	<u>\$ 593,538</u>	<u>\$ 596,377</u>
\$ 782	\$ 854	\$ -	\$ 16,362	\$ 9,293
9,635	8,042	13,417	7,637	5,326
2,058	3,040	4,592	7,792	8,308
3,304	3,248	2,862	337	337
15,868	16,840	16,600	18,472	18,054
8,501	8,749	11,924	17,843	20,199
1,041	966	981	906	277
33,794	32,338	11,913	40,557	41,706
27,419	19,434	29,968	18,211	17,210
<u>102,402</u>	<u>93,511</u>	<u>92,257</u>	<u>128,117</u>	<u>120,710</u>
109,384	112,280	137,228	150,648	171,221
13,518	13,269	12,394	11,857	12,490
3,215	3,314	4,466	5,001	5,216
7,961	8,467	7,815	10,288	10,838
14,268	14,413	14,213	15,657	15,521
5,560	6,281	5,245	3,438	7,505
22,627	20,024	12,198	21,108	6,032
<u>176,533</u>	<u>178,048</u>	<u>193,559</u>	<u>217,997</u>	<u>228,823</u>
<u>\$ 278,935</u>	<u>\$ 271,559</u>	<u>\$ 285,816</u>	<u>\$ 346,114</u>	<u>\$ 349,533</u>
\$ (222,998)	\$ (246,577)	\$ (267,394)	\$ (243,877)	\$ (250,706)
(7,175)	(33,450)	(19,644)	(3,547)	3,862
<u>\$ (230,173)</u>	<u>\$ (280,027)</u>	<u>\$ (287,038)</u>	<u>\$ (247,424)</u>	<u>\$ (246,844)</u>

Continued

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Change in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 107,540	\$ 113,312	\$ 120,835	\$ 125,131	\$ 144,428
Local sales tax	42,938	52,156	55,954	61,496	67,178
Franchise tax	14,967	15,033	15,717	16,747	18,326
Other taxes	4,905	5,959	5,929	6,037	6,730
Privilege license tax	9,348	9,861	12,151	14,166	14,800
Unrestricted grants and contributions	1,000	986	973	680	680
Investment earnings	4,749	3,855	5,827	10,883	16,131
Miscellaneous	1,597	802	1,331	2,243	4,673
Transfers	(15,985)	(621)	(16,968)	(11,776)	(12,845)
Total governmental activities	<u>171,059</u>	<u>201,343</u>	<u>201,749</u>	<u>225,607</u>	<u>260,101</u>
Business-type activities:					
Investment earnings	\$ 2,161	\$ 1,021	\$ 7,089	\$ 11,650	\$ 20,609
Transfers	15,986	621	16,968	11,776	12,845
Gain on the sale of land	-	-	-	-	-
Special item, loss on capital asset impairment	-	-	(12,498)	-	-
Total business-type activities	<u>18,147</u>	<u>1,642</u>	<u>11,559</u>	<u>23,426</u>	<u>33,454</u>
Total government general revenues	<u>\$ 189,206</u>	<u>\$ 202,985</u>	<u>\$ 213,308</u>	<u>\$ 249,033</u>	<u>\$ 293,555</u>
Change in Net Assets					
Governmental activities	\$ 1,174	\$ 21,072	\$ 56,578	\$ 35,953	\$ 54,846
Business-type activities	16,881	(2,105)	24,895	84,994	67,358
Total government change in net assets	<u>\$ 18,055</u>	<u>\$ 18,967</u>	<u>\$ 81,473</u>	<u>\$ 120,947</u>	<u>\$ 122,204</u>

Notes:

- (1) The public works function was established during FY2004. Prior to 2004, the public works divisions were part of the community development services function.
- (2) The City began reporting the convention center operations as an enterprise fund effective FY2005. Prior to that, the operations were included as part of the City's general fund.
- (3) The City converted the Stormwater Projects fund into the nonmajor enterprise Stormwater Utility fund effective FY2011.

Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 151,695	\$ 180,534	\$ 184,697	\$ 186,379	\$ 189,422
70,313	62,442	58,651	61,776	67,828
19,553	23,438	22,500	22,634	21,190
7,502	9,119	5,473	13,937	11,875
17,585	19,627	19,098	7,166	7,663
680	-	-	-	-
17,555	10,632	1,703	5,280	946
1,959	3,250	5,659	11,182	11,982
<u>(32,455)</u>	<u>(24,423)</u>	<u>(31,144)</u>	<u>(32,231)</u>	<u>(34,186)</u>
<u>254,387</u>	<u>284,619</u>	<u>266,637</u>	<u>276,123</u>	<u>276,720</u>
\$ 17,770	\$ 10,632	\$ 2,379	\$ 3,357	\$ 1,165
32,455	24,423	31,144	32,231	34,186
-	2,075	-	-	-
-	-	-	-	-
<u>50,225</u>	<u>37,130</u>	<u>33,523</u>	<u>35,588</u>	<u>35,351</u>
<u>\$ 304,612</u>	<u>\$ 321,749</u>	<u>\$ 300,160</u>	<u>\$ 311,711</u>	<u>\$ 312,071</u>
\$ 31,389	\$ 38,042	\$ (757)	\$ 32,246	\$ 26,014
43,051	3,680	13,879	32,041	39,213
<u>\$ 74,440</u>	<u>\$ 41,722</u>	<u>\$ 13,122</u>	<u>\$ 64,287</u>	<u>\$ 65,227</u>

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 23,096	\$ 30,153	\$ 39,246	\$ 35,607
Unreserved	65,881	76,792	74,379	78,774
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 88,977</u>	<u>\$ 106,945</u>	<u>\$ 113,625</u>	<u>\$ 114,381</u>
All other governmental funds				
Reserved	\$ -	\$ 10,323	\$ 19,001	\$ 29,055
Unreserved, reported in:				
Special revenue funds	12,522	14,964	11,491	6,245
Capital projects funds	90,839	125,505	93,354	144,863
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 103,361</u>	<u>\$ 150,792</u>	<u>\$ 123,846</u>	<u>\$ 180,163</u>

Notes:

2010 and earlier amounts have not been restated for the implementation of GASB Statement 54.



Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 42,321	\$ 44,293	\$ 43,647	\$ 49,722	\$ -	\$ -
84,164	92,797	116,900	116,162	-	-
-	-	-	-	3,090	3,415
-	-	-	-	40,783	43,367
-	-	-	-	-	66,317
-	-	-	-	72,987	34,305
-	-	-	-	58,176	62,813
<u>\$126,485</u>	<u>\$137,090</u>	<u>\$160,547</u>	<u>\$ 165,884</u>	<u>\$ 175,036</u>	<u>\$ 210,217</u>
\$ 40,105	\$ 34,559	\$ 37,361	\$ 36,105	\$ -	\$ -
9,870	6,281	11,917	127,157	-	-
137,677	157,982	126,845	7,027	-	-
-	-	-	-	36,177	35,793
-	-	-	-	123,024	215,302
<u>\$187,652</u>	<u>\$198,822</u>	<u>\$176,123</u>	<u>\$ 170,289</u>	<u>\$ 159,201</u>	<u>\$ 251,095</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Ad valorem taxes	\$ 107,415	\$ 113,563	\$ 107,416	\$ 125,036	\$ 144,015
Intergovernmental	46,177	44,654	46,177	49,819	55,235
Developer participation	305	15	305	1,685	740
Assessments	494	444	494	1,371	831
Local sales tax	42,938	52,156	42,938	61,496	67,179
Licenses	9,347	9,861	9,348	14,166	14,800
Interest on investments	4,417	3,742	4,417	10,041	15,094
Inspections	8,274	10,123	8,274	12,476	12,109
Highway maintenance refunds	627	998	627	1,157	1,377
Facility fees	3,586	4,360	3,586	4,118	5,605
Other fees and charges	21,866	34,397	21,866	25,466	26,629
Rents	238	319	238	389	351
Program income	2,397	3,339	2,397	2,748	4,481
Other revenues	1,947	2,286	1,947	2,491	2,888
Miscellaneous	4,639	2,153	-	2,113.00	1,383
Gain (loss) on sale of capital assets	-	-	-	-	-
Total revenues	<u>254,667</u>	<u>282,410</u>	<u>250,030</u>	<u>314,572</u>	<u>352,717</u>
Expenditures					
General government	30,547	33,007	30,547	35,584	33,202
Community development services	40,791	19,626	40,791	24,373	25,340
Public works	-	19,758	-	19,187	21,326
Public safety	91,498	95,662	91,498	110,337	118,848
Solid waste services	19,852	18,280	19,852	17,476	18,860
Leisure services	41,683	45,672	41,683	33,983	36,577
Economic development programs	3,593	3,265	3,592	4,003	4,456
Other expenditures	72	12	72	88	-
Capital outlay	37,948	59,388	37,948	46,277	39,899
Debt service					
Principal	10,889	12,233	10,888	14,674	16,547
Interest	5,680	6,580	5,680	8,288	9,486
Other debt service expenditures	265	457	265	665	275
Total expenditures	<u>282,818</u>	<u>313,940</u>	<u>282,816</u>	<u>314,935</u>	<u>324,816</u>
Less: Administrative costs charged to water and sewer	<u>(8,902)</u>	<u>(9,416)</u>	<u>(8,902)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>273,916</u>	<u>304,524</u>	<u>273,914</u>	<u>314,935</u>	<u>324,816</u>
Other financing sources (uses)					
Transfers in	16,102	27,801	16,103	16,932	22,499
Transfers out	(32,967)	(25,918)	(32,967)	(30,707)	(37,818)
Bonds issued	-	-	-	-	-
Capital related debt issued	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-
Proceeds from borrowing	45,919	78,849	45,919	71,211	-
Premium on bonds issued	-	-	-	-	7,011
Premium on refunding bonds	-	-	-	-	-
Proceeds from refunding	15,380	20,226	15,380	-	-
Payments to escrow agent	(15,380)	(20,085)	-	-	-
Total other financing sources (uses)	<u>29,054</u>	<u>80,873</u>	<u>44,435</u>	<u>57,436</u>	<u>(8,308)</u>
Net change in fund balances	<u>\$ 9,805</u>	<u>\$ 58,759</u>	<u>\$ 20,551</u>	<u>\$ 57,073</u>	<u>\$ 19,593</u>
Debt service as a percentage of noncapital expenditures (1)	7.00%	7.44%	7.55%	8.34%	8.96%

(1) Capital outlay component of ratio calculation included as follows:

2003-2012 - capital outlay as per reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities

Fiscal Year				
2008	2009	2010	2011	2012
\$ 151,301	\$ 180,362	\$ 184,930	\$ 186,625	\$ 189,486
61,500	65,815	64,174	87,156	85,624
127	141	15	2,313	510
733	527	493	562	1,336
70,313	62,442	58,651	61,776	67,828
17,585	19,627	19,098	19,671	21,050
15,982	9,764	3,853	5,000	1,683
10,918	8,517	7,408	7,164	7,695
986	1,104	1,242	786	772
5,638	4,040	4,084	7,310	6,632
29,658	30,975	30,995	32,429	37,175
310	374	437	514	787
2,881	2,691	2,188	2,536	2,619
3,605	2,410	2,149	1,589	1,831
1,076	3,461	2,022	1,023	745
-	-	-	1	-
<u>372,613</u>	<u>392,250</u>	<u>381,739</u>	<u>416,455</u>	<u>425,773</u>
37,792	35,998	34,791	42,096	38,709
24,828	26,652	25,421	25,332	25,268
21,572	22,054	21,762	24,723	23,143
130,476	136,794	143,173	145,251	144,448
21,658	25,091	24,043	24,949	24,556
39,572	42,073	43,973	49,415	54,355
5,329	4,399	4,375	5,710	5,656
-	36	-	3	402
65,634	101,497	94,470	73,332	78,785
15,967	20,125	20,717	26,900	26,699
9,493	10,021	13,195	13,494	12,601
307	335	335	572	652
<u>372,628</u>	<u>425,075</u>	<u>426,255</u>	<u>431,777</u>	<u>435,274</u>
-	-	-	-	-
<u>372,628</u>	<u>425,075</u>	<u>426,255</u>	<u>431,777</u>	<u>435,274</u>
22,730	36,820	23,253	26,759	27,185
(55,219)	(59,991)	(52,146)	(60,307)	(56,101)
-	-	-	46,425	147,600
-	-	-	5	-
-	-	177	-	-
54,279	56,281	109,550	-	-
-	-	6,405	1,360	17,765
-	-	-	-	5,331
-	14,759	52,197	-	33,925
-	(14,284)	(95,418)	-	(39,129)
<u>21,790</u>	<u>33,585</u>	<u>44,018</u>	<u>14,242</u>	<u>136,576</u>
<u>\$ 21,775</u>	<u>\$ 760</u>	<u>\$ (498)</u>	<u>\$ (1,080)</u>	<u>\$ 127,075</u>
8.09%	8.85%	9.95%	11.17%	10.74%

**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**
(in thousands of dollars)

Fiscal Year	Residential Property	Personal Property	Corporate Excess	Total Taxable Assessed Value	Property Tax Rate (Per \$100 Assessed Value)
2003	\$ 22,961,869	\$ 4,441,009	\$ 784,993	\$ 28,187,871	0.3850
2004	24,076,593	4,544,692	758,867	29,380,152	0.3850
2005	25,196,730	4,741,149	731,621	30,669,500	0.3950
2006	26,376,313	5,145,971	693,840	32,216,124	0.3950
2007	27,737,471	5,161,031	714,511	33,613,013	0.4350
2008	29,059,934	5,442,892	606,352	35,109,178	0.4350
2009	42,825,483	5,478,583	740,108	49,044,174 (1)	0.3735
2010	43,901,186	5,303,143	687,150	49,891,479	0.3735
2011	44,147,844	5,260,838	654,892	50,063,574	0.3735
2012	44,414,047	5,467,141	659,756	50,540,944	0.3735

Notes:

(1) Increase due to revaluation of property every eight years.

This schedule does not include valuations on property owned by the State of North Carolina, United States Government, charitable institutions, etc., not subject to taxation.

Assessed valuations are established at 100% of estimated market value for real property and 100% of actual value for personal property.

Source:

Wake County Tax Administrator

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>City Rate</u>	<u>Wake County Rate</u>	<u>Total</u>
2003	\$ 0.3850	\$ 0.5640	\$ 0.9490
2004	0.3850	0.6040	0.9890
2005	0.3950	0.6040	0.9990
2006	0.3950	0.6040	0.9990
2007	0.4350	0.6340	1.0690
2008	0.4350	0.6780	1.1130
2009 (1)	0.3735	0.5340	0.9075
2010	0.3735	0.5340	0.9075
2011	0.3735	0.5340	0.9075
2012	0.3735	0.5340	0.9075

Note:

(1) Tax rate decrease due to revaluation.

Source:

Wake County Tax Administrator

Other Tax Data:

Property taxes are listed and assessed as of January 1, and the collections are first budgeted for the fiscal year beginning the next July 1.

The City rate is completely applicable to general government and not divided among other components.

There is a State statutory tax rated limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax which may be levied for debt service.

The City has no financial responsibility for any part of the public school system. The school budget is approved and funded by the Wake County Board of Commissioners with revenues derived from County, State and Federal governments.

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts expressed in thousands)**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
CVM Holdings LLC	\$ 334,451	1	0.66%	\$ 170,806	3	0.61%
Progress Energy Carolinas	310,499	2	0.61%	312,192	1	1.11%
Highwoods Realty	225,587	3	0.45%	140,338	4	0.50%
Triangle Town Center LLC	173,177	4	0.34%			
First Citizens Bank	152,965	5	0.30%			
NHM Owner-1 LLC	133,250	6	0.26%			
G&I VI LTD PTNRP	132,312	7	0.26%			
Bellsouth	119,151	8	0.24%	176,728	2	0.63%
Highwoods DLF Forum LLC	116,429	9	0.23%			
State Employees Credit Union	112,129	10	0.22%			
UDRT of North Carolina				116,971	5	0.41%
Prudential Insurance				94,487	6	0.34%
Capital Center Acquisition				69,328	7	0.25%
JG North Raleigh LLC				61,989	8	0.22%
First Union National Bank of NC				55,945	9	0.20%
Lead Mine Land Co				54,963	10	0.19%
Totals	<u>\$ 1,809,950</u>		<u>3.57%</u>	<u>\$ 1,253,747</u>		<u>4.46%</u>

Note:

Above taxable assessed valuations are as of January 1, 2011 and 2002 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2012 and 2003 respectively.

Source:

Wake County website, Statistics and Reports and 2003 City of Raleigh CAFR.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Original Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2003	\$ 109,099	\$ 106,645	97.75%	\$ 2,279	\$ 108,924	99.84%
2004	113,861	111,949	98.32%	1,830	113,779	99.93%
2005	121,770	119,880	98.45%	1,854	121,734	99.97%
2006	127,767	125,745	98.42%	1,974	127,719	99.96%
2007	146,117	142,895	97.79%	1,980	144,875	99.15%
2008	153,544	150,661	98.12%	2,350	153,011	99.65%
2009	184,579	181,468	98.31%	2,372	183,840	99.60%
2010	187,901	185,225	98.58%	2,022	187,247	99.65%
2011	188,777	186,280	98.68%	1,878	188,158	99.67%
2012	190,578	188,329	98.82%	-	188,329 (1)	98.82%

Note:

(1) Reconciliation to revenues per general fund financial statements:

Total collected as per above	\$ 188,329
Prior year collections in current year	2,430
Penalties collected	763
Rebates and waived taxes	<u>(2,036)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 189,486</u>

**ANALYSIS OF CURRENT TAX LEVY
CITY - WIDE LEVY
For the Fiscal Year Ended June 30, 2012**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 49,276,874,718	\$.3735	\$ 184,647,206	\$ 177,226,621	\$ 7,420,585
Registered motor vehicles taxed at prior year's rate	1,131,731,728	.3735	4,277,530	-	4,277,530
	<u>50,408,606,446</u>		<u>188,924,736</u>	<u>177,226,621</u>	<u>11,698,115</u>
Discoveries:					
Prior years' taxes	132,338,152	(1)	506,413	500,947	5,466
Total property valuation	<u>\$ 50,540,944,598</u>				
Deferred and waived			923,766	923,766	-
Penalty			222,610	222,610	-
Rebates			(793,178)	(613,154)	(180,024)
Net levy			189,784,347	178,260,790	11,523,557
Uncollected taxes at June 30, 2012			(2,232,347)	(718,347)	(1,514,000)
Current year's taxes collected			<u>\$ 187,552,000</u>	<u>\$ 177,542,443</u>	<u>\$ 10,009,557</u>
Current levy collection percentage			<u>98.83%</u>	<u>99.60%</u>	<u>86.86%</u>

Note:

(1) Taxes levied on discovered properties of prior periods at tax rates applicable to those periods.

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2012

Fiscal Year Ended June 30	Taxes Receivable June 30, 2011	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2012 (1)
2003 & Prior	\$ 2,303,983	\$ -	\$ 13,956	\$ 2,290,027
2004	61,851	-	12,622	49,229
2005	4,311	-	3,362	949
2006	1,039	-	443	596
2007	1,012,630	-	92,472	920,158
2008	476,631	-	74,007	402,624
2009	481,892	-	150,173	331,719
2010	654,373	-	204,653	449,720
2011	2,496,728	-	1,861,835	634,893
2012		190,577,525	188,345,178	2,232,347
TOTALS	\$ 7,493,438	\$ 190,577,525	\$ 190,758,701	\$ 7,312,262

(2)

Notes:

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$4,441,830)

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 190,758,701
Penalties collected	762,849
Rebates and waived taxes	<u>(2,036,017)</u>
Ad valorem taxes collected per general fund financial statements	<u><u>\$ 189,485,533</u></u>

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Business-type Activities			Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Financing Agreements	General Obligation Bonds	Water and Sewer Revenue Bonds	Installment Financing Agreements			
2003	\$ 138,880	\$ 31,912	\$ 34,109	\$ 74,495	\$ 37,943	\$ 317,339	2.98%	1,001.13
2004	150,537	80,963	30,197	185,053	33,594	480,344	4.23%	1,460.55
2005	138,920	40,970	26,151	182,947	315,515	704,503	5.78%	2,058.78
2006	189,327	56,714	22,998	175,380	318,987	763,406	5.80%	2,158.93
2007	183,219	60,272	18,916	415,540	338,067	1,016,014	6.89%	2,760.95
2008	170,030	104,398	15,405	560,240	344,335	1,194,408	7.93%	3,141.75
2009	177,949	139,825	12,616	554,740	349,998	1,235,128	8.36%	3,203.91
2010	230,567	120,967	10,574	546,250	361,869	1,270,227	8.21%	3,239.69
2011	213,916	161,229	8,569	643,725	352,794	1,380,233	(2)	3,417.33
2012	344,046	142,883	6,679	629,750	342,932	1,466,290	(2)	3,567.62

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Demographic and Economic Statistics on page 145 for personal income and population data.
(2) Personal income data unavailable for 2011 and 2012.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	General Bonded Debt (1)	Net Bonded Debt (2)	Percentage Actual Taxable Value of Property (3)	Per Capita Bonded Debt (4)	
				Gross	Net
2003	\$ 173,820	\$ 165,324	0.62%	\$ 548	\$ 522
2004	182,795	174,787	0.62%	556	531
2005	166,890	159,550	0.54%	488	466
2006	212,325	204,883	0.66%	600	579
2007	202,135	194,600	0.60%	549	529
2008	185,435	178,953	0.53%	488	471
2009	190,565	184,770	0.39%	494	479
2010	241,140	235,030	0.48%	615	599
2011	222,485	217,758	0.44%	551	539
2012	350,725	345,852	0.69%	853	841

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) Total includes all general obligation bonded debt.
- (2) Represents gross bonded debt less allowable statutory deductions.
- (3) See Assessed Value of Taxable Property schedule on page 134 for property value data.
- (4) See Demographic and Economic Statistics schedule on page 145 for population data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2012

(amounts expressed in thousands)

	<u>Bonded Debt</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt - City of Raleigh (1)	\$ 486,929	100.00%	\$ 486,929
Overlapping Debt: (2)			
Wake County Debt (3)	<u>1,754,870</u>	41.92% (4)	<u>735,680</u>
Total Direct and Overlapping Debt	<u>\$ 2,241,799</u>		<u>\$ 1,222,609</u>

Notes:

- (1) This total includes all governmental activities debt.
- (2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.
- (3) This total includes \$1,543,606,542 of Wake County School Bonds.
- (4) Percentage of direct and overlapping debt is based on June 30, 2012 assessed valuation of the City of Raleigh (\$50,539,443,568) as compared to the June 30, 2012 assessed valuation of Wake County (\$120,555,400,651).

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30	Debt Limit	Less: Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2003	\$ 2,302,595	\$ 294,600	\$ 2,007,995	12.79%
2004	2,350,412	374,239	1,976,173	15.92%
2005	2,453,560	600,110	1,853,450	24.46%
2006	2,577,290	695,391	1,881,899	26.98%
2007	2,689,041	700,623	1,988,418	26.05%
2008	2,808,734	823,965	1,984,769	29.34%
2009	3,923,534	860,872	3,062,662	21.94%
2010	3,991,318	836,465	3,154,853	20.96%
2011	4,005,086	850,380	3,154,706	21.23%
2012	4,043,155	867,667	3,175,488	21.46%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 50,539,443
Debt limit (8% of assessed value)	4,043,155
Debt applicable to limit:	
General Obligation bonds	350,725
GO bonds authorized not issued	36,000
Other outstanding debt	485,815
Less: Statutory deductions	
Bonded debt included in gross debt incurred for water	(2,308)
Uncollected special assessments levied for local improvements for which gross debt incurred to the extent to be applied to the payment of such gross debt	(2,565)
Total net debt applicable to limit	<u>867,667</u>
Legal debt margin	<u>\$ 3,175,488</u>

**PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Gross Revenues	15% of PY Unrestricted Net Assets	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios			
					Principal	Interest	Total	Net Coverage	With 15% (5)	Required Coverage	
(1)	(2)	(5)	(2)								
<u>Parity Debt Service Coverage (3)</u>											
2003	\$ 59,832,587	\$	\$ 46,909,635	\$ 12,922,952	\$ 2,395,000	\$ 3,874,439	\$ 6,269,439	2.06		1.25	
2004	67,830,623	9,598,225	51,521,220	16,309,403	2,485,000	3,709,006	6,194,006	2.63	4.18	1.20	
2005	79,603,480	8,103,566	52,518,696	27,084,784	2,575,000	3,664,485	6,239,485	4.34	5.64	1.20	
2006 (6)	105,022,276	5,213,204	61,868,891	43,153,385	3,005,000	8,425,141	11,430,141	3.78	4.23	1.20	
2007 (6)	122,529,240	11,026,707	71,042,733	51,486,507	5,465,000	8,238,046	13,703,046	3.76	4.56	1.20	
2008 (6)	122,551,257	10,619,640	83,987,047	38,564,210	5,550,000	8,123,779	13,673,779	2.82	3.60	1.20	
2009 (6)	120,957,554	7,611,436	88,596,831	32,360,723	5,750,000	7,909,634	13,659,634	2.37	2.93	1.20	
2010	140,145,189	7,992,892	85,916,982	54,228,207	6,985,000	21,041,497	28,026,497	1.93	2.22	1.20	
2011	153,349,630	11,314,260	85,869,606	67,480,024	11,115,000	24,899,417	36,014,417	1.87	2.19	1.20	
2012	173,365,019	14,913,980	90,783,309	82,581,710	12,050,000	24,671,035	36,721,035	2.25	2.66	1.20	
<u>Parity and Subordinate Debt Service Coverage (4)</u>											
2003	\$ 59,832,587	\$	\$ 46,909,635	\$ 12,922,952	\$ 7,165,851	\$ 5,682,828	\$ 12,848,679	1.01		1.00	
2004	67,830,623		51,521,220	16,309,403	6,974,451	5,165,065	12,139,516	1.34		1.00	
2005	79,603,480		52,518,696	27,084,784	7,139,537	4,968,531	12,108,068	2.24		1.00	
2006 (6)	105,022,276		61,868,891	43,153,385	7,687,724	9,551,078	17,238,802	2.50		1.00	
2007 (6)	122,529,240		71,042,733	51,486,507	10,051,834	9,214,679	19,266,513	2.67		1.00	
2008 (6)	122,551,257		83,987,047	38,564,210	9,655,080	8,935,545	18,590,625	2.07		1.00	
2009 (6)	120,957,554		88,596,831	32,360,723	9,174,700	8,547,494	17,722,194	1.83		1.00	
2010	140,145,189		85,916,982	54,228,207	9,529,491	21,594,268	31,123,759	1.74		1.00	
2011	153,349,630		85,869,606	67,480,024	13,643,740	25,351,895	38,995,635	1.73		1.00	
2012	173,365,019		90,783,309	82,581,710	14,011,829	25,037,720	39,049,549	2.11		1.00	

Notes:

- (1) The City has issued 9 series of water and sewer revenue bonds between December 1, 1996 and April 5, 2012.
- (2) Water and sewer user charges and other utility revenues are pledged revenues; operating expenses are exclusive of depreciation and interest expense.
- (3) Parity debt service includes interest and principal of revenue bonds and certain State loans.
- (4) Parity and subordinate debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds. Certain other debt paid within the Utility Fund is not subject to legal coverage requirements, and is not included above.
- (5) The City entered into the First Amending Trust Agreement dated April 15, 2004. The first amendment provides that 15% of Water and Sewer unrestricted net assets as of the last day of the preceding fiscal year be added to gross revenues in computing the net revenue available for debt service. The required coverage for parity indebtedness was also decreased to 1.20% from 1.25%.
- (6) The schedule was updated in 2011 to change certain prior period amounts for consistency in reporting.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income (expressed in thousands)	Per Capita Personal Income	School Enrollment ADM	Unemployment Rate %
	(1)	(2)	(2)	(3)	(4)
2003	\$ 316,979	\$ 10,659,053	\$ 33,627	\$ 107,448	5.2
2004	328,880	11,345,702	34,498	112,158	4.0
2005	342,194	12,190,319	35,624	117,986	4.3
2006	353,604	13,161,494	37,221	120,381	3.5
2007	367,995	14,741,512	40,059	124,474	3.9
2008	380,173	15,055,611	39,728	133,228	4.8
2009	388,926	15,065,826	38,737	142,732	8.8
2010	392,083	15,479,045	39,479	145,040	8.3
2011	403,892	Unavailable	Unavailable	148,470	9.9
2012	411,000	Unavailable	Unavailable	152,474	9.4

Sources:

- (1) City of Raleigh Planning Department - estimate.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis.
Per capita income for the Raleigh-Cary MSA.
Data for 2011 and 2012 are unavailable.
- (3) North Carolina Department of Public Instruction, Statistical Research and Data Center.
ADM = Average daily membership - (final ADM). Includes thirteen charter schools.
- (4) North Carolina Employment Security Commission.
Estimated percentage of unemployment in Wake County as of June 30, 2012.

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of North Carolina	21,720	1	10.58%	23,539	1	14.55%
Wake County Public School System	17,553	2	8.55%	12,997	2	8.03%
North Carolina State University	7,994	3	3.89%	7,787	3	4.81%
Wake Med Health and Hospitals	7,750	4	3.77%	5,000	4	3.09%
Rex Healthcare	5,400	5	2.63%	3,779	5	2.34%
Wake County	4,206	6	2.05%	3,300	7	2.04%
City of Raleigh	3,826	7	1.86%	3,000	8	1.85%
Progress Energy Inc.	2,500	8	1.22%	3,400	6	2.10%
Wells Fargo	2,200	9	1.07%	-	-	-
First Citizens Bank	1,696	10	0.83%	1,574	10	0.97%
Waste Industries	-	-	-	2,000	9	1.24%
Total	74,845		36.45%	66,376		41.02%

Notes:

Total City Employment as of June 30: 205,314 - 2012; 161,799 - 2003

Source:

Raleigh Chamber of Commerce (Employers)

**CITY GOVERNMENT EMPLOYEES BY FUNCTION/DEPARTMENT
LAST TEN FISCAL YEARS**

Function	Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Policy & Management Services										
General Government	46	54	57	62	70	77	74	94	131	88
Personnel	20	21	21	22	23	25	26	25	25	25
Administrative Services (2)	17	18	17	17	17	19	20	25	-	-
Finance	97	100	103	113	122	129	127	127	112	111
Information Services	61	62	61	63	69	74	74	77	78	79
Community Development Services										
Public Works (1)	318	327	342	354	392	405	421	416	395	397
Planning & Development (3)	39	39	41	41	46	47	45	42	60	200
Inspections	139	139	148	154	153	153	141	121	97	-
Community Services	19	19	21	19	19	23	18	18	18	18
Community Development	20	21	21	21	23	23	23	23	23	23
Public Safety										
Police	792	812	835	851	888	902	902	892	882	879
Fire	494	507	522	523	553	568	568	568	575	575
Emergency Communications	74	74	76	78	94	103	102	102	102	109
Solid Waste Services										
	260	260	189	199	240	237	234	223	211	204
Public Utilities										
	366	377	377	438	547	571	571	570	586	586
Leisure Services										
Convention Center	70	71	71	71	72	109	107	109	108	104
Parks & Recreation	313	320	339	355	391	418	391	401	408	428
Total	3,145	3,221	3,241	3,381	3,719	3,883	3,844	3,833	3,811	3,826

Notes:

Numbers presented are authorized positions.

(1) Includes Central Engineering, Construction Management, Transportation, Parking, Vehicle Fleet Services and Stormwater.

(2) Administrative Services was dissolved and employees moved to City Manager's and Budget & Management Services Department.

(3) Planning and Development consists of The Planning Department, The Inspections Department and The Office of Development Services.

Source:

City of Raleigh Budget Office.

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year			
	2003	2004	2005	2006
Community Development Services				
Inspections:				
Permits issued (all trade types)	59,401	60,027	63,000	47,862
Construction - inspections requested	121,034	160,000	162,000	132,539
Community Development:				
New housing units constructed	2	32	17	28
Homeownership loans provided	8	61	38	51
Rehabilitation loans provided	19	42	47	29
Public Works				
Asphalt failures repaired	7,597	7,228	7,222	7,300
Drainage structures repaired/maintained	740	931	1,000	1,030
Police				
Physical arrests	89,534	99,684	118,098	87,929
Traffic accidents investigated	16,787	17,344	18,005	18,551
Fire				
Emergency responses	13,500	15,159	17,244	21,249
Fire calls answered	10,500	11,383	8,530	1,539
Emergency Communications				
911 calls processed	623,738	497,119	464,728	483,921
Solid Waste				
Refuse collected (tons)	73,837	77,301	80,400	83,600
Recyclables collected (tons)	14,069	14,428	15,719	17,052
Water				
Number of consumers	126,285	131,312	137,330	158,007
Average daily consumption (millions of gallons per day)	42.43	54.00	47.69	48.80
Maximum daily flow (millions of gallons per day)	60.70	67.40	68.00	69.20
Wastewater				
Average daily sewage treatment (millions of gallons per day)	45.68	44.01	46.45	45.24
Maximum daily flow (millions of gallons per day)	73.41	68.00	72.18	98.05
Leisure Services				
Convention center events	480	518	571	570
Event attendance	582,896	593,693	661,968	559,989
Parks and recreation programs	7,485	7,195	6,977	8,302
Registrants	149,205	125,771	134,798	134,850
Attendance at parks & recreation facilities (millions)	3.3	3.0	3.1	3.4

Notes:

- (1) Estimates shown for 2012 data.
- (1a) Change in reporting measure beginning in 2006.
- (2) New phone system installed in 2003 has changed the way incoming calls are counted.
- (3) Amounts shown for 2011 data have been updated to reflect actuals rather than estimates.

Source:

Various city departments and the City Budget Office's Performance Indicators document.

		Fiscal Year					
		2007	2008	2009	2010	2011	2012
		47,493	54,644	45,022	45,000	47,723 (3)	45,554 (1)
		126,695	116,667	103,798	93,844	77,000 (3)	87,830 (1)
		34	6	11	9	17 (3)	25 (1)
		85	62	66	81	39 (3)	60 (1)
		45	42	36	27	13 (3)	24 (1)
		4,860	3,828	1,880	2,068	5,000	1,906 (1)
	Unavailable		1,073	700	461	1,000	594 (1)
		135,083	120,005	113,568	116,481	115,361 (3)	92,540 (1)
		19,257	19,262	18,557	18,439	19,328 (3)	20,018 (1)
		20,063	20,478	21,791	22,278	22,790 (3)	21,912 (1a)
		1,582	1,739	1,319	1,167	1,489 (3)	1,354 (1a)
		502,492	523,184	520,431	497,778	454,223 (3)	467,368 (2)
		84,538	85,139	87,054	87,562	85,217 (3)	85,864 (1)
		18,808	18,740	19,325	20,104	22,370 (3)	23,890 (1)
		169,324	174,517	165,298	167,307	167,746	170,353
		50.63	47.09	48.00	49.00	52.00	53.50
		72.20	75.00	67.00	71.36	68.71 (3)	70.13 (1)
		44.80	42.00	40.90	42.50	45.70 (3)	46.50
		75.00	63.77	81.75	88.01	78.94	59.23 (1)
		634	837	687	641	649 (3)	556 (1)
		654,152	718,841	608,842	489,446	460,012 (3)	470,000 (1)
		10,334	10,770	9,290	11,249	11,233 (3)	12,096 (1)
		120,419	120,254	158,514	138,568	136,489 (3)	139,000 (1)
		3.9	4.1	4.0	4.1	4.0 (3)	4.1 (1)

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public safety					
Police stations	7	7	7	7	7
Fire stations	26	26	26	27	27
Highways and streets					
Streets (miles)	1,089	1,118	1,161	1,194	1,235
Streetlights (1)	29,875	30,628	31,976	32,737	33,600
Signalized intersections	485	489	493	508	510
Leisure services					
Number of major parks	66	70	71	72	72
Parks acreage	7,979	8,010	8,101	8,672	8,818
Aquatic facilities	8	8	8	8	8
Community centers (staffed and unstaffed)	66	32	32	34	33
Water					
Water mains (miles)	1,356	1,380	1,415	2,050	2,050
Sewers					
Sanitary sewers (miles)	1,447	1,468	1,501	2,000	2,000

Notes:

Capital asset indicators are not available for the general government function.

(1) Streetlights for 2011 and 2012 are reported as actuals; prior years are estimated.

Source:

Various city departments.

Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
7	7	7	6	6
27	27	27	27	27
1,274	1,283	1,293	1,296	1,306
33,955	33,974	34,003	33,067	33,914
510	515	518	540	550
72	75	78	78	77
8,893	9,046	9,399	9,451	9,494
8	8	8	8	8
33	34	35	35	34
2,106	1,870	1,902	1,931	2,508
2,072	1,784	1,803	1,819	2,612





SINGLE AUDIT SECTION

The *Single Audit Section* contains schedules, exhibits and auditor reports reflecting federal, state, and other participation in various projects and programs of the City as required by OMB Circular A-133, the North Carolina Single Audit Implementation Act and the American Recovery and Reinvestment Act.







**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

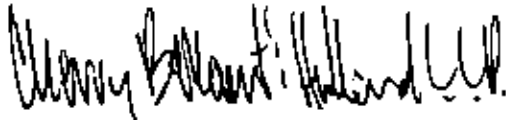
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, members of City Council and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink, appearing to read "Cherry, Bekaert & Holland, L.L.P.", written in a cursive style.

Raleigh, North Carolina
October 30, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

Compliance

We have audited the City of Raleigh, North Carolina (the "City"), compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

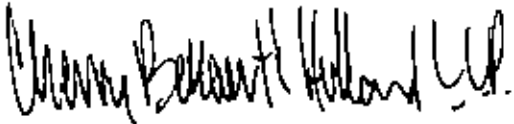
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink, appearing to read "Cherry Bekaert & Holland LLP", written in a cursive style.

Raleigh, North Carolina
October 30, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

Compliance

We have audited the City of Raleigh, North Carolina (the "City"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. The City's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

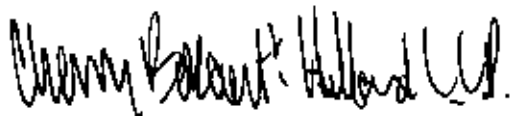
Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink, appearing to read "Cherry Bekaert & Holland LLP", written in a cursive style.

Raleigh, North Carolina
October 30, 2012



Single Audit Schedules

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local
EXPENDITURES OF FEDERAL AWARDS:					
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Direct Programs: Federal Transit Administration:					
Bus Replacement-FTA 5309	20.500	NC-04-0036-01/11-0-036	\$ 1,525,029	\$ 660,039	\$ 300,247
Capital Assistance - Section 9	20.507	NC-90-X427	9,337	-	2,332
Capital Assistance - Section 9	20.507	NC-90-X455	77,944	-	-
Capital Assistance - Section 9	20.507	NC-90-X488	785,601	-	121,520
Capital Assistance - Section 9	20.507	NC-90-X509-00	3,110,037	-	777,509
Job Access Remote Commute	20.516	NC-37-X012-03	109,791	-	-
New Freedom 2012	20.521	NC-57-0001-01	82,864	-	-
Total Direct Programs U.S. Dept. of Transportation:			5,700,603	660,039	1,201,608
Passed-Through North Carolina Department of Transportation:					
Planning Assistance - Section 9	20.507	NC-90-X-460/11-09-488	108,574	10,847	(10,847)
Planning Assistance - Section 9	20.507	NC-90-X-509/11-08-101	412,467	51,558	51,558
ARRA FHWA Neuse River Greenway	20.205	EB-4829	813,229	-	-
City-wide Traffic Signal Upgrade	20.205	C-4923	4,433,466	-	-
FHWA Falls of Neuse Widening	20.205	U-4901	1,876,357	-	-
Lower Neuse Greenway-STPDA-0520(33)	20.205	EL-5100 IA	3,785,037	-	-
Mingo Creek Greenway-TCSP-0512(6)	20.205	EB-5002A	191,287	-	-
NCDOT Bike Grant EB.4013R	20.205	EB.401.3R	15,100	355	-
NCDOT Bike/Ped Planning	20.205	N/A	-	(13,680)	-
NCDOT-SPR	20.205	WBS46285.1	80,000	20,000	-
NCDOT-SPR Blue Ridge Road Corridor Study	20.205	N/A	41,303	-	100,000
Neuse River Greenway Grant-SAFETEA-LU	20.205	EB-4829	97,458	-	-
Section 104(f) PL	20.205	WBS39225.1.4	1,036,270	-	479,645
Section 104(f) STPDA	20.205	WBS39225.1.21	662,305	-	-
GHSP-Equipment	20.600	PT-12-03-03-19	49,979	-	16,660
Total Passed-Through North Carolina Department of Transportation:			13,602,832	69,080	637,016
Total U.S. Department of Transportation			19,303,435	729,119	1,838,624
<u>U.S. DEPARTMENT OF ENERGY</u>					
Direct Programs:					
ARRA - Geothermal Technologies	81.087	DE-EE0002808	277,107	-	277,107
ARRA Grant - US DOE LEAP	81.122	DE-OE-0000325	51,515	-	-
ARRA EECBG Sustainability	81.128	DE-EE-0000768	2,354,783	-	-
Total Direct Programs U.S. Department of Energy:			2,683,405	-	277,107
Passed-Through Triangle J Council of Governments:					
ARRA - Carolina Blue Skies & Green Jobs Initiative	81.129	DE-EE0002491	58,000	-	26,500
Passed-Through N.C. Department of Commerce:					
ARRA - Alternate Fuel and Advanced Vehicle Tech Grant	81.041	4390014751	117,480	-	114,561
ARRA-Student Energy Internship	81.041	DE-EE0000-157	66,043	-	37,073
Total Indirect Programs U.S. Department of Energy:			241,523	-	178,134
Total U.S. Department of Energy			2,924,928	-	455,241
<u>CORPORATION FOR NATIONAL SERVICE</u>					
Direct Programs:					
Retired Senior Volunteers Program	94.002	11SRSNCO01	16,537	-	6,018
Retired Senior Volunteers Program	94.002	11SRSNCO01	35,815	-	23,485
Foster Grandparents Program	94.011	11SFNCO03	260,977	-	135,734
AmeriCorps VISTA-State Support	94.013	09VSSNCO04	-	-	6,545
Total Corporation for National Service			313,329	-	171,782

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Programs:					
Community Development Block Grant - Entitlement Grants	14.218	B09MC370009	486,582	-	-
Community Development Block Grant - Entitlement Grants	14.218	B10MC370009	1,953,048	-	-
HOME Grant Program	14.239	M06-11MC370206	308,068	-	-
HOME Grant Program	14.239	M07-11MC370206	411,932	-	-
HOME Grant Program	14.239	M08-11MC370206	288,372	-	-
HOME Grant Program	14.239	M10-11MC370206	59,541	-	-
HOME Grant Program	14.239	M11-11MC370206	154,046	-	-
ARRA CDBG-R	14.253	B09MY370009	4,948	-	-
ARRA Homelessness Prevention	14.257	S09MY370005	175,352	-	-
Emergency Shelter	14.231	S09MY370005	108,680	-	-
Total Direct U.S. Department of Housing and Urban Development:			<u>3,950,569</u>	<u>-</u>	<u>-</u>
Passed-Through N.C. Department of Commerce: Neighborhood Stabilization Program	14.228	08-N-1885	544,197	-	-
Total U.S. Department of Housing and Urban Development			<u>4,494,766</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE					
Direct Programs:					
JAG - Criminal Nuisance Abatement-CAGI	16.544	2008-PG-BX-0004	15,341	-	8,826
Cops Technology Grant	16.710	2010CKWX0211	293,787	-	-
ARRA Byrne JAG Program 2009	16.804	2009SBB90401	432,898	-	1,266
Total Direct U.S. Department of Justice:			<u>742,026</u>	<u>-</u>	<u>10,092</u>
Passed -Through Wake County: 2011 JAG Asst Grant	16.738	2011-DJ-BX-2526	63,380	-	-
JAG - Criminal Nuisance Abatement-2010	16.738	2010-DJ-BX-0778	26,331	-	-
Total Passed-Through Wake County:			<u>89,711</u>	<u>-</u>	<u>-</u>
Passed-Through N.C. Department of Crime Control and Public Safety: Raleigh Intelligence Center 2011	16.738	2011-DJ-BX-2091	74,295	-	24,765
Total U.S. Department of Justice			<u>906,032</u>	<u>-</u>	<u>34,857</u>
ENVIRONMENTAL PROTECTION AGENCY					
Passed-Through N.C. Department of Environment and Natural Resources:					
ARRA NRWTP Reuse Pump	66.458	2W370419-15	506,442	-	-
ARRA-Cleanwater Trust Loan	66.458	2W37041914	-	-	-
			<u>506,442</u>	<u>-</u>	<u>-</u>
Total Environmental Protection Agency			<u>506,442</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Programs:					
Federal Emergency Management Assistance	97.036	N/A	827,462	-	-
Passed-Through N.C. Department of Crime Control & Public Safety					
FEMA-Hazard Mitigation	97.039	N/A	325,602	-	-
Fire Simulator Grant	97.044	EMW2009FO08661	145,344	-	36,486
Fire Equipment Grant	97.067	2010SST00751	14,143	-	-
Fire Equipment Grant	97.067	2009SST90046	11,547	-	-
FY2011 Homeland Security Grant-NCEM-Bomb Equipment	97.067	2011-SS-00119-1035	7,547	-	-
NC USAR Task Force 8 Training	97.067	2009-SS-T9-0046	-	14,251	-
Urban Search & Rescue	97.067	2009SST90046	7,848	-	-
USAR Base Equipment	97.073	GET8-2008-00-33-1028	186,159	-	-
Total Passed-Through N.C. Department of Crime Control & Public Safety			<u>698,190</u>	<u>14,251</u>	<u>36,486</u>
Passed-Through Wake County Wake Co BZPP EM Grant	97.078	N/A	15,735	-	-
Total U.S. Department of Homeland Security			<u>1,541,387</u>	<u>14,251</u>	<u>36,486</u>
OFFICE OF NATIONAL DRUG CONTROL POLICY					
HITDA-2011(Durham FA)	95.001	N/A	6,889	-	5,342

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local
HITDA-2012(Durham FA)	95.001	N/A	21,771	-	8,033
Total Office of National Drug Control and Policy			28,660	-	13,375
U.S. DEPARTMENT OF COMMERCE					
Passed-Through One Economy Corp. ARRA-Information and Support Eco System	11.557	11-43-B10516	67,920	-	-
Total U. S. Department of Commerce			67,920	-	-
U.S. DEPARTMENT OF THE INTERIOR					
Passed-through N.C. Department of Cultural Resources Raleigh Historic Districts Update	15.904	N/A	-	(2,600)	7,000
Total U.S. Department of the Interior			-	(2,600)	7,000
TOTAL EXPENDITURES OF FEDERAL AWARDS:			30,086,899	740,770	2,557,365
EXPENDITURES OF STATE AWARDS:					
N.C. DEPARTMENT OF TRANSPORTATION					
Capital Assistance		11-95-037	-	385,000	-
NCDOT Bike/Ped Planning		WBS37309.1.1	-	37,515	37,514
NCDOT FY 2012 Advanced Tech Grant		NC-95-X04312-AT-101	-	248,621	28,075
NCSU-Clean Fuel Adv Tec (CFAT)		N/A	-	-	2,088
Powell Bill		WBS32570	-	9,784,945	-
Public Transportation Maint Asst Prog		12-SM-013	-	2,620,492	-
Total N.C. Department of Transportation			-	13,076,573	67,677
N.C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY					
Fire Regional Response Team		RRT42011	-	56,000	-
Total N.C. Department of Crime Control & Public Safety			-	56,000	-
N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES					
2011 Waste Reduction & Recycling Project		Contract 4134	-	23,850	-
Total N. C. Department of Environment and Natural Resources			-	23,850	-
N.C. OFFICE OF INFORMATION TECHNOLOGY SERVICES					
NC 911 Board		29005003003	-	109,820	-
Total N.C. Office of Information Technology Services			-	109,820	-
TOTAL EXPENDITURES OF STATE AWARDS:			-	13,266,243	67,677
EXPENDITURES OF OTHER AWARDS:					
WAKE COUNTY					
Juvenile Crime Prevention Council		#492056	-	-	491 (1)
Juvenile Crime Prevention Council		692-10267	-	-	129,090 (1)
Transportation - EDTAP		N/A	-	-	14,642 (1)
TRIANGLE TRANSIT AUTHORITY					
New Bern Avenue Transit Stop		N/A	-	-	20,572 (1)
TRIANGLE J COUNCIL OF GOVERNMENTS					
Travel Demand Management Grant		TDMRAL12	-	38,675	43,292 (1)
TOTAL EXPENDITURES OF OTHER AWARDS:			-	38,675	208,087
TOTAL EXPENDITURES ALL AWARDS:			\$ 30,086,899	\$ 14,045,688	\$ 2,833,129



**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local
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Notes:

The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2012. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. The total unexpended balance on-hand at June 30, 2012 is \$-0-

Loans Outstanding

City of Raleigh had the following loan balance outstanding at June 30, 2012. The loan balance outstanding is included in the federal expenditures presented in the schedule:

- ARRA NRWTP Reuse Pump-Clean Water Revolving Loan CFDA # 66.458-Project 2W370419-15
- The loan balance outstanding of \$506,422 is included in the federal expenditures per the above schedule

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY12.

- (1) Represents City of Raleigh matching and awards from local governments.



CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to federal awards? _____ yes X no

Type of auditors' report issued on compliance for major federal programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
14.218	Community Development Block Grant – Entitlement Grants Cluster
14.253	ARRA CDBG-R
14.257	ARRA Homelessness Prevention
16.738	2009 JAG Assistance Grant
16.804	ARRA Byrne JAG Program 2009
20.500, 20.507	Federal Transit Cluster
20.507	ARRA Operations/Maintenance
81.128	ARRA EECBG Sustainability
81.087	ARRA Geothermal Technologies
81.041	ARRA Alternative Fuel and Advanced Vehicle Tech Grant
81.041	ARRA Student Energy Internship Program

Dollar threshold used to distinguish between Type A
and Type B Programs:

\$____ 902,607

Auditee qualified as low-risk auditee?

X yes no

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

I – Summary of Auditors' Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? _____ yes ___ X ___ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ___ X ___ none reported

Noncompliance material to state awards? _____ yes ___ X ___ no

Type of auditors' report issued on compliance for major state programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with the *Audit Manual for Governmental Auditors in North Carolina*? _____ yes ___ X ___ no

Identification of major state programs:

Names of State Program or Cluster

Powell Bill
Public Transportation Maintenance Assistance Program

II – Financial Statement Findings

None

III – Federal Award Findings and Questioned Costs

None

IV – State Award Findings and Questioned Costs

None

CITY OF RALEIGH, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

VI – Financial Statement Findings

None





OFFICE OF THE CITY MANAGER

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