

Comprehensive Annual Financial Report

City of Raleigh



CITY OF RALEIGH, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2006

About the Cover

The cover of this report highlights some of the exciting developments occurring in North Carolina's Capital City. At the upper left is an artist rendering of the new convention center under construction in downtown Raleigh. The photo on the upper right highlights the latest addition to the City – the Stanley Cup – during its visit to Raleigh's Memorial Auditorium. Raleigh is home to the 2006 Stanley Cup champions, the Carolina Hurricanes. The photo on the lower left captures the excitement of the reopening of Fayetteville Street, North Carolina's main street. The street is once again open to vehicular traffic from the Capitol to the Progress Energy Center for the Performing Arts. At lower right is an artist rendering of the Dempsey E. Benton Water Treatment Plant, which is currently under construction. This treatment plant is named in honor of Mr. Benton, who served as Raleigh's city manager from 1983 through 2000.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF RALEIGH, NORTH CAROLINA

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY THE FINANCE DEPARTMENT
PERRY E. JAMES, III, CHIEF FINANCIAL OFFICER



CITY OF RALEIGH

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CITY OF RALEIGH



Introductory Section

CR

RALEIGH CITY COUNCIL - 2005-2006

Charles C. Meeker
MAYOR

James P. West
MAYOR PROTEM
DISTRICT C

Tommy Craven
DISTRICT A

Jessie Taliaferro
DISTRICT B

Thomas Crowder
DISTRICT D

Philip R. Isley
DISTRICT E

Russ Stephenson
AT LARGE

Joyce Kekas
AT LARGE



First row: Charles C. Meeker, Joyce Kekas, Jessie Taliaferro, James P. West
Second row: Tommy Craven, Russ Stephenson, Thomas Crowder, Philip R. Isley

INTRODUCTORY SECTION

CITY ADMINISTRATIVE, LEGAL AND FINANCIAL STAFF

J. Russell Allen
CITY MANAGER

Lawrence E. Wray
ASSISTANT CITY MANAGER

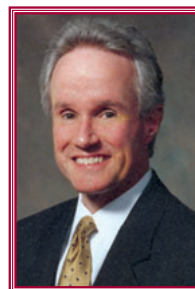
Julian B. Prosser, Jr.
ASSISTANT CITY MANAGER

Daniel A. Howe
ASSISTANT CITY MANAGER

Thomas A. McCormick, Jr.
CITY ATTORNEY

Gail G. Smith
CITY CLERK

Perry E. James, III
CHIEF FINANCIAL OFFICER



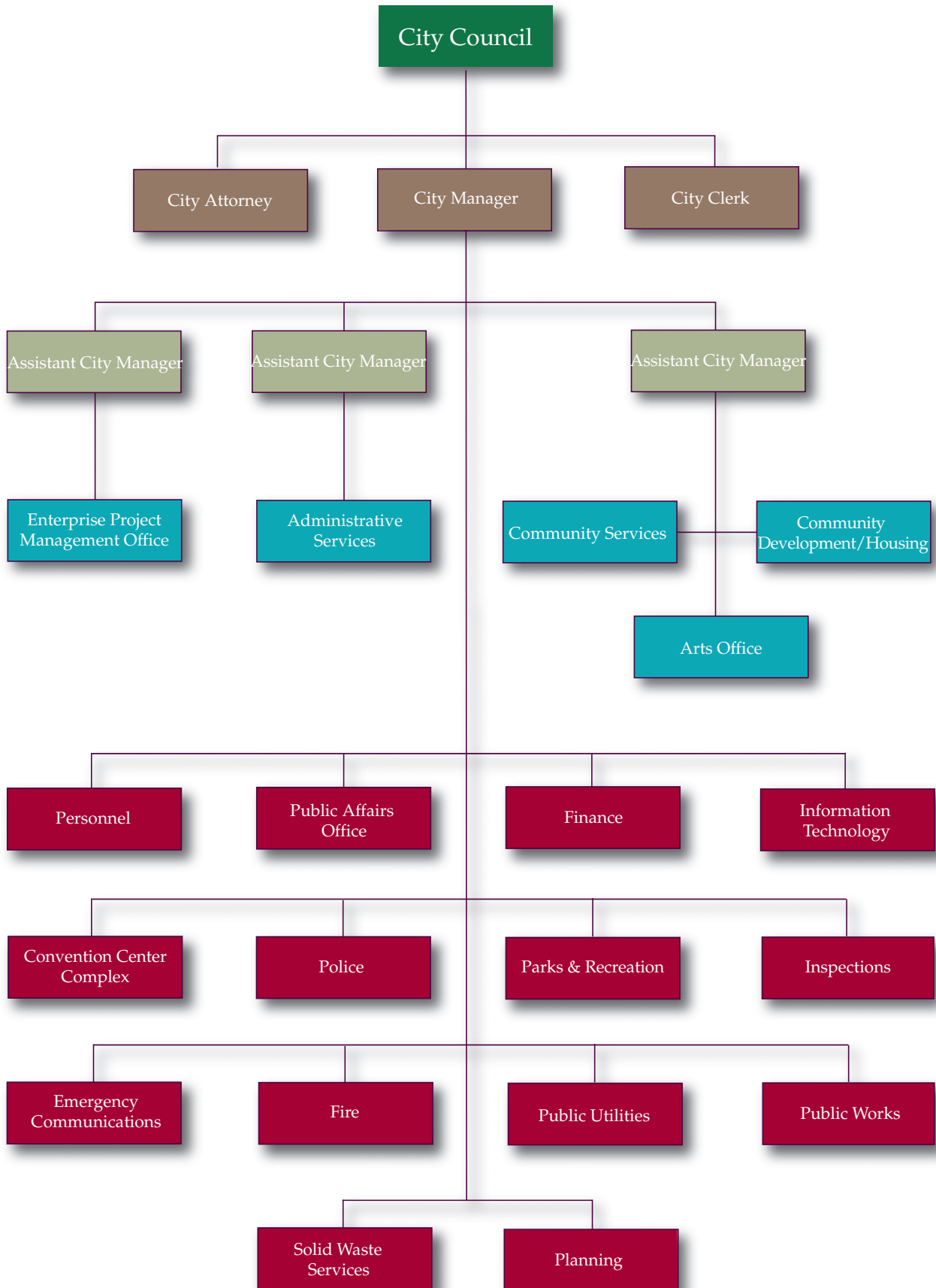
J. Russell Allen
City Manager



Perry E. James, III
Chief Financial Officer



City-Wide Organization Chart



October 27, 2006



**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, 2006. 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. Because the cost of the internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be 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, LLP, 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, 2006, are free of material misstatement. The independent auditor concluded, based upon the audit that the City's financial statements for the fiscal year ended June 30, 2006 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 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 called the Piedmont region, 150 miles from the sandy Atlantic beaches 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 134 square miles and has an estimated population of 353,604. 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 1,400,000.

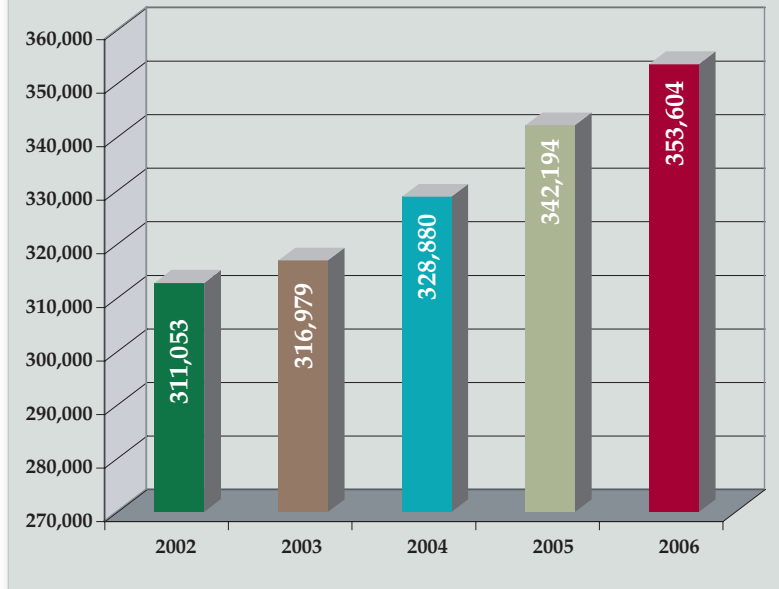
The North Carolina General Assembly purchased land for the original site of the City for the specific purpose of being the Capital of North Carolina. The City was established in 1792 by an act of the General Assembly and has utilized a council-manager form of government since 1947. The Mayor and two 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, and parks, recreation and cultural services. 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 both real and personal properties located within its boundaries. It is also empowered by state statute 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 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 or the City Manager may make transfers of appropriations within a fund up to \$50,000. Transfers greater than \$50,000 and transfers of appropriations between funds require approval of the City Council.

Five-Year Population Growth



ECONOMIC CONDITIONS AND OUTLOOK

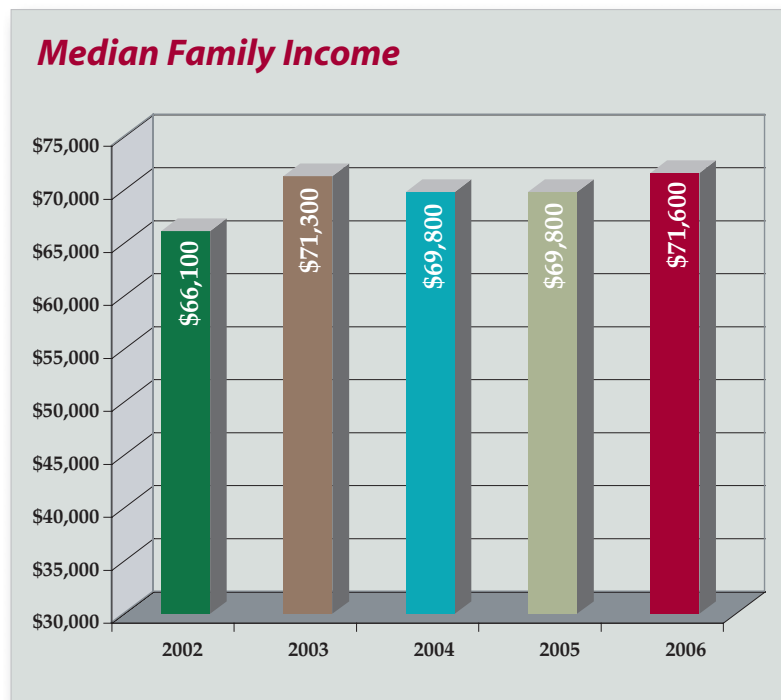
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Raleigh is one of the fastest growing areas in the country and is rated one of the top 10 cities for relocation in the US and in the top 50 cities in the country in population. A great economy, top universities, and outstanding health care facilities are some of the attributes that attract people to the area. The mild climate, diverse work force and proximity to Research Triangle Park, a nationally recognized center for research and light manufacturing adjacent to the City, combine to make the City a great place to live. The City has experienced significant growth in population, land area and commercial activity for a number of years. As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers, including State government, higher education, light manufacturing 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.

The 2005 American Community Survey, an annual survey that will replace the long-form questionnaire of the census taken every 10 years, reports the percent of adults in the City with a high school diploma is 91% and 50% of the adults have a bachelors degree. That same survey reports that the City median household income is \$48,131, and the median family income is \$71,600. The median monthly housing cost for homeowners with mortgages is \$1,315.

Recent statistical analyses continue to show the Raleigh metropolitan area to be one of the leading per capita income areas in the state and the nation. Latest per capita income for Wake County reflects per capita income higher than the state and national per capita personal income. The latest median family income numbers from the City of Raleigh planning department show that the Raleigh-Cary MSA has the highest median family income in North Carolina, surpassing the next highest region by 11 percent or \$7,200. The City's taxable property base also remains strong due in part to the quality of life, which has attracted industry and citizens to the Raleigh area. This has resulted in a balanced tax base of commercial and industrial property complimenting our growing residential base. The level of tax base associated with new construction and the use of City services are projected to continue to increase.

For the seventh consecutive year, total permitted construction value in Raleigh was over \$1 billion. In calendar year 2005, 40 major companies announced either new operations or expansions of present operations in Wake County with an announced estimated dollar investment of over \$373 million. This represents an estimated 2,682 new jobs added to the workforce in Wake County. As a result, the March, 2006 unemployment rate was 3.5 percent as compared to 4.5 percent statewide and 4.8 percent nationwide.



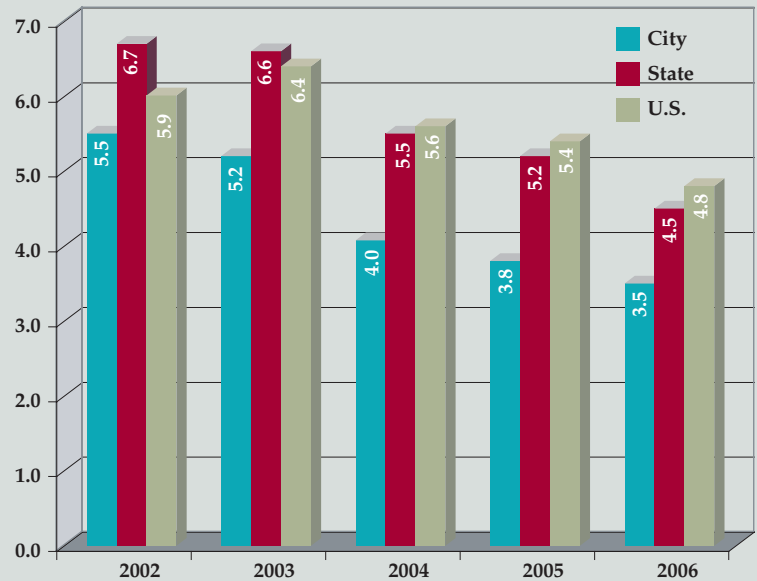
In May of 2006 Forbes Magazine found Raleigh to be the 2nd best city in which to do business out of the 200 U.S. metropolitan areas it rated. The magazine stated “People continue to flock to Raleigh. Unemployment is low. Employers like the low business costs and educated workforce.”

The nearby Research Triangle Park 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 approximately 145 organizations including those of International Business Machines Corporation, Nortel, Glaxo-SmithKline, BNR Corporation, MCNC (formerly the Micro Electronics Center), Research Triangle Institute, United States Environmental Protection Agency and National Institute of Environmental Health Services. The research institutions of the Park employ an estimated 39,000 employees with an annual payroll in excess of \$2.7 billion.

An estimated 10.25 million people visited Raleigh during 2005 for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the RBC Center, Walnut Creek Amphitheater, Memorial Auditorium, The Progress Energy Center for Performing Arts, The Exploris Museum and IMAX Theater, numerous state museums, and several major retail shopping malls. The RBC Center 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 hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South, which in 2006 included a record breaking production of the *Lion King*. The Progress Energy Center for the Performing Arts is the home of the North Carolina Symphony and the Carolina Ballet, and provides three performing arts theaters.

The City continues to focus efforts and investment in downtown development under its livable streets plan. Construction is well underway on a new 500,000 square foot convention center, which will also include public meeting space in an adjacent 400 room headquarters’ hotel. Construction also continues on a 944 space underground parking deck to serve the convention center, hotel and expected private development. The project budgets for the convention center, hotel participation and underground parking deck total \$279.4 million. These projects are expected to be complete in 2008. The convention center construction cost and the City’s \$20 million share of the headquarters’ hotel

Five-Year Unemployment Rates

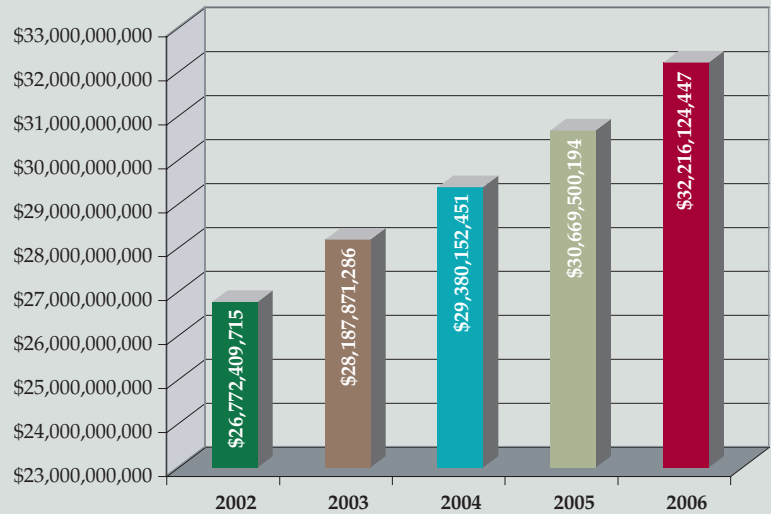


project are funded from available revenues from a 6% hotel room occupancy tax and a 1% prepared food and beverage tax. The underground parking deck will be funded by debt proceeds to be repaid by parking revenues. In July 2006, the City completed phase one of the Fayetteville Street Renaissance project. This \$11.0 million project re-opened Fayetteville Street, Raleigh's main street, to vehicular traffic for the four blocks from the state capitol to the new convention center construction site. The next phase of this project will begin upon completion of the convention center, hotel, and underground parking deck projects and will completely re-open Fayetteville Street to Memorial Auditorium and the Progress Energy Center for the Performing Arts. It is expected that these major projects will continue to attract new, private development to downtown Raleigh, such as the \$100 million, 32-story corporate headquarters building for RBC Centura Bank, currently under construction on Fayetteville Street.

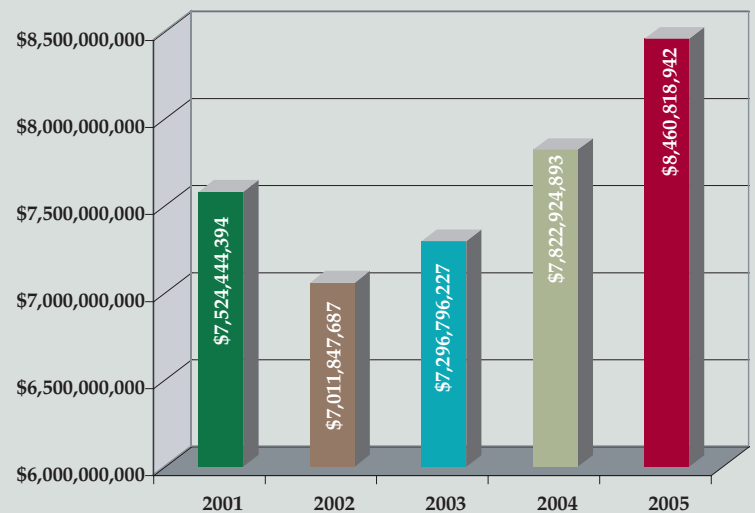
In addition to the new commercial development, construction has recently been completed on several major housing developments in the downtown area with additional development in the planning stage. Approximately 2,515 new residential units are planned to be completed by 2008. Over 7,000 housing units (includes for sale, for lease, historic district single family, senior housing and student housing) are projected to be within or adjacent to the down-town business improvement district by 2008.

The expected growth of the area will result in the continued increase in the tax base and our largest revenue source, property taxes. Sales tax, our second largest revenue source, also is favorably impacted by the growth of the area and by ongoing good economic conditions. While sales tax is one of the most sensitive revenues to economic conditions, the City's stable employment and population base result in regular growth of this key budget resource.

Five-Year Assessed Values



Retail Sales



Long-term Financial Planning

The City seeks to consistently maintain a strong financial position as evidenced by its AAA/Aaa ratings from the 3 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 2005-06 through 2009-10. The major areas included in Phase I are transportation, public utilities, parks, housing, stormwater utility, the Neuse Basin Environmental program, and general public improvements. The public utilities program represents the largest portion of the CIP due to its strong growth in customers including the infrastructure investment associated with the system mergers of other local units into the Raleigh system.

To provide a longer term assessment of operating needs, the City uses a 2-year budget perspective, with the first year being the current adopted budget and the 2nd year being the budget plan for the subsequent year. The budgets are set to meet both continuing City program requirements plus supplemental additions needed in response to new capital infrastructure included in the CIP budget.

A key financial goal of the City for many years has been the maintenance of a 14% undesignated 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 2006 results built into the 2006-07 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 a debt model, a cash flow model, rate sensitivity analyses and financing proformas. Other 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

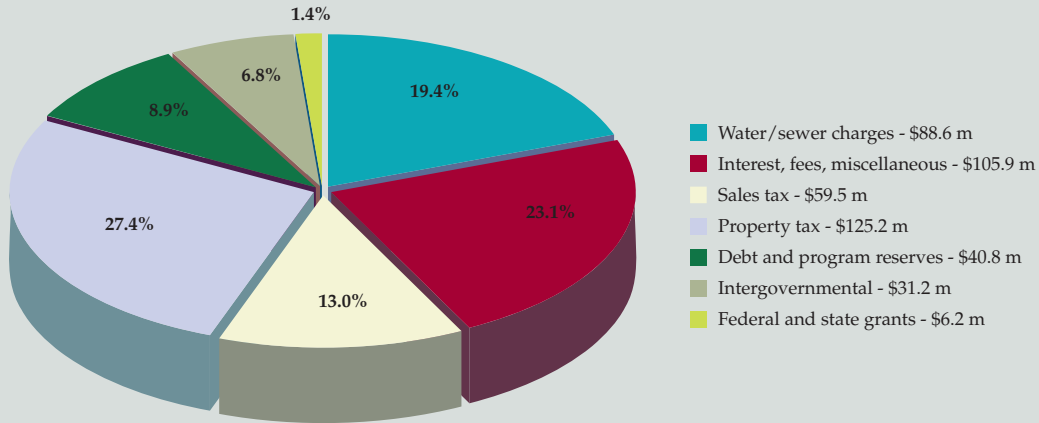
For the Year 2005-06

Budget trends for 2005-06 included annual budget growth for operating and capital programs of approximately 12.2 percent. The tax rate remained at \$.3950. Water and sewer rates were increased 9% in order to adequately maintain both parity debt coverage and fund balance goals within the utilities operating fund. An increase to the recycling fee was linked to the city doubling its recycling service frequency from bi-weekly to weekly collection. Enhancements were made to the 2005-06 budget to advance the Council's goals and address pressing municipal service delivery needs in the city. The issues addressed with the enhancements to the budget were public safety, improvements to roadways in order to reduce traffic congestion, enhancement of quality of life in neighborhoods, areas to foster economic development, new positions to ensure cost effective and efficient delivery of core municipal services, and safeguarding of the city's fiscal health. The City also made an additional budget investment to preserve the city's capital investments and infrastructure.

Capital improvements in 2005-06 included a reprogrammed presentation of project expenditure proposals associated with the 2003 Park Bond. The park program included funding for park site and

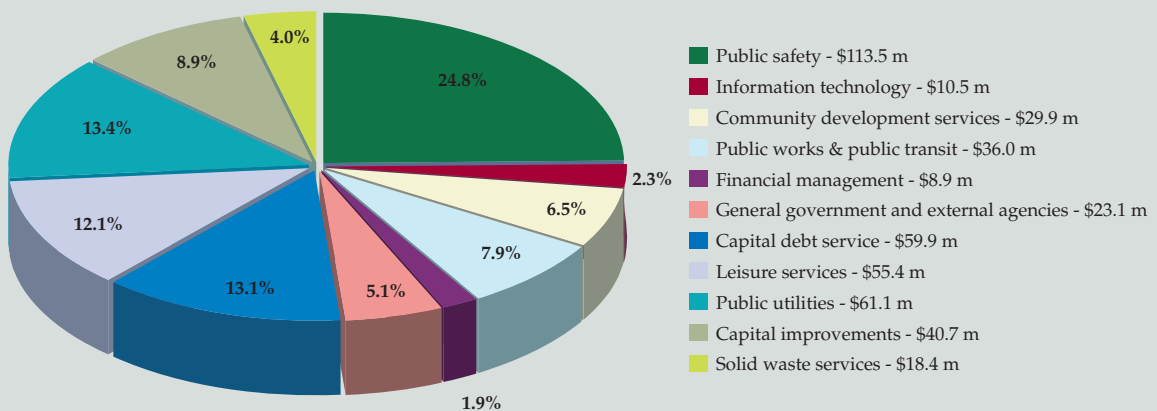
greenway trail acquisition, major maintenance projects, and the design and development of parks located throughout the city jurisdiction. The other areas of traditional funding are the transportation street system, utility projects, stormwater projects, housing and other general public projects. The adopted capital improvement budget for 2005-06 was \$130.5 million. Utility revenue bonds and general government general obligation bonds fund \$96.3 million of this budget.

Adopted Budget 2005-2006



Revenues \$457,436,354

Adopted Budget 2005-2006



Expenditures \$457,436,354

For the Future

The fiscal year 2006-07 budget was recommended by the City Manager and adopted by the City Council, in accordance with the biannual budget policy. The adopted budget includes a 4 cent increase to the property tax, resulting in a tax rate of \$.4350. The increase includes 2 cents allocated to voter approved streets and housing bond programs. Water and sewer rates were again increased 9% to maintain ongoing operations and capital investment goals. The combined operating and capital budget adopted for 2006-07 was \$513,638,733.

Other major components of the 2006-07 operating budget include continued indirect cost funding to the general fund from stormwater, parking, and utilities; a public transportation fare increase from 75 cents to \$1; and Council approved increases to parks and streets facilities fees. A net of 140 new positions are authorized with 18 positions going to both police and fire, 55 positions going to utilities, and 49 positions going to other general services departments.

The 2006-07 capital improvements budget funds new and/or continuing projects totaling \$202.3 million. These include traditional project funding for transportation, utilities, parks, stormwater, housing and general improvements. FY07 funding sources include appropriations of \$154.5 million in authorized debt proceeds from water and sewer revenue bonds (\$124.2 million) and general obligation bonds (\$30.3 million) for streets, housing, and general public improvements. Facility fee revenues of \$5.1 million to support streets and park projects reflect the 36% Council approved adjustment in order to index these fees to construction costs. Planning costs for several new major facilities in the FY07 CIP include a solid waste transfer station, a remote operations facility, and a new public safety center.

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 for all years beginning in 1980, including the 2005 report.

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, with assistance from the independent auditors, Cherry, Bekaert & Holland, LLP. 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, 2005

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.



President

Executive Director



Financial Section

CR



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, 2006, 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 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, 2006, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

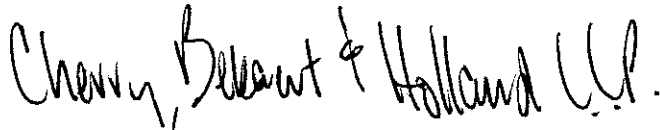
In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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.

The Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City. The combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of Federal and State awards 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

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

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland LLP." The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 27, 2006

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, 2006. 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

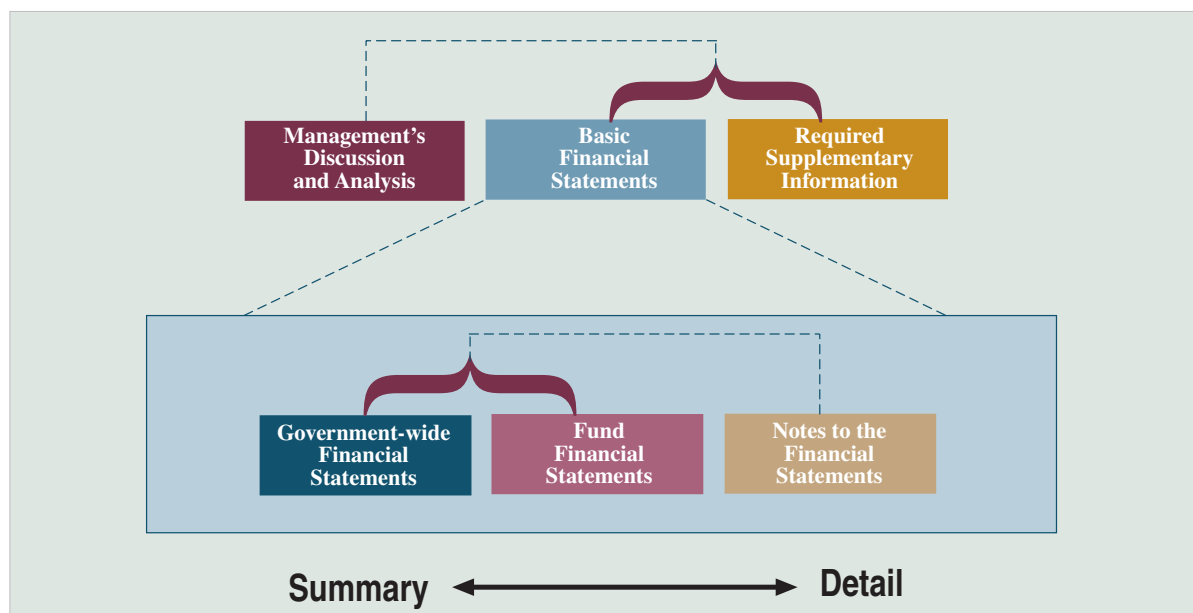
- The assets of the City of Raleigh exceeded its liabilities at the close of the most recent fiscal year by \$1.36 billion (*net assets*). This amount is up slightly from last year. Of this amount, \$222.01 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$294.5 million. Approximately 78.1% of this total amount, \$229.9 million, is *available for spending* at the government's discretion (*unreserved 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, unreserved fund balance for the general fund was \$78.8 million or 31 percent of total general fund expenditures. Of that amount, \$48.0 million is undesignated 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 \$65.6 million during the current fiscal year. The issuance of new debt (\$100.6 million) exceeded principal repayments (\$36.2 million) by \$64.4 million. Other long-term obligations (earned vacation pay and landfill postclosure care) increased by \$1.2 million.
- The City issued \$61.2 million in general obligation bonds for street improvements (\$35.6 million) and park improvements (\$25.6 million).
- The City issued \$34.8 million in certificates of participation for two park projects (\$8.5 million), construction of a new utilities operations center (\$2.5 million), and equipment (rolling stock) acquisitions (\$23.8 million).
- The City also entered into a \$3.0 million state revolving loan for water delivery improvements to the Rolesville merged utilities.
- The City of Raleigh maintained its AAA/Aaa bond rating from all three major rating agencies.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$189.6 million, which were \$47.7 million less than the general revenues of \$237.3 million.
- On a government-wide basis for business-type activities, the City had revenues net of program expenses of \$61.6 million. Part of this excess resulted from water and sewer annexations (\$15.7 million) and mergers (\$49.8 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of four sections: introductory, financial, statistical and single audit. As Figure A-1 shows, the financial section has four components – management’s discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and individual fund statements. 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 like public safety 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 like businesses, such as the water and sewer system, the convention center and parking enterprise.
 - Fiduciary fund statements provide information about the financial relationships—like 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
City of Raleigh Comprehensive Annual Financial Report



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. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, nonmajor enterprise funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements. 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 nineteen 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 eighteen 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, employee's health benefits, governmental and public utilities equipment replacement and vehicle fleet services funds. All of these services predominantly 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 funds 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 parking facilities 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 - 48 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 49 - 50 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 51 - 106 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 \$1.36 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Raleigh's net assets (\$1.04 billion or 76.5 percent) 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.

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	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 315.8	\$ 390.7	\$ 438.0	\$ 378.4	\$ 753.8	\$ 769.1
Capital assets	581.1	622.7	718.6	894.4	1,299.7	1,517.1
Total assets	896.9	1,013.4	1,156.6	1,272.8	2,053.5	2,286.2
Long-term debt outstanding	198.2	266.4	526.2	523.6	724.4	790.0
Other liabilities	50.6	62.9	40.9	74.7	91.5	137.6
Total liabilities	248.8	329.3	567.1	598.3	815.9	927.6
Invested in capital assets, net of related debt	440.3	456.0	533.2	584.4	973.5	1,040.4
Restricted	76.2	96.2	-	-	76.2	96.2
Unrestricted	131.6	131.9	56.3	90.1	187.9	222.0
Total net assets	\$ 648.1	\$ 684.1	\$ 589.5	\$ 674.5	\$ 1,237.6	\$ 1,358.6

An additional portion of the City's net assets (\$96.2 million or 7.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$222.01 million or 16.4 percent) 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 \$121.0 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	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program revenues:						
Charges for services	\$ 36.1	\$ 49.2	\$ 109.2	\$ 131.7	\$ 145.3	\$ 180.9
Operating grants and contributions	25.2	27.6	4.4	4.5	29.6	32.1
Capital grants and contributions	61.9	40.3	22.7	67.1	84.6	107.4
General revenues:						
Property taxes	120.8	125.1			120.8	125.1
Other taxes	89.8	98.4			89.8	98.4
Grants and contributions not restricted to specific programs	0.9	0.7			0.9	0.7
Other	7.1	13.1	7.0	11.6	14.1	24.7
Total revenues	341.8	354.4	143.3	214.9	485.1	569.3
Expenses:						
General government	30.7	46.7			30.7	46.7
Community development services	19.3	33.2			19.3	33.2
Public works	43.8	44.8			43.8	44.8
Public safety	104.3	110.9			104.3	110.9
Solid waste services	21.7	17.5			21.7	17.5
Leisure services	36.6	39.6			36.6	39.6
Economic development programs	2.6	4.0			2.6	4.0
Interest on long-term debt	9.3	9.9			9.3	9.9
Water and sewer			75.7	86.1	75.7	86.1
Convention center			22.6	26.3	22.6	26.3
Mass transit			16.6	18.4	16.6	18.4
Parking facilities			4.7	6.4	4.7	6.4
Stormwater			3.3	4.5	3.3	4.5
Total expenses	268.3	306.6	122.9	141.7	391.2	448.3
Increase in net assets before transfers	73.5	47.8	20.4	73.2	93.9	121.0
Transfers	(17.0)	(11.8)	17.0	11.8	-	-
Special item, loss on impairment	-	-	(12.5)	-	(12.5)	-
Increase in net assets	56.5	36.0	24.9	85.0	81.4	121.0
Net assets, beginning of year	591.6	648.1	564.6	589.5	1,156.2	1,237.6
Net assets, end of year	\$ 648.1	\$ 684.1	\$ 589.5	\$ 674.5	\$ 1,237.6	\$ 1,358.6

Change in net assets. The City's total revenues were \$569.3 million. Thirty-two percent of the City's revenue comes from charges for services; another twenty-two percent comes from property taxes. Other taxes account for seventeen percent and most of the rest is state and federal grants and other contributions.

The total cost of all programs and services was \$448.3 million. The City's expenses cover a range of services, with twenty-five percent related to public safety (police, fire and emergency communications), seventeen percent to utilities (water and sewer), and ten percent related to public works.

GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$354.4 million, while total expenses were \$306.6 million. The increase in net assets for governmental activities (after transfers of \$11.8 million) was \$36.0 million in 2006.

While the property tax rate remained unchanged from FY 05 (\$0.395 per \$100 valuation of taxable property) property tax revenues increased \$4.3 million to \$125.1 million due to general economic growth and development in the City as well as annexations. Property taxes represent 35.3% of total governmental revenues. Other taxes, which accounted for 27.8% of total governmental revenues, increased \$15.4 million from 2005.

Revenues by Source - Governmental Activities

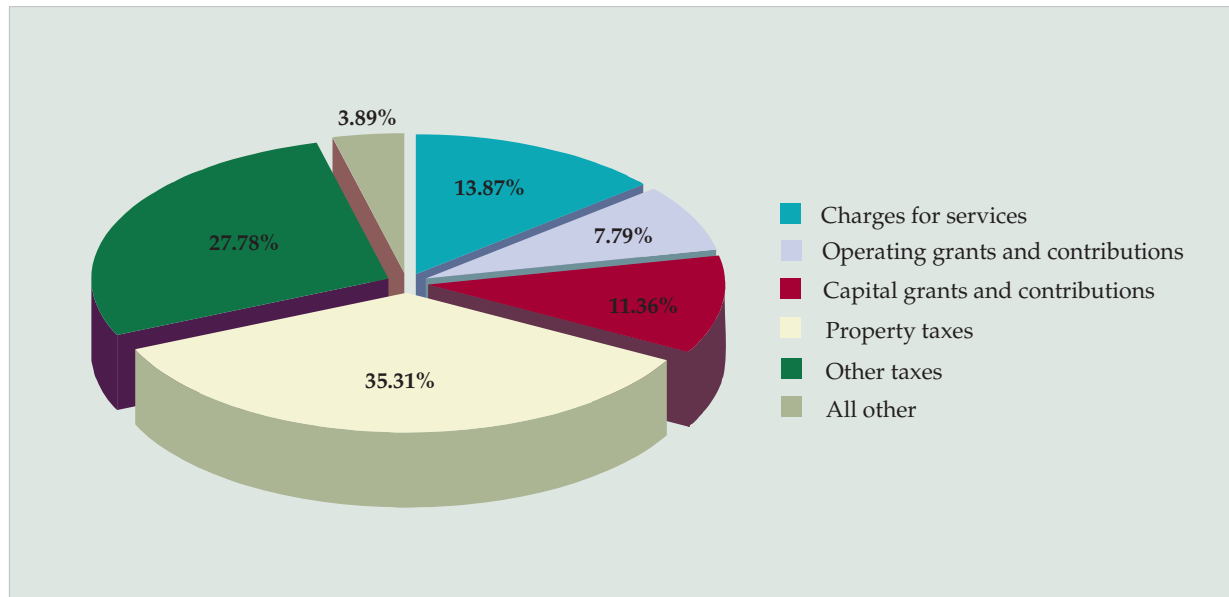


Table 3 presents the cost of each of the City's four largest governmental activities programs – public safety, general government, public works, and leisure services – as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial support provided by the City's taxpayers for these functions.

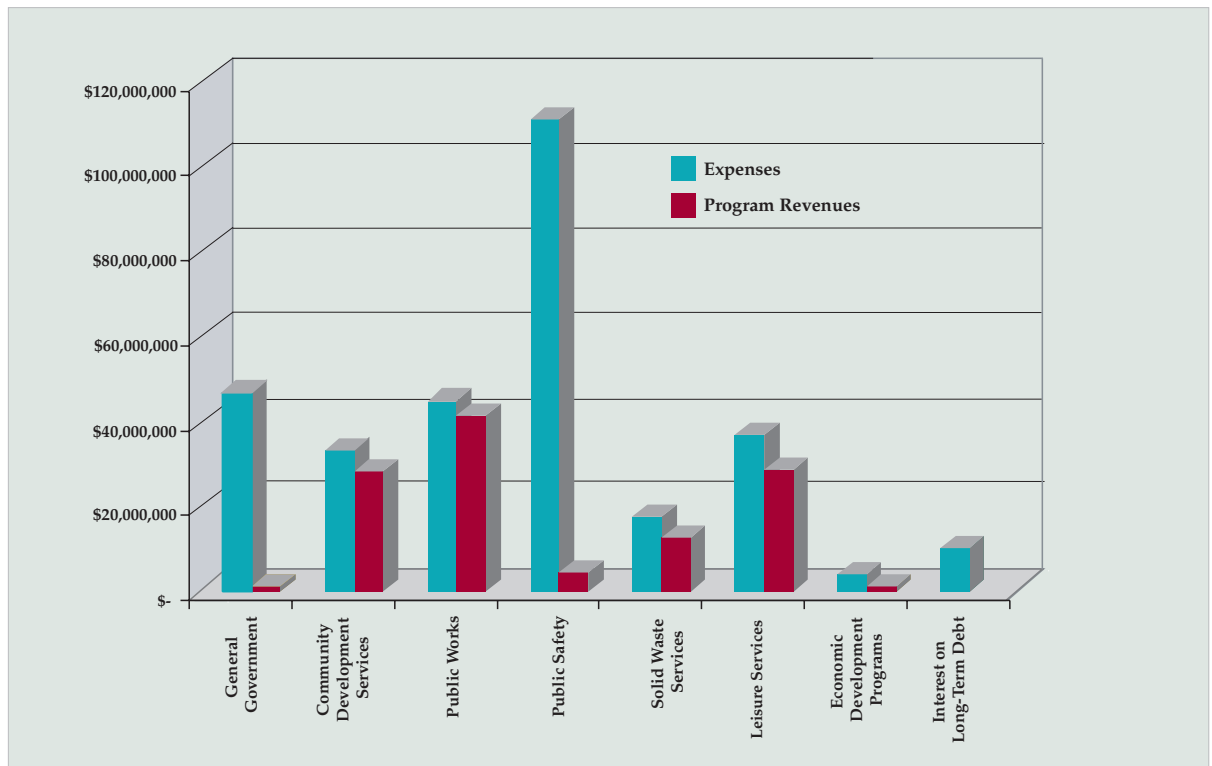
Table 3
Net Cost of City's Governmental Programs (in millions of dollars)

	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2006
Public safety	\$ 104.3	\$ 110.9	\$ (100.2)	\$ (106.6)
General government	30.7	46.7	(29.1)	(45.6)
Public works	43.8	44.8	25.9	(3.3)
Leisure services	36.6	39.6	(15.4)	(11.2)

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

- The cost of all governmental activities this year was \$306.6 million.
- The amount that our taxpayers paid for these activities through property taxes was \$125.1 million.
- Those who directly benefited from service-fee based programs paid \$49.2 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions totaling \$67.9 million. These grants and contributions include annexations of streets and sidewalks (\$23.7 million), operating support from various federal and state agencies (\$15.9 million), interlocal support from Wake County for debt service on a new convention center construction project (\$9.9 million), other facility fees and developers' participation (\$5.8 million), and a private donation of a 155 acre land parcel valued at \$7.0 million.

Expenses and Program Revenues - Governmental Activities



- The City received \$237.3 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$189.5 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (36.2%), general government (15.3%), public works (14.7%), and leisure services (13.0%) represent 79.2% of the total governmental activities.

BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$214.9 million, and expenses were \$141.7 million. The increase in net assets for business-type activities (after transfers in of \$11.8 million) was \$85.0 million in 2006. Table 4 shows the total cost and net cost or revenue for these services.

Table 4

Net Cost of City's Business-type Activities (in millions of dollars)

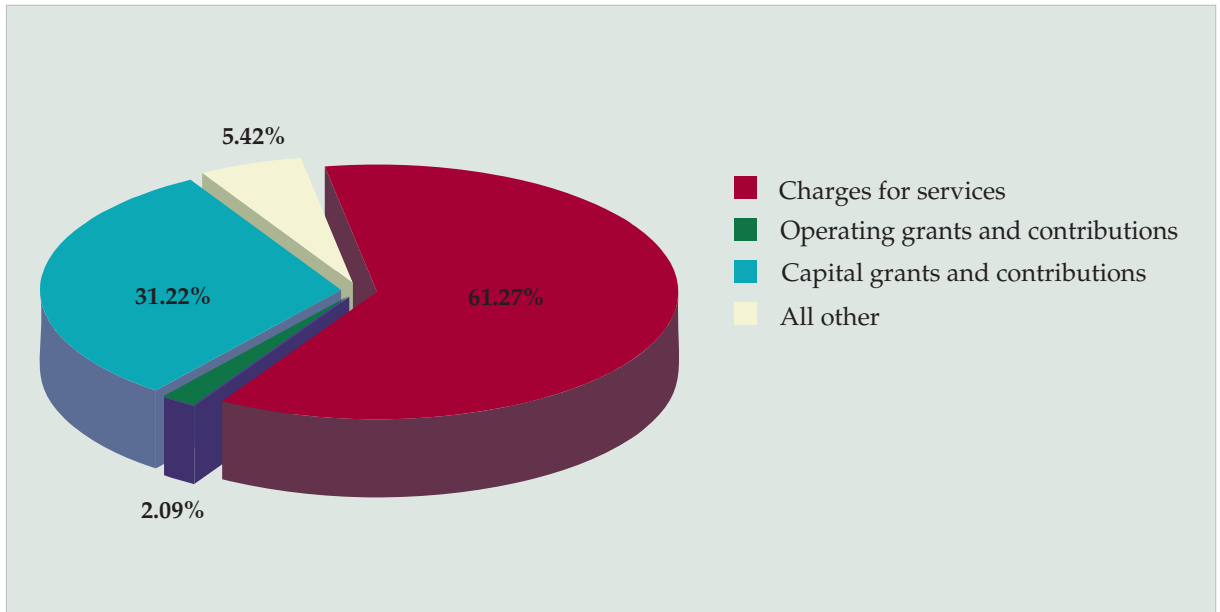
	Total Cost of Services		Net (Cost) Revenue of Services	
	2005	2006	2005	2006
Water and sewer	\$ 75.7	\$ 86.1	\$ 20.0	\$ 78.9
Convention center	22.6	26.3	(8.8)	(12.9)
Parking facilities	4.7	6.4	(0.7)	(1.2)
Mass transit	16.6	18.4	(5.4)	(11.2)
Stormwater	3.3	4.5	8.2	8.0
Total	<u>\$ 122.9</u>	<u>\$ 141.7</u>	<u>\$ 13.3</u>	<u>\$ 61.6</u>

The net revenue in the water and sewer operation increased \$58.9 million in 2005-06 from \$20.0 million to \$78.9 million. The increase resulted from revenues for user charges increasing by \$20.3 million from \$77.9 million to \$98.2 million, and an increase in capital grants and contributions of \$49.0 million. The increase in user charges revenues resulted from growth in the customer base due to population growth, system mergers and annexations, and water and sewer rate increases implemented in 2005-06. The rates increased by 9% for both water and sewer retail rates. Capital contributions increased primarily due to capital contributions of \$49.8 million resulting from system mergers with the towns of Wake Forest and Knightdale.

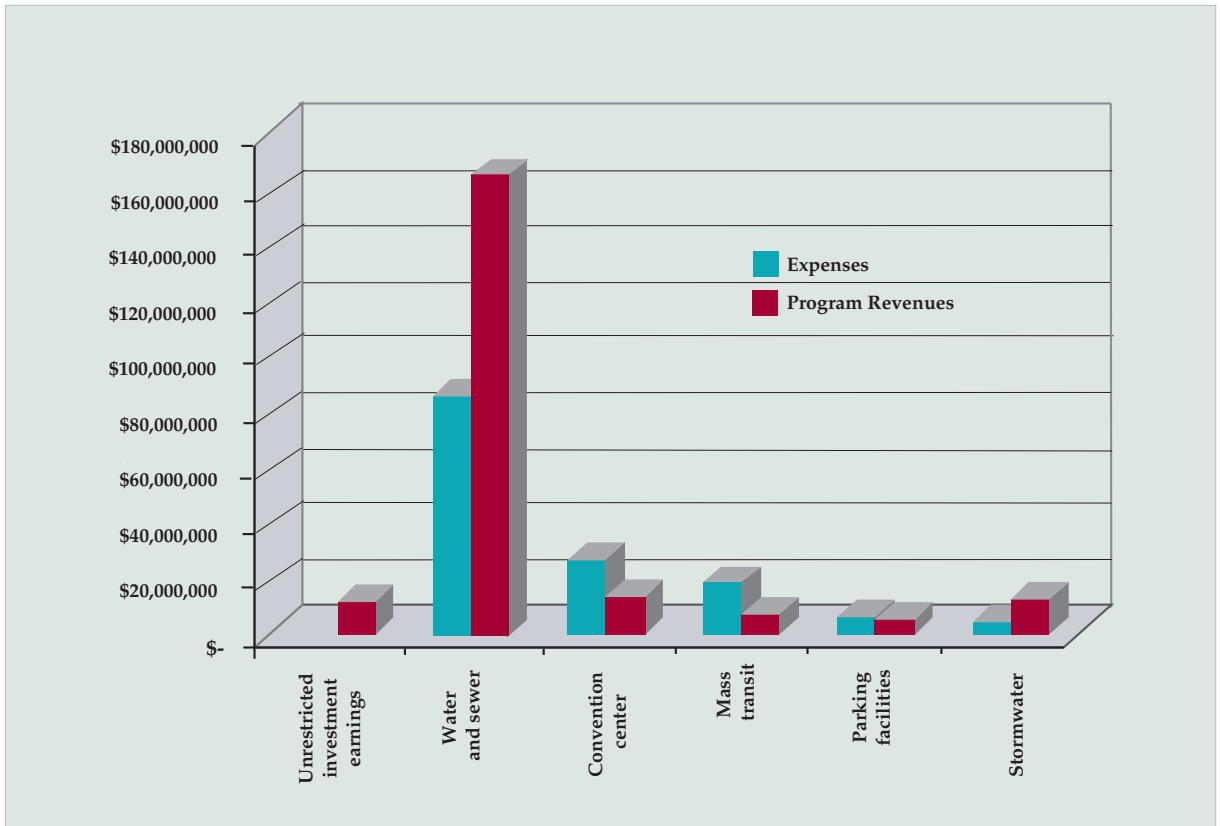
Significant changes in other major business-type activities included a decrease in net revenue of the parking facilities activity of \$0.5 million from (\$0.7) million in 2004-05 to (\$1.2) million in 2005-06. This decrease was due to an increase in operating expenses of \$1.7 million while program revenues, charges for services, increased only \$1.2 million. Facility operating costs and depreciation were the largest expense increases in parking activity for FY06.

Net revenues of the convention center decreased by \$4.1 million from \$(8.8) million in 2004-05 to \$(12.9) million in 2005-06. This decrease was primarily due to an increase in interest expense of \$4.0 million from \$3.3 million in 2004-05 to \$7.3 million in 2005-06. Construction began on a new \$216 million convention center in 2005; thus interest expense increased as FY06 is the first full year of debt service.

Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



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, *unreserved 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 \$294.5 million, an increase of \$57.0 million in comparison with the prior year. Approximately 78.1% of this total amount (\$229.9 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$4.7 million), reserved for inventories (\$2.0 million), reserved by state statute (\$28.9 million), reserved for the new convention center project (\$27.5 million), or reserved for emergency communications equipment (\$4.7 million).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$78.8 million, while total fund balance was \$114.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30.9 percent of total general fund expenditures, while total fund balance represents 45.2 percent of that same amount, amounts generally consistent with the prior year.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an undesignated fund balance of at least 14% of the succeeding year's expenditure balance. Undesignated fund balance is a sub classification of unreserved fund balance after consideration for management's policy designations. The City's designations of unreserved fund balance total \$30.8 million as specified on page 25 of the notes to the financial statements. This includes \$15.2 million appropriated for 2006-07. The remaining unreserved fund balance of \$48.0 million is undesignated and represents 14.73% of the 2006-07 general fund expenditure budget.

The fund balance of the City's general fund increased by \$756,000 during the current fiscal year. Key factors in this increase are as follows:

- Overall revenues increased \$16.9 million in 2005-06. Specifically, property taxes increased \$4.2 million reflecting growth consistent with prior years. Local sales tax increased \$5.5 million, and all other revenues increased in total by \$7.2 million.
- Overall expenditures increased \$19.1 million in 2005-06.
- The resulting excess of revenues over expenditures for 2005-06 was \$15.5 million, a decrease of \$2.3 million over 2004-05.
- Net other financing uses increased \$8.5 million in 2005-06 from \$6.3 million to \$14.8 million. Most of the increase resulted from a \$7.6 million increase in net transfers to other funds.

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 parking facilities funds.

Net assets of the water and sewer fund at the end of the year amounted to \$556.6 million. The net assets of the water and sewer fund increased by \$81.4 million. This increase is due primarily to an increase in operating income and an increase in capital contributions. Operating income increased \$8.9 million from \$10.2 million in 2004-05 to \$19.1 million in 2005-06 due to increased water and sewer rates and an increased customer base. In addition to normal growth within our existing customer base, we also added 11,900 customers from mergers with the towns of Wake Forest and Knightdale. Capital contributions from grants, annexations, developers' participation, and system mergers increased net assets significantly as these items increased \$49.0 million from \$17.8 million in 2004-05 to \$66.8 million in 2005-06. The single largest component of capital contributions in 2005-06 was \$49.8 million resulting from the aforementioned system mergers with Wake Forest and Knightdale. The decrease in net assets of \$5.8 million for the convention center was due primarily to an increase in interest expense of \$4.0 million, as FY06 was the first full year of debt service on the \$216 million convention center construction project which began in 2004-05. The increase of \$1.5 million in parking net assets was primarily due to \$1.5 million in transfers from other funds. Most of this amount, \$1.3 million, was from the convention center fund for related construction project costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in appropriations increasing \$15.2 million during 2005-06. The final positive budget variance was \$34.1 million. This overall positive variance resulted as follows:

- Revenues \$8.6 million positive, primarily from local sales tax (\$2.0 million positive), intergovernmental revenues (\$1.6 million positive), licenses (\$3.2 million positive) and all other fees and revenues (\$3.2 million positive). These positive variances offset the \$1.4 million negative variance from ad valorem taxes and interest on investments.
- Expenditures \$24.8 million positive, pervasively across the board as all individual expenditure functions and departments had positive budget variances.
- Other financing net uses \$0.6 million positive, from actual transfers in of \$0.2 million over budget and budgeted transfers to other funds of \$0.4 million that were not made.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$1.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery, streets and sidewalks, equipment, furniture and fixtures, and improvements. The total increase in the City's investment in capital assets for the current fiscal year was 16.7 percent (a 7.2 percent increase for governmental activities and a 24.4 percent increase for business-type activities).

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

- Land additions of \$19.0 million were made during the year, including a private donation of a \$7.0 million parcel dedicated for future park development.
- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total construction was \$36.4 million, including construction in progress of \$23.5 million as of June 30, 2006.
- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$63.1 million including construction in progress of \$48.4 million as of June 30, 2006.

- Equipment acquisitions added \$10.5 million to the City's rolling stock inventory.
- Total construction in progress for the new convention center at June 30, 2006 was \$73.1 million, including \$51.9 million during 2005-06.
- Construction began on a new underground parking deck adjacent to the new convention center. Construction in progress added for this project during 2005-06 was \$7.4 million.
- On-going investment in stormwater management (\$0.8 million) projects continued during 2005-06.
- Annexations added \$23.7 million to streets and \$15.7 million to water and sewer systems. Utility system mergers with the towns of Wake Forest and Knightdale added \$49.8 million to water and sewer systems.

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

	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 101,312	\$ 111,537	\$ 52,653	\$ 61,396	\$ 153,965	\$ 172,933
Buildings and machinery	55,781	53,691	62,213	77,616	117,994	131,307
Water and sewer systems	-	-	464,315	523,570	464,315	523,570
Streets and sidewalks	317,984	325,390	-	-	317,984	325,390
Parking decks	-	-	47,089	45,730	47,089	45,730
Buses	-	-	10,846	9,800	10,846	9,800
Equipment	22,269	24,972	10,732	13,856	33,001	38,828
Furniture and fixtures	558	986	99	61	657	1,047
Improvements	74,703	82,600	28,632	29,001	103,335	111,601
Construction in progress	8,465	23,554	42,060	133,402	50,525	156,956
Total	\$ 581,072	\$ 622,730	\$ 718,639	\$ 894,432	\$ 1,299,711	\$ 1,517,162

Additional information on the City's capital assets can be found on pages 28 - 29 of the notes to the financial statements of this report.

Long-term debt. In August 2005, the City sold \$61.2 million in general obligation bonds to finance street improvements (\$35.6 million) and parks improvements (\$25.6 million). The street projects include \$10.6 million for the continued re-opening and expansion of Fayetteville Street. The bonds mature incrementally between 2007 and 2023 and bear interest rates ranging from 3.50% to 5.00% for a true interest cost of 4.1009%.

In October 2005, the City sold \$34.8 million in certificates of participation for two park projects (\$8.5 million), construction of a new utilities operation center (\$2.5 million), and equipment (rolling stock) acquisitions (\$23.8 million). These COPS mature incrementally through 2020 and bear interest rates ranging from 3.00% to 5.00% for a net interest cost of 3.7288%.

In November 2005, the City finalized a \$3.0 million loan with the North Carolina Division of Water Quality for improvements to the town of Rolesville's water delivery system. This loan matures incrementally through 2025 and carries a fixed interest rate of 2.66%.

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$212.3 million. The remainder of the City's debt represents revenue bonds (\$175.4 million) and installment financing agreements (\$375.8 million – 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 \$63.2 million (8.9%) during 2005-06 as new debt issues of \$99.1 million exceeded principal repayments of \$35.9 million.

The City has other long-term obligations for earned but unused vacation pay due its employees (\$16.5 million) and landfill postclosure care costs (\$4.5 million). These obligations increased \$1.2 million from 2005 balances.

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

	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
General obligation bonds	\$ 139,713	\$ 189,327	\$ 27,177	\$ 22,998	\$ 166,890	\$ 212,325
Revenue bonds	-	-	178,135	175,380	178,135	175,380
Installment financing agreements	40,268	56,713	315,041	319,121	355,309	375,834
Total	\$ 179,981	\$ 246,040	\$ 520,353	\$ 517,499	\$ 700,334	\$ 763,539

In August 2005, Moody's Investors Services, Inc., Standard & Poor's (S&P), and Fitch, Inc. reaffirmed the City of Raleigh's AAA/Aaa bond ratings, in conjunction with the issuance of \$61.2 million in general obligation bonds. Also, subsequent to year end (September 2006), S&P and Fitch (AAA) and Moody's (Aa1) reaffirmed the City's excellent revenue bond ratings in conjunction with the issuance of \$241.2 million of water and sewer revenue bonds and \$59.2 million of refunding water and sewer revenue bonds. Raleigh is one of the few cities in the nation that enjoys both the highest general obligation credit rating and this excellent revenue bond rating from all three major rating agencies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of the total assessed value of taxable property. The current debt limitation for the City is \$2.6 billion, which is significantly in excess of the City's outstanding net debt of \$695.4 million.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 32 - 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant factors considered in preparing the City's budget for the 2006-07 fiscal year were:

Continued growth in the area will increase our tax base, and as a result, increase our largest revenue source, property taxes. The adopted budget includes a 4 cent increase to the property tax, resulting in an adjusted ad valorem tax rate of 43.50 cents per \$100 of property value. The increase includes 2 cents allocated to voter approved roads and affordable housing programs. Accordingly, budgeted property tax revenue was increased \$19.3 million (15.4%) to \$144.5 million.

Sales tax is our second largest revenue source. Sales tax has been positively impacted by the good economy for several years, although its growth is reduced by increasing internet sales. The 2006-07 budget for sales tax projects continued economic vitality and was increased \$3.7 million (6.2%) to \$63.2 million.

Other general revenue enhancements approved in the 2006-07 budget include an increase in the vehicle decal fee by \$5.00 for transit, increasing expected revenues by \$1.2 million; an increase in the privilege license fee cap from \$10,000 to \$20,000 which is estimated to increase revenues by \$385,000; and increases in planning and inspection fees which will increase revenues by \$550,000.

We expect continued growth during 2006-07 in our water and sewer utility system. In October 2006, we completed system mergers with the towns of Wendell and Zebulon and added 4,500 accounts to our customer base. These towns join Garner, Rolesville, Knightdale and Wake Forest as Wake County towns which have merged with our utility system since 2001. Water and sewer rates were again raised 9 per cent in 2006-07. These rate increases were made to provide funding for ongoing operations and capital investment consistent with our utility rate model. For 2006-07, we have budgeted \$94.2 million for water and sewer operating revenues, representing a \$4.9 million (6.3%) increase over 2005-06. Our immediate five year capital improvement program (2006-07 through 2010-11) for utilities recommends \$448.6 million of capital investment to upgrade, expand and improve water and sewer facilities. Major projects include completion of a second water treatment plant currently under construction (\$43.9 million) and expansion of our existing waste treatment plant (\$62.0 million). It is anticipated that this capital program will be funded from operating revenues (\$43.7 million) and debt proceeds (\$404.9 million).

The other five major areas of our five year capital improvement program include transportation (\$117.1 million), parks (\$55.0 million), stormwater (\$56.5 million), housing (\$17.5 million), and general public improvements (\$163.4 million). In addition to ongoing roads, parks, and stormwater projects, major new facilities planned within the capital improvement program are a solid waste transfer station (\$4.5 million), a regional fire training facility (\$3.6 million), a new public safety center (\$52.5 million), and a remote operations facilities (\$47.4 million). Several of these require a financing plan that will necessitate new dedicated resources to pay for them.

As a result of these and other factors, the 2006-07 budget was adopted with an overall combined operating and capital budget of \$513.6 million. This represents a 12.3% increase over the \$457.4 million budget adopted for 2005-06. The budget includes 140 new positions to support continued growth in service population, with 18 positions going to both police and fire, 55 positions going to utilities, and 49 positions going to other general services departments.

Ongoing downtown development. The City continues to focus new investment in revitalizing downtown. Construction continues on a new 500,000 square foot convention center. This project includes public meeting areas in an adjacent 400 room headquarters' hotel. Construction began during 2005-06 and continues on a 944 space underground parking deck to serve the convention center, the hotel, and expected new development. The project budgets for the convention center, the hotel participation, and the underground parking deck total \$279.4 million. These projects are expected to be complete and operational in 2008. In July 2006, we completed the initial \$11.0 million phase of the Fayetteville Street Renaissance project whereby the pedestrian mall was demolished and Fayetteville Street, Raleigh's main street, was re-opened to vehicular traffic for the four blocks from the state capitol to the new convention center construction site. The grand re-opening was attended by over 60,000 people. The next phase of this project (\$13.0 million), scheduled to begin with the completion of the convention center, hotel and underground parking deck projects, will completely re-open Fayetteville Street to Memorial Auditorium and the Progress Energy Center for the Performing Arts. We expect these major projects to continue to attract new private investment and development in downtown Raleigh, as evidenced by over \$1.45 billion in current and planned office, hotel, parking, and housing projects. Most notable amongst these is the \$100 million, 32 story corporate headquarters building for RBC Centura Bank, currently under construction on Fayetteville Street.

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) 890-3226



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.



CITY OF RALEIGH

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 237,132,270	\$ 103,554,924	\$ 340,687,194
Taxes receivable, net of allowance for uncollectibles of \$5,784,467	1,537,952	-	1,537,952
Assessments receivable, net of allowance for uncollectibles of \$154,599	1,757,783	1,179,613	2,937,396
Customer receivables, net of allowance for uncollectibles of \$3,632,663	1,139,574	14,297,868	15,437,442
Due from other governmental agencies	5,146,349	2,473,791	7,620,140
Accrued interest receivable	1,410,681	979,366	2,390,047
Other receivables and assets	6,801,163	846,431	7,647,594
Sales tax receivable	19,465,017	4,300,837	23,765,854
Internal balances	1,929,535	(1,929,535)	-
Inventories	2,790,808	4,651,286	7,442,094
Deferred charges	100,299	3,510,164	3,610,463
Loans receivable	40,074,533	-	40,074,533
Cash and cash equivalents/investments - restricted deposits and bond proceeds	69,765,537	244,549,801	314,315,338
Net pension asset	1,616,204	-	1,616,204
Capital assets:			
Land and construction in progress	135,090,272	194,797,602	329,887,874
Other capital assets, net of depreciation	487,639,878	699,634,876	1,187,274,754
Total assets	<u>1,013,397,855</u>	<u>1,272,847,024</u>	<u>2,286,244,879</u>
LIABILITIES			
Accounts payable	10,985,343	32,030,605	43,015,948
Arbitrage rebate payable	-	1,640,238	1,640,238
Accrued salaries and employee payroll taxes	4,554,335	489,498	5,043,833
Employee taxes and related withholdings	2,600,386	-	2,600,386
Accrued interest payable	2,665,257	6,923,456	9,588,713
Rehabilitation loans escrow	915,291	-	915,291
Reimbursable facility fees	4,231,051	-	4,231,051
Claims payable and other liabilities	36,144,959	-	36,144,959
Deferred contributions from other funds	-	353,936	353,936
Unearned revenue	804,797	276,731	1,081,528
Escrow and other deposits payable from restricted assets	-	33,021,234	33,021,234
Long-term liabilities:			
Due within one year	32,772,864	16,337,968	49,110,832
Due in more than one year	<u>233,612,650</u>	<u>507,254,417</u>	<u>740,867,067</u>
Total liabilities	<u>329,286,933</u>	<u>598,328,083</u>	<u>927,615,016</u>
NET ASSETS			
Invested in capital assets, net of related debt	455,991,222	584,402,362	1,040,393,584
Restricted for:			
Capital projects	54,502,357	-	54,502,357
Community development projects	40,105,025	-	40,105,025
Employee retirement benefits	1,616,204	-	1,616,204
Unrestricted	<u>131,896,114</u>	<u>90,116,579</u>	<u>222,012,693</u>
Total net assets	<u>\$ 684,110,922</u>	<u>\$ 674,518,941</u>	<u>\$ 1,358,629,863</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 46,665,705	\$ 946,643	\$ 69,793	\$ 4,450
Community development services	33,174,028	22,487,735	5,031,436	781,888
Public works	44,786,310	1,638,241	10,397,428	29,398,180
Public safety	110,964,886	2,905,063	640,946	808,660
Solid waste services	17,494,179	12,521,041	10,256	-
Leisure services	39,644,955	7,695,582	11,442,706	9,270,384
Economic development programs	4,002,918	965,003	-	-
Interest on long-term debt	9,936,009	-	-	-
Total governmental activities	306,668,990	49,159,308	27,592,565	40,263,562
Business-type activities:				
Water and sewer	86,099,248	98,206,709	-	66,837,432
Convention center	26,336,692	13,373,809	-	-
Mass transit	18,375,469	2,423,444	4,501,179	261,330
Parking facilities fund	6,395,415	5,203,559	-	-
Stormwater	4,511,865	12,479,665	-	-
Total business-type activities	141,718,689	131,687,186	4,501,179	67,098,762
Total City of Raleigh	\$ 448,387,679	\$ 180,846,494	\$ 32,093,744	\$ 107,362,324

General revenues:

Taxes:

Property taxes, levied for general purpose

Local sales tax

Franchise tax

Other taxes

Privilege license tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

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
\$ (45,644,819)		\$ (45,644,819)
(4,872,969)		(4,872,969)
(3,352,461)		(3,352,461)
(106,610,217)		(106,610,217)
(4,962,882)		(4,962,882)
(11,236,283)		(11,236,283)
(3,037,915)		(3,037,915)
(9,936,009)		(9,936,009)
<u>(189,653,555)</u>		<u>(189,653,555)</u>
	\$ 78,944,893	78,944,893
	(12,962,883)	(12,962,883)
	(11,189,516)	(11,189,516)
	(1,191,856)	(1,191,856)
	7,967,800	7,967,800
	<u>61,568,438</u>	<u>61,568,438</u>
<u>(189,653,555)</u>	<u>61,568,438</u>	<u>(128,085,117)</u>
125,131,346	-	125,131,346
61,496,256	-	61,496,256
16,746,535	-	16,746,535
6,036,863	-	6,036,863
14,165,613	-	14,165,613
680,054	-	680,054
10,882,695	11,649,468	22,532,163
2,243,268	-	2,243,268
<u>(11,776,234)</u>	<u>11,776,234</u>	<u>-</u>
<u>225,606,396</u>	<u>23,425,702</u>	<u>249,032,098</u>
35,952,841	84,994,140	120,946,981
648,158,081	589,524,801	1,237,682,882
<u>\$ 684,110,922</u>	<u>\$ 674,518,941</u>	<u>\$ 1,358,629,863</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 96,556,743	\$ 124,682,744	\$ 221,239,487
Taxes receivable, net of allowance for uncollectibles of \$5,784,467	1,537,952	-	1,537,952
Assessments receivable, net of allowance for uncollectibles of \$92,514	425,901	1,331,882	1,757,783
Customer receivables, net of allowance for uncollectibles of \$445,656	1,139,230	-	1,139,230
Due from other governmental agencies	447,591	4,698,758	5,146,349
Accrued interest receivable	590,496	784,429	1,374,925
Other receivables and assets	5,491,158	-	5,491,158
Sales tax receivable	18,165,920	732,129	18,898,049
Due from other funds	1,045,670	-	1,045,670
Inventories	2,016,114	-	2,016,114
Other assets	974,775	-	974,775
Loans receivable	159,670	39,914,863	40,074,533
Cash and cash equivalents/investments - restricted deposits and bond proceeds	195,167	61,411,186	61,606,353
Total assets	<u>\$ 128,746,387</u>	<u>\$ 233,555,991</u>	<u>\$ 362,302,378</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,103,646	\$ 5,760,858	\$ 9,864,504
Accrued salaries and employee payroll taxes	4,468,776	39,831	4,508,607
Employee taxes and related withholdings	2,600,386	-	2,600,386
Loan servicing escrow	-	915,291	915,291
Reimbursable facility fees	-	4,231,051	4,231,051
Other liabilities	366,569	262,925	629,494
Due to other funds	-	833,772	833,772
Deferred revenue	2,123,522	41,246,745	43,370,267
Unearned revenue	702,556	102,242	804,798
Total liabilities	<u>14,365,455</u>	<u>53,392,715</u>	<u>67,758,170</u>
Fund balances:			
Reserved for inventories	2,016,114	-	2,016,114
Reserved by state statute	28,900,527	-	28,900,527
Reserved for encumbrances	4,690,047	-	4,690,047
Reserved for new convention center project	-	27,482,133	27,482,133
Reserved for wireless 911	-	1,572,917	1,572,917
Unreserved, reported in:			
General fund	78,774,244	-	78,774,244
Special revenue funds	-	6,245,408	6,245,408
Capital projects funds	-	144,862,818	144,862,818
Total fund balances	<u>114,380,932</u>	<u>180,163,276</u>	<u>294,544,208</u>
Total liabilities and fund balances	<u>\$ 128,746,387</u>	<u>\$ 233,555,991</u>	<u>\$ 362,302,378</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, 2006**

Total *fund balances* for governmental funds \$ 294,544,208

Total *net assets* 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 - \$135,090,272; capital assets being depreciated, net - \$466,361,595). 601,451,867

The pension assets resulting from contributions in excess of annual required contributions are not financial resources and therefore are not reported in the funds. 1,616,204

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. 100,299

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. (9,676,493)

Taxes receivable - \$1,537,952, and assessments receivable - \$1,757,783 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. 3,295,735

Loans receivable - \$40,074,533, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds. 40,074,533

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (General obligation bonds- \$189,960,011 - net of deferred refunding and issuance premium, notes payable - \$35,864,430; earned vacation pay - \$14,439,278; landfill postclosure costs - \$4,543,811; and accrued interest payable - \$2,487,901). (247,295,431)

Net assets of governmental activities \$ 684,110,922

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 125,035,959	\$ -	\$ 125,035,959
Intergovernmental	22,555,210	27,263,903	49,819,113
Developer participation	-	1,685,071	1,685,071
Assessments	-	1,370,893	1,370,893
Local sales tax	61,496,256	-	61,496,256
Licenses	14,165,613	-	14,165,613
Interest on investments	3,729,685	6,311,675	10,041,360
Inspection fees	12,475,829	-	12,475,829
Highway maintenance refunds	1,156,434	-	1,156,434
Facility fees	-	4,117,878	4,117,878
Other fees and charges	25,466,320	-	25,466,320
Rents	-	388,679	388,679
Program income	-	2,748,178	2,748,178
Other revenues	2,491,229	-	2,491,229
Miscellaneous other	-	2,112,938	2,112,938
Total revenues	<u>268,572,535</u>	<u>45,999,215</u>	<u>314,571,750</u>
EXPENDITURES			
Current:			
General government	35,414,184	169,478	35,583,662
Community development services	16,209,519	8,163,667	24,373,186
Public works	17,929,471	1,257,554	19,187,025
Public safety	109,700,148	636,454	110,336,602
Solid waste services	17,465,330	11,144	17,476,474
Leisure services	33,546,644	436,681	33,983,325
Economic development programs	-	4,002,918	4,002,918
Capital outlay - installment note obligations	87,827	-	87,827
Capital outlay	-	46,276,933	46,276,933
Debt service:			
Principal	14,073,771	600,000	14,673,771
Interest	8,243,140	45,110	8,288,250
Bond issue costs	360,440	304,918	665,358
Total expenditures	<u>253,030,474</u>	<u>61,904,857</u>	<u>314,935,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,542,061</u>	<u>(15,905,642)</u>	<u>(363,581)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,043,814	10,887,853	16,931,667
Transfers out	(20,918,030)	(9,789,501)	(30,707,531)
Capital related debt issued	87,827	-	87,827
Bonds issued	-	61,185,000	61,185,000
Certificates of participation issued	-	8,505,000	8,505,000
Premium on bonds	-	1,434,474	1,434,474
Total other financing sources (uses)	<u>(14,786,389)</u>	<u>72,222,826</u>	<u>57,436,437</u>
Net change in fund balances	755,672	56,317,184	57,072,856
Fund balance - beginning	113,625,260	123,846,092	237,471,352
Fund balance - ending	<u>\$ 114,380,932</u>	<u>\$ 180,163,276</u>	<u>\$ 294,544,208</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, 2006**

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

Net change in <i>fund balances</i> - total governmental funds	\$ 57,072,856
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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 (\$39,601,924) exceeded depreciation (\$30,794,994) in the current period.	8,806,930
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Net change in net pension asset.	95,493
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$23,727,427; Property taxes - \$95,387; Assessments - \$706,536; Land donation - \$7,000,000).	31,529,350
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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.	(4,257,862)
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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 the amount by which proceeds (\$71,212,301) exceeded repayments (\$14,676,214).

Debt issued or incurred:

Installment financing	\$ 8,592,827
General obligation debt	61,185,000
Premiums on debt issues	1,434,474

Principal repayments:

General obligation debt	(11,571,727)
Installment financing	(3,104,487)

Net adjustment	<u>\$ 56,536,087</u>	(56,536,087)
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Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$7,538,970). They reduce cash and increase loans receivable. Expenditures made for landfill postclosure costs (\$114,853) are not expenses. They reduce the landfill postclosure liability.	7,653,823
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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 - \$919,552, change in accrued interest expense - \$961,685, and change in landfill postclosure liability - \$126,890).	(2,008,127)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.	(403,762)
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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.	18,813
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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.	<u>(6,018,586)</u>
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Change in net assets of governmental activities	<u>\$ 35,952,841</u>
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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, 2006**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 125,213,050	\$ 125,213,050	\$ 125,035,959	\$ (177,091)
Intergovernmental	20,635,927	20,975,127	22,555,210	1,580,083
Local sales tax	59,537,407	59,537,407	61,496,256	1,958,849
Licenses	11,005,500	11,008,671	14,165,613	3,156,942
Interest on investments	4,936,068	4,936,068	3,729,685	(1,206,383)
Inspection fees	11,759,067	11,860,938	12,475,829	614,891
Highway maintenance refunds	1,065,000	1,065,000	1,156,434	91,434
Solid waste fees	11,605,500	11,615,500	12,453,361	837,861
Parks and recreation fees	6,199,829	6,168,821	6,097,183	(71,638)
Other fees and charges	5,817,002	6,022,320	6,915,776	893,456
Other revenues	1,363,400	1,503,626	2,491,229	987,603
Total revenues	259,137,750	259,906,528	268,572,535	8,666,007
EXPENDITURES				
General government:				
City council	164,839	164,839	142,413	22,426
City clerk	412,578	439,579	409,279	30,300
City attorney	1,537,674	1,537,674	1,408,460	129,214
Special appropriations	11,546,769	18,201,091	17,019,050	1,182,041
Agency appropriations	2,461,030	2,877,535	2,507,059	370,476
City manager	1,627,246	1,553,809	1,390,569	163,240
Public affairs office	1,259,000	1,279,851	1,163,292	116,559
Arts office	148,655	148,655	141,022	7,633
Personnel	2,556,455	2,588,376	2,393,095	195,281
Administrative service	1,379,079	1,385,705	1,287,589	98,116
Finance	8,920,637	9,363,985	8,628,539	735,446
Information technology	10,534,205	11,221,992	8,808,701	2,413,291
Total general government	42,548,167	50,763,091	45,299,068	5,464,023
Community development services:				
Planning	3,236,444	3,511,525	3,124,914	386,611
Inspections	11,164,271	11,366,605	10,381,979	984,626
Community services	1,698,030	1,737,175	1,404,822	332,353
Economic development	840,000	1,735,005	1,297,804	437,201
Total community development services	16,938,745	18,350,310	16,209,519	2,140,791
Public works:				
Central engineering	13,359,851	13,275,892	11,987,373	1,288,519
Transportation	8,683,961	9,244,298	8,268,259	976,039
Total public works	22,043,812	22,520,190	20,255,632	2,264,558

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, 2006

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Public safety:				
Emergency communications center	\$ 5,627,788	\$ 5,796,624	\$ 4,815,800	\$ 980,824
Police	69,162,134	71,289,645	67,149,398	4,140,247
Fire	38,719,180	39,295,970	37,784,950	1,511,020
Total public safety	113,509,102	116,382,239	109,750,148	6,632,091
Solid waste services	18,381,006	18,783,697	17,465,330	1,318,367
Leisure services:				
Parks and recreation	30,246,636	31,435,467	29,525,069	1,910,398
Revenue and special facilities	-	64,849	63,706	1,143
Continuing recreation activities	5,997,087	6,012,608	3,957,869	2,054,739
Total leisure services	36,243,723	37,512,924	33,546,644	3,966,280
Other expenditures:				
Capital outlay - installment note obligations	87,827	87,827	87,827	-
Total other expenditures	87,827	87,827	87,827	-
Debt service:				
Principal and interest	23,799,488	24,437,783	22,316,911	2,120,872
Other debt service expenditures	415,000	415,000	360,440	54,560
Total debt service	24,214,488	24,852,783	22,677,351	2,175,432
Total expenditures before charge-out	273,966,870	289,253,061	265,291,519	23,961,542
Less: administrative costs charged to other funds	11,443,933	11,443,933	12,261,045	817,112
Total expenditures	262,522,937	277,809,128	253,030,474	24,778,654
Excess (deficiency) of revenues over expenditures	(3,385,187)	(17,902,600)	15,542,061	33,444,661
OTHER FINANCING SOURCES (USES)				
Transfers in	5,150,917	5,850,834	6,043,814	192,980
Transfers out	(19,931,023)	(21,347,496)	(20,918,030)	429,466
Capital related debt issued	87,827	87,827	87,827	-
Total other financing sources (uses)	(14,692,279)	(15,408,835)	(14,786,389)	622,446
Net changes in fund balance	\$ (18,077,466)	\$ (33,311,435)	755,672	\$ 34,067,107
Fund balance appropriated	\$ 18,077,466	\$ 33,311,435		
Fund balance - beginning of year			113,625,260	
Fund balance - end of year			\$ 114,380,932	

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Parking Facilities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 65,466,323	\$ 6,194,686	\$ 9,000,160
Customer receivables, net of allowance for uncollectibles of \$3,187,007	12,958,843	-	441,941
Assessments receivable, net of allowance for uncollectibles of \$62,085	1,179,613	-	-
Due from other governmental agencies	1,473,901	-	-
Accrued interest receivable	440,886	313,187	106,012
Other receivables and assets	40,680	805,751	-
Sales tax receivable	2,774,154	1,256,544	25,008
Due from other funds	-	-	1,000,000
Inventories	4,190,245	-	-
Insurance deposit	-	-	-
Deferred charges	1,270,820	1,860,040	379,304
Total current assets	<u>89,795,465</u>	<u>10,430,208</u>	<u>10,952,425</u>
Noncurrent assets:			
Restricted cash and cash equivalents	51,104,780	162,674,390	26,063,982
Capital assets:			
Land and improvements	28,429,510	23,925,790	8,050,998
Construction in progress	48,438,263	73,128,233	8,272,193
Water and sewer systems	685,163,595	-	-
Buildings and machinery	78,774,553	27,022,903	-
Parking decks	-	-	57,860,482
Buses	-	-	-
Equipment	16,539,076	515,386	357,244
Furniture and fixtures	48,481	370,296	-
Improvements	14,294,778	25,907,367	487,664
Less accumulated depreciation	(195,949,289)	(17,410,858)	(12,591,418)
Total noncurrent assets	<u>726,843,747</u>	<u>296,133,507</u>	<u>88,501,145</u>
Total assets	<u>816,639,212</u>	<u>306,563,715</u>	<u>99,453,570</u>

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006**

	Enterprise Funds		
	Other Nonmajor Enterprise	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,274,300	\$ 100,935,469	\$ 18,512,238
Customer receivables, net of allowance for uncollectibles of \$2,592,116	897,084	14,297,868	574
Assessments receivable, net of allowance for uncollectibles of \$62,085	-	1,179,613	-
Due from other governmental agencies	999,890	2,473,791	-
Accrued interest receivable	102,010	962,095	53,027
Other receivables and assets	-	846,431	-
Sales tax receivable	137,229	4,192,935	674,870
Due from other funds	-	1,000,000	-
Inventories	461,041	4,651,286	774,694
Insurance deposit	-	-	335,000
Deferred charges	-	3,510,164	-
Total current assets	<u>22,871,554</u>	<u>134,049,652</u>	<u>20,350,403</u>
Noncurrent assets:			
Restricted cash and cash equivalents	2,570,316	242,413,468	10,295,517
Capital assets:			
Land and improvements	988,989	61,395,287	-
Construction in progress	3,563,626	133,402,315	-
Water and sewer systems	-	685,163,595	-
Buildings and machinery	3,798,718	109,596,174	230,912
Parking decks	-	57,860,482	-
Buses	19,229,455	19,229,455	-
Equipment	1,410,532	18,822,238	64,121,229
Furniture and fixtures	44,844	463,621	-
Improvements	1,127,867	41,817,676	-
Less accumulated depreciation	(12,860,690)	(238,812,255)	(37,579,968)
Total noncurrent assets	<u>19,873,657</u>	<u>1,131,352,056</u>	<u>37,067,690</u>
Total assets	<u>42,745,211</u>	<u>1,265,401,708</u>	<u>57,418,093</u>

Continued

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Parking Facilities Fund
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 11,479,546	\$ 16,642,000	\$ 2,876,113
Arbitrage rebate payable	-	1,459,818	180,420
Accrued salaries and employee payroll taxes	354,588	77,592	9,683
Accrued interest payable	3,106,546	3,423,054	352,254
Claims payable and other liabilities	-	-	-
Deferred contributions from other funds	-	-	-
Due to other funds	-	1,011,120	-
Unearned revenue	-	-	276,731
Bonds, notes and loans payable	8,227,383	-	770,000
Unamortized premium (discount)	332,668	-	30,381
Deferred refunding - bonds payable	(270,945)	-	(16,818)
Contracts payable	2,100,213	-	1,528,641
Deferred refunding - contracts payable	-	-	(42,158)
Total current liabilities	<u>25,329,999</u>	<u>22,613,584</u>	<u>5,965,247</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	183,606,108	243,425,000	5,775,000
Unamortized premium (discount)	6,213,615	-	556,860
Deferred refunding - bonds payable	(2,500,739)	-	(16,820)
Contracts and other notes payable	15,548,840	-	50,899,066
Deferred refunding - contracts payable	-	-	(168,245)
Escrow and other deposits payable			
from restricted assets	30,450,918	-	-
Earned vacation pay	1,349,166	359,556	30,972
Total noncurrent liabilities	<u>234,667,908</u>	<u>243,784,556</u>	<u>57,076,833</u>
Total liabilities	<u>259,997,907</u>	<u>266,398,140</u>	<u>63,042,080</u>
NET ASSETS			
Invested in capital assets, net of related debt	483,129,925	52,828,141	29,185,238
Unrestricted	73,511,380	(12,662,566)	7,226,252
Total net assets	<u>\$ 556,641,305</u>	<u>\$ 40,165,575</u>	<u>\$ 36,411,490</u>

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006**

	Enterprise Funds		
	Other Nonmajor Enterprise	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 909,798	\$ 31,907,457	\$ 1,243,988
Arbitrage rebate payable	-	1,640,238	-
Accrued salaries and employee payroll taxes	47,635	489,498	45,728
Accrued interest payable	-	6,881,854	218,958
Claims payable and other liabilities	-	-	35,515,465
Deferred contributions from other funds	353,936	353,936	-
Due to other funds	-	1,011,120	200,779
Unearned revenue	-	276,731	-
Bonds, notes and loans payable	-	8,997,383	10,740,000
Unamortized premium (discount)	-	363,049	191,629
Deferred refunding - bonds payable	-	(287,763)	-
Contracts payable	-	3,628,854	-
Deferred refunding - contracts payable	-	(42,158)	-
Total current liabilities	<u>1,311,369</u>	<u>55,220,199</u>	<u>48,156,547</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	-	432,806,108	16,135,000
Unamortized premium (discount)	-	6,770,475	-
Deferred refunding - bonds payable	-	(2,517,559)	-
Contracts and other notes payable	-	66,447,906	-
Deferred refunding - contracts payable	-	(168,245)	-
Escrow and other deposits payable from restricted assets	2,570,316	33,021,234	-
Earned vacation pay	180,135	1,919,829	185,859
Total noncurrent liabilities	<u>2,750,451</u>	<u>538,279,748</u>	<u>16,320,859</u>
Total liabilities	<u>4,061,820</u>	<u>593,499,947</u>	<u>64,477,406</u>
NET ASSETS			
Invested in capital assets, net of related debt	17,303,341	582,446,645	10,001,060
Unrestricted	<u>21,380,050</u>	<u>89,455,116</u>	<u>(17,060,373)</u>
Total net assets	<u>\$ 38,683,391</u>	<u>671,901,761</u>	<u>\$ (7,059,313)</u>

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

2,617,180

Net assets of business-type activities

\$ 674,518,941

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006**

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
Operating revenues		
User charges	\$ 93,224,911	\$ 13,213,278
Charges for services - internal	-	-
Other	4,381,175	160,531
Total operating revenues	<u>97,606,086</u>	<u>13,373,809</u>
Operating expenses		
Administration	3,075,122	-
Other facility operating costs	-	15,609,481
Water supply and treatment	17,440,793	-
Sewer system and treatment	10,588,491	-
Warehousing, maintenance and construction	18,615,977	-
Other services	5,078,783	-
Non-departmental charges	5,607,262	-
Management contract charges	-	-
Claims	-	-
Premiums	-	-
Depreciation	18,094,318	1,969,000
Other	-	747,887
Total operating expenses	<u>78,500,746</u>	<u>18,326,368</u>
Operating income (loss)	<u>19,105,340</u>	<u>(4,952,559)</u>
Nonoperating revenue (expense)		
Interest on investments	4,993,686	4,600,647
Subsidy income - federal and state	-	-
Other revenues	600,623	-
Interest expense	(6,983,959)	(7,267,831)
Miscellaneous expense	(1,462,463)	(725,403)
Total nonoperating revenue (expense)	<u>(2,852,113)</u>	<u>(3,392,587)</u>
Income (loss) before contributions, transfers and special item	16,253,227	(8,345,146)
Capital contributions	66,837,432	-
Transfers in	-	3,851,782
Transfers out	(1,616,762)	(1,259,463)
Change in net assets	<u>81,473,897</u>	<u>(5,752,827)</u>
Total net assets - beginning of year	<u>475,167,408</u>	<u>45,918,402</u>
Total net assets - end of year	<u>\$ 556,641,305</u>	<u>\$ 40,165,575</u>

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

Enterprise Funds			
Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Funds
\$ 5,203,559	\$ 14,398,690	\$ 126,040,438	\$ -
-	-	-	54,822,554
-	504,419	5,046,125	2,392,625
<u>5,203,559</u>	<u>14,903,109</u>	<u>131,086,563</u>	<u>57,215,179</u>
576,396	2,690,539	6,342,057	5,613,504
2,099,007	8,088,352	25,796,840	8,248,573
-	-	17,440,793	-
-	-	10,588,491	-
-	-	18,615,977	-
-	-	5,078,783	-
-	-	5,607,262	-
-	9,992,884	9,992,884	-
-	-	-	41,595,523
-	-	-	961,178
1,404,113	1,811,560	23,278,991	8,009,758
-	293,842	1,041,729	217,834
<u>4,079,516</u>	<u>22,877,177</u>	<u>123,783,807</u>	<u>64,646,370</u>
<u>1,124,043</u>	<u>(7,974,068)</u>	<u>7,302,756</u>	<u>(7,431,191)</u>
1,199,049	638,086	11,431,468	1,063,822
-	4,501,179	4,501,179	-
-	-	600,623	-
(2,298,734)	-	(16,550,524)	(965,781)
<u>(24,070)</u>	<u>-</u>	<u>(2,211,936)</u>	<u>(50,772)</u>
<u>(1,123,755)</u>	<u>5,139,265</u>	<u>(2,229,190)</u>	<u>47,269</u>
288	(2,834,803)	5,073,566	(7,383,922)
-	261,330	67,098,762	-
1,459,673	10,744,864	16,056,319	1,753,500
-	(157,360)	(3,033,585)	(1,000,000)
<u>1,459,961</u>	<u>8,014,031</u>	<u>85,195,062</u>	<u>(6,630,422)</u>
<u>34,951,529</u>	<u>30,669,360</u>		<u>(428,891)</u>
<u>\$ 36,411,490</u>	<u>\$ 38,683,391</u>		<u>\$ (7,059,313)</u>

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

(200,922)

Change in net assets of business-type activities

\$ 84,994,140

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 97,498,182	\$ 13,133,348
Payments to employees	(19,824,819)	(4,702,306)
Payments to suppliers and service providers	(42,611,719)	(5,834,889)
Internal activity - payments from (to) other funds	-	(10,948)
Claims paid	-	-
Premiums paid	-	-
Other payments	(2,151,849)	(658,298)
Net cash provided by (used in) operating activities	<u>32,909,795</u>	<u>1,926,907</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds	-	3,851,782
Operating subsidies and transfers to other funds	(1,616,762)	(1,259,463)
Operating grants received	-	-
Negative cash balance implicitly financed	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,616,762)</u>	<u>2,592,319</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(65,167,574)	(47,103,784)
Capital grants and other capital contributions	10,070,843	-
Proceeds from capital debt	5,514,999	-
Principal paid on capital debt	(8,297,433)	-
Interest paid on capital debt	(6,963,626)	(7,264,089)
Escrow deposits	741,799	-
Net cash provided by (used in) capital and related financing activities	<u>(64,100,992)</u>	<u>(54,367,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>4,733,567</u>	<u>5,881,246</u>
Net cash provided by investing activities	<u>4,733,567</u>	<u>5,881,246</u>
Net increase (decrease) in cash and cash equivalents	(28,074,392)	(43,967,401)
Cash and cash equivalents - beginning of year	144,645,495	212,836,477
Cash and cash equivalents - end of year	<u>\$ 116,571,103</u>	<u>\$ 168,869,076</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 19,105,340	\$ (4,952,559)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	18,094,318	1,969,000
Amortization	64,702	67,105
Miscellaneous nonoperating expense	(1,016,139)	(725,403)
Change in assets and liabilities:		
Operating receivables	(167,079)	(240,461)
Sales tax receivable	(1,931,111)	(614,382)
Inventories	(577,955)	-
Other receivables and assets	59,175	-
Due from other governmental agencies	(1,200,412)	-
Accounts payable and other accrued liabilities	299,059	6,403,296
Due to other funds	-	(10,948)
Earned vacation pay and other payroll liabilities	179,897	31,259
Nonoperating receipts/payments	-	-
Total adjustments	<u>13,804,455</u>	<u>6,879,466</u>
Net cash provided by (used in) operating activities	<u>\$ 32,909,795</u>	<u>\$ 1,926,907</u>
Noncash investing, capital, and financing activities:		
Capital contributions from annexations and mergers	<u>\$ 65,534,313</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 2,362,780</u>	<u>\$ 5,957,947</u>
Net transfer of assets to other funds	<u>\$ -</u>	<u>\$ 7,150</u>

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

Enterprise Funds			
Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Funds
\$ 5,020,983	\$ 14,782,277	\$ 130,434,790	\$ 57,052,909
(542,085)	(2,640,986)	(27,710,196)	(2,758,364)
(2,094,189)	(17,934,873)	(68,475,670)	(11,313,624)
-	-	(10,948)	-
-	-	-	(29,356,420)
-	-	-	(961,178)
(24,070)	(240,789)	(3,075,006)	(469,347)
<u>2,360,639</u>	<u>(6,034,371)</u>	<u>31,162,970</u>	<u>12,193,976</u>
1,459,673	5,859,463	11,170,918	1,753,500
-	(157,360)	(3,033,585)	(1,000,000)
-	2,122,772	2,122,772	-
-	-	-	(2,014,940)
<u>1,459,673</u>	<u>7,824,875</u>	<u>10,260,105</u>	<u>(1,261,440)</u>
(4,761,737)	(1,146,508)	(118,179,603)	(10,542,326)
-	8,113,936	18,184,779	-
-	-	5,514,999	23,830,001
(2,253,498)	-	(10,550,931)	(10,690,000)
(2,281,608)	-	(16,509,323)	(951,993)
-	830,299	1,572,098	-
<u>(9,296,843)</u>	<u>7,797,727</u>	<u>(119,967,981)</u>	<u>1,645,682</u>
1,328,791	569,970	12,513,574	1,033,153
<u>1,328,791</u>	<u>569,970</u>	<u>12,513,574</u>	<u>1,033,153</u>
(4,147,740)	10,158,201	(66,031,332)	13,611,371
39,211,882	12,686,415	409,380,269	15,196,385
<u>\$ 35,064,142</u>	<u>\$ 22,844,616</u>	<u>\$ 343,348,937</u>	<u>\$ 28,807,756</u>
\$ 1,124,043	\$ (7,974,068)	\$ 7,302,756	\$ (7,431,191)
1,404,113	1,811,560	23,278,991	8,009,758
-	-	131,807	-
(24,070)	-	(1,765,612)	-
(182,576)	(67,779)	(657,895)	(344)
(8,524)	(48,383)	(2,602,400)	(411,980)
-	(109,873)	(687,828)	(63,767)
-	-	59,175	-
-	-	(1,200,412)	-
30,322	304,618	7,037,295	12,148,660
-	-	(10,948)	-
17,331	49,554	278,041	(6,388)
-	-	-	(50,772)
<u>1,236,596</u>	<u>1,939,697</u>	<u>23,860,214</u>	<u>19,625,167</u>
<u>\$ 2,360,639</u>	<u>\$ (6,034,371)</u>	<u>\$ 31,162,970</u>	<u>\$ 12,193,976</u>
\$ -	\$ -	\$ 65,534,313	\$ -
<u>\$ 2,680,028</u>	<u>\$ -</u>	<u>\$ 11,000,755</u>	<u>\$ 488,661</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,150</u>	<u>\$ -</u>

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 23,308,636	\$ 168,259
Accrued interest receivable	14,328	-
Total assets	<u>\$ 23,322,964</u>	<u>\$ 168,259</u>
LIABILITIES		
Due to other agencies	\$ -	\$ 168,259
Total liabilities	<u>\$ -</u>	<u>\$ 168,259</u>
NET ASSETS		
Held in trust for:		
Employees' retirement benefits	<u>\$ 23,322,964</u>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2006**

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer contributions	\$ 4,076,480
Investment earnings:	
Interest	660,350
Net increase in fair value of investments	692,432
Total investment earnings	1,352,782
Less investment expense	(29,893)
Net investment earnings	1,322,889
Total additions	5,399,369
DEDUCTIONS	
Benefits	2,611,748
Withdrawals and forfeitures	39,281
Total deductions	2,651,029
Change in net assets	2,748,340
Net assets - beginning of the year	20,574,624
Net assets - end of the year	\$ 23,322,964

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2006

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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations that have been made in the funds have been reversed for 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. Agency funds have no measurement focus. 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 facilities of the City.

Parking facilities fund – The parking facilities fund accounts for the parking fee charges and all costs associated with the operation of all parking decks and lots owned by 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 government 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 and the law enforcement officers' special separation allowance fund. The agency fund accounts for monies held on behalf of others.

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. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the City has investments in securities which are callable and 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 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 2006-07 fiscal year and are not shown as receivables at June 30, 2006.

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, 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 \$21,872,060. Of this amount, \$5,321,536 was included as part of the cost of capital assets under construction in connection with water and sewer, convention center, and parking facilities construction 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
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 equity*

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 fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Also presented are the amounts in annually budgeted funds which are reserved and, therefore, not available for appropriation in subsequent years as provided by the North Carolina general statutes. The statutes dictate what portion of fund balance is available for appropriation with the remainder being unavailable for appropriation or "Reserved by State Statute." Generally, all amounts represented by accounts receivable or interfund receivables are not available for appropriation. Portions of fund balance have also been reserved for encumbrances and inventories. The unreserved portion of fund balance is further detailed as either "Designated" or "Undesignated." A breakdown of the "Designations" at June 30, 2006 is as follows:

General Fund		General Capital Projects Funds	
<u>Designations</u>	<u>Amount</u>	<u>Designations</u>	<u>Amount</u>
Debt service	\$ 13,402,068	Various capital projects	\$ 6,133,247
Law enforcement projects	1,202,211	Appropriated for	
Appropriated for subsequent year	15,175,854	subsequent year	\$ 138,727,704
Other	998,656		
	<u>\$ 30,778,789</u>		
		Special Revenue Funds	
		Appropriated for	
		subsequent year	\$ 4,618,082

Interest rate swap

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

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 and agency 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, 2006. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds, the powell bill fund, and the new 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, 2006, the effect of such amendments, less eliminating transfers, was as follows:

	<u>Budget</u>	<u>Amendments</u>	<u>June 30, 2006</u>
General Fund	\$ 293,897,893	\$ 16,702,664	\$ 310,600,557
Special Revenue Funds	65,992,397	16,804,130	82,796,527
General Capital Projects Funds	301,904,648	24,146,393	326,051,041
Enterprise Funds	760,102,060	50,476,884	810,578,944
Internal Service Funds	11,005,349	1,016,554	12,021,903

The appropriated budget is prepared by fund, function, and department. All budget transfers, both at the ordinance and the line-item levels are approved by the City Council with the following exceptions that can be made prior to formal approval by the City Council. Department heads may make transfers within a department (except for personnel services accounts) not to exceed \$10,000. Department heads or the City Manager may make transfers of appropriations within a fund up to \$50,000. Transfers greater than \$50,000 and transfers of appropriations between funds require City Council approval. The legal level of budgetary control (i.e., the level at which appropriations are adopted) is \$50,000 within departments.

B. Deficit net assets

The print services fund (an internal service fund) had deficit net assets of \$127,153 at June 30, 2006. The deficit net assets resulted from charges for services that were not adequate to cover all costs of operations. This deficit will continue until print service charges are adjusted to cover all costs of operations. The risk management fund (an internal service fund) had deficit net assets of \$21,801,539 at June 30, 2006. The deficit net assets in the risk management fund results, in part, from continuing adverse experience on prior years open claims, which in turn, results in higher than expected future liability for these claims. The City also recognizes fully, the actuarially determined liability of \$21.1 million for claims incurred but not reported at June 30, 2006. The City is reviewing several options to address the overall deficit condition, including re-evaluating the level of funding. The employees' health benefits fund (an internal service fund) had deficit net assets of \$757,749 at June 30, 2006. The deficit net assets in this fund results primarily from recognizing the liability of \$3.4 million for claims incurred but not reported at June 30, 2006. The City periodically reviews both its funding and the employees funding requirements in order to maintain positive net assets in the fund.

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, 2006, the City's bank balance was \$8,763,191 and the carrying amount of the City's deposits was \$2,679,687, net of a cash overdraft of \$1,030,630 which is included in accounts payable. Of the bank balance, \$208,015 was covered by federal depository insurance and \$8,555,176 was covered by collateral held under the Pooling Method.

Investments.

At June 30, 2006, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1- 3 Years	3 - 5 Years
U. S. Government				
Treasuries	\$ 72,752,568	\$ 45,569,482	\$ 13,209,687	\$ 13,973,399
Ginnie Mae	24,735		18,048	6,687
Federal Home Loan Bank	107,805,644	84,045,052	22,531,686	1,228,906
Freddie Mac	139,054,454	130,925,873	4,983,852	3,144,729
Fannie Mae	135,956,585	109,079,888	22,762,246	4,114,451
Federal Farm Credit Bank	10,729,166	4,900,817	5,527,655	300,694
NCCMT - Cash Portfolio	53,149,964	N/A	N/A	N/A
	<u>\$ 519,473,116</u>	<u>\$ 374,521,112</u>	<u>\$ 69,033,174</u>	<u>\$ 22,768,866</u>

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. 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's investments in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. The City's investments in US Agencies (Federal Home Loan Bank, Freddie Mac, Fannie Mae and Federal Farm Credit Bank) are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings.

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% of the total investment portfolio. More than 5 percent of the City's investments are in Federal Home Loan Bank, Freddie Mac, and Fannie Mae securities. These investments are 20.75%, 26.77%, and 26.17% respectively of the City's total investments.

A summary of cash and investments at June 30, 2006 is as follows:

Petty Cash and Change Funds	\$ 14,435
Medical and Dental Trust Funds	2,653,095
BB&T - Supplemental Pension Funds	19,085,031
Deposits (includes CDs and money market accounts)	137,253,750
Investments	519,473,116
	<u>\$ 678,479,427</u>

B. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows (stated in thousands)

	Balance June 30, 2005	Additions	Transfers	Deletions	Balance June 30, 2006
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 101,312	\$ 10,225	-	-	\$ 111,537
Construction in progress	8,465	16,491	(1,402)	-	23,554
Total capital assets, not being depreciated	<u>109,777</u>	<u>26,716</u>	<u>(1,402)</u>	<u>-</u>	<u>135,091</u>
Capital assets, being depreciated:					
Buildings and machinery	88,647	6	-	25	88,628
Streets and sidewalks	531,974	28,210	157	-	560,341
Equipment	74,269	10,255	-	3,652	80,872
Furniture and fixtures	1,240	803	-	-	2,043
Improvements - general and parks	121,742	12,818	1,245	43	135,762
Total capital assets being depreciated	<u>817,872</u>	<u>52,092</u>	<u>1,402</u>	<u>3,720</u>	<u>867,646</u>
Less accumulated depreciation for:					
Buildings and machinery	32,866	2,096	-	25	34,937
Streets and sidewalks	213,990	20,961	-	-	234,951
Equipment	52,000	7,552	-	3,652	55,900
Furniture and fixtures	682	375	-	-	1,057
Improvements - general and parks	47,039	6,166	-	43	53,162
Total accumulated depreciation	<u>346,577</u>	<u>37,150</u>	<u>-</u>	<u>3,720</u>	<u>380,007</u>
Total capital assets being depreciated, net	<u>471,295</u>	<u>14,942</u>	<u>1,402</u>	<u>-</u>	<u>487,639</u>
Governmental activities capital assets, net	<u>\$ 581,072</u>	<u>\$ 41,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,730</u>

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

General government	\$ 519
Community development	80
Public works	23,526
Public safety	1,420
Solid waste services	48
Leisure services	5,201
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>6,356</u>
Total depreciation expense - governmental activities	<u>\$ 37,150</u>

Annexations and contributions: The amount reported above as additions for streets and sidewalks includes \$23,727,427 added from annexations during fiscal year 2005-06. Additions to land include a private donation of a 155 acre parcel valued at \$7.0 million, dedicated for future park development.

	Balance June 30, 2005	Additions	Transfers	Deletions	Balance June 30, 2006
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 52,653	\$ 8,743	\$ -	\$ -	\$ 61,396
Construction in progress	42,060	96,733	(5,391)	-	133,402
Total capital assets, not being depreciated	94,713	105,476	(5,391)	-	194,798
Capital assets, being depreciated:					
Buildings and machinery	91,672	16,020	1,905	-	109,597
Water and sewer systems	611,803	71,590	1,770	-	685,163
Parking decks	57,861	-	-	-	57,861
Buses	21,076	397	-	2,243	19,230
Equipment	26,597	5,377	1,232	1,184	32,022
Furniture and fixtures	451	12	-	-	463
Improvements	39,485	1,854	484	5	41,818
Total capital assets being depreciated	848,945	95,250	5,391	3,432	946,154
Less accumulated depreciation for:					
Buildings and machinery	29,459	2,522	-	-	31,981
Water and sewer systems	147,488	14,105	-	-	161,593
Parking decks	10,772	1,359	-	-	12,131
Buses	10,230	1,443	-	2,243	9,430
Equipment	15,865	3,485	-	1,184	18,166
Furniture and fixtures	352	50	-	-	402
Improvements	10,853	1,969	-	5	12,817
Total accumulated depreciation	225,019	24,933	-	3,432	246,520
Total capital assets being depreciated, net	623,926	70,317	5,391	-	699,634
Business-type activities capital assets, net	\$ 718,639	\$ 175,793	\$ -	\$ -	\$ 894,432

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

Water/Sewer	\$ 18,094
Convention center	1,969
Parking	1,404
Mass Transit	1,793
Stormwater	19
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	1,654
Total depreciation expense - business-type activities	\$ 24,933

Annexations and mergers: The amount reported above as additions for water and sewer systems includes \$15,678,338 added from annexations and \$38,143,261 from system mergers (Wake Forest \$29,895,570; Knightdale \$8,247,691) during fiscal year 2005-06. The mergers also added \$11,712,714 in land, buildings and equipment.

Commitments - construction projects

At June 30, 2006, the City has \$187,063,393 in project obligations for business-type activities for construction projects in progress as follows: \$43,885,924 water and sewer projects, \$111,651,087 new convention center project, and \$31,526,382 underground parking garage project. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, and certificates of participation.

In addition, the City has \$24,724,087 in general government project obligations at June 30, 2006. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2006.

C. Deferred 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:

	<u>\$</u>	<u>702,556</u>	<u>\$</u>	<u>102,242</u>
Amounts not arising from cash:				
Assessments receivable	\$	425,900	\$	1,331,882
Taxes receivable		1,537,952		-
Loans receivable		159,670		39,914,863
	<u>\$</u>	<u>2,123,522</u>	<u>\$</u>	<u>41,246,745</u>
Total	<u>\$</u>	<u>2,826,078</u>	<u>\$</u>	<u>41,348,987</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as June 30, 2006, is as follows:

		Due from			Total
		Nonmajor	Convention	Internal	
		Governmental	Center Fund	Service	
Due to	General fund	<u>\$ 833,771</u>	<u>\$ 11,120</u>	<u>\$ 200,779</u>	<u>\$ 1,045,670</u>
	Parking facilities fund	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	Total	<u>\$ 833,771</u>	<u>\$ 1,011,120</u>	<u>\$ 200,779</u>	<u>\$ 2,045,670</u>

The balance of \$1,000,000 due to the parking facilities fund from nonmajor governmental funds results from loans made in 2001 to provide cash for the performing arts center and memorial auditorium construction projects until pledges for the projects are received. The balance of \$1,045,670 due to the general fund includes \$388,955 of reclasses of negative cash to due to the general fund and a corresponding reduction in general fund cash and a due from other funds. Negative cash reclassified consisted of \$200,779 from internal service funds, and \$188,176 from nonmajor governmental funds.

All remaining balances resulted 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.

A summary of interfund transfers for the fiscal year ended June 30, 2006 is as follows:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 5,926,697
Water and sewer fund	117,117
Total transfers to general fund	<u><u>\$ 6,043,814</u></u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 10,802,558
Water and sewer fund	85,295
Total transfers to nonmajor governmental funds	<u><u>\$ 10,887,853</u></u>
Transfers to convention center fund from:	
General fund	\$ 1,000,208
Nonmajor governmental funds	2,190,724
Water and sewer fund	660,850
Total transfers to convention center fund	<u><u>\$ 3,851,782</u></u>
Transfers to parking fund from:	
Nonmajor enterprise funds	\$ 157,360
Nonmajor governmental funds	50,000
Convention center fund	1,252,313
Total transfers to parking fund	<u><u>\$ 1,459,673</u></u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 9,115,264
Nonmajor governmental funds	1,629,600
Total transfers to nonmajor enterprise funds	<u><u>\$ 10,744,864</u></u>
Transfers to internal service funds from:	
Water and sewer fund	\$ 753,500
Internal service funds	1,000,000
Total transfers to internal service funds	<u><u>\$ 1,753,500</u></u>

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.

During the fiscal year ended June 30, 2006, \$445,000 was transferred from general capital projects funds to the general fund. These transfers were made to support specific related operating activities. A transfer of \$50,000 from general capital projects to the parking fund was made to replenish funds advanced to general capital projects prior to issuance of debt.

Also, during 2005-06 certain noncash transactions were reported as transfers in the financial statements, however, are not included in the summary of interfund transfers above. Capital assets of \$7,150 were transferred from the convention center (a business-type activity) to the governmental activities.

E. Operating leases

During 2005-06 total rental payments on noncancelable operating leases was \$3,139,100. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2006:

<u>Fiscal Year Ending June 30</u>		
2007	\$	2,687,202
2008		1,657,588
2009		610,337
2010		31,136
		<hr/>
		<u>\$ 4,986,263</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. 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, 2006 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, 2006</u>
<u>Governmental Activities</u>					
Housing-Series 1994B-Taxable	7.75% to 8.0%	9/1/1994	3/1/2011	\$ 2,900,000	\$ 1,275,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	1,150,000
Public Improvement Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	22,255,000	7,375,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	2,720,000
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	3,795,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	15,350,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	8,500,000
Public Improvement, Series 2002A	3.0% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,600,000
Public Improvement, Series 2002B	3.0% to 4.5%	12/1/2002	2/1/2021	43,000,000	39,325,000
Public Improvement, Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	14,905,000	6,995,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	14,100,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	16,901,509
Housing, Series, 2004B	3.13% to 4.38%	3/1/2004	4/1/2017	7,000,000	6,280,000
Housing Refunding, Series 2004B	3.13% to 4.0%	3/1/2004	4/1/2012	2,355,000	1,775,000
Street Improvement, Series 2005A	3.5% to 5.0%	8/1/2005	2/1/2023	10,600,000	10,600,000
Public Improvement, Series 2005B	3.5% to 5.0%	8/1/2005	2/1/2023	50,585,000	50,585,000
Total Governmental Activities					<u>\$ 189,326,509</u>

General obligation bonds outstanding at June 30, 2006 (continued):

<u>Purpose</u>	<u>Interest</u>	<u>Date</u>	<u>Date Series</u>	<u>Amount of Original</u>	<u>Balance Outstanding June 30.</u>
<u>Business-type Activities</u>					
<i>Water and Sewer:</i>					
Sanitary Sewer Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	\$ 16,325,000	\$ 5,405,000
Sanitary Sewer Refunding - Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	3,055,000	1,435,000
Water Refunding, Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	6,031,792
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	3,581,699
<i>Water and Sewer Total</i>					<u>16,453,491</u>
<i>Parking Facilities:</i>					
Parking Facilities Refunding – Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	3,230,000	1,075,000
Parking Facilities, Series 1997	4.70% to 5.0%	10/1/1997	4/1/2016	8,670,000	5,470,000
<i>Parking Facilities Total</i>					<u>6,545,000</u>
Total Business-type Activities					<u><u>\$ 22,998,491</u></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>
2007	\$ 13,107,617	\$ 7,867,097	\$ 4,082,383	\$ 942,267
2008	12,839,371	7,364,022	3,510,629	774,719
2009	12,914,751	6,880,687	2,815,249	635,006
2010	12,061,943	6,396,980	2,118,057	528,751
2011	12,266,008	5,899,087	2,098,992	434,529
2012-2016	59,246,819	22,074,970	8,373,181	925,164
2017-2021	55,105,000	9,694,006	-	-
2022-2023	11,785,000	649,850	-	-
	<u>\$ 189,326,509</u>	<u>\$ 66,826,699</u>	<u>\$ 22,998,491</u>	<u>\$ 4,240,436</u>

Status of bond authorizations

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2006:

<u>November 7, 2000</u>	
Housing	<u>\$ 7,000,000</u>
<u>October 7, 2003</u>	
Parks and recreation	<u>27,665,000</u>
<u>October 11, 2005</u>	
Housing	20,000,000
Street improvement	<u>60,000,000</u>
	<u>80,000,000</u>
Total	<u>\$ 114,665,000</u>

Defeased debt

In prior years, the City has defeased various 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, 2006, the amount of defeased debt outstanding was \$42,650,000.

2. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are repaid from utility user charges. Revenue bonds outstanding at year end are \$175,380,000. The bonds have stated interest rates between 2.5% and 5.25% and are payable serially over the next 25 years. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,915,000	\$ 8,519,057
2008	5,095,000	8,327,325
2009	5,285,000	8,135,169
2010	5,515,000	7,906,106
2011	5,745,000	7,675,494
2012-2016	33,275,000	33,809,713
2017-2021	42,435,000	24,642,850
2022-2026	39,710,000	13,940,137
2027-2031	33,405,000	5,174,000
	<u>\$ 175,380,000</u>	<u>\$ 118,129,851</u>

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, between the City and Wachovia Bank of North Carolina, as trustee, 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, 2006.

3. Other long-term obligations

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, 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 \$643,178,363. Interest is also paid on reimbursement contracts at a rate of 4 percent per year; however, the future amount to be paid on existing contracts has not been determined.

Certificates of participation – demand bonds

The City has previously issued \$253,565,000 in variable rate certificates of participation to finance the purchase of an office building (\$10,140,000) and construction of a new convention center (\$243,425,000). 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. There have been no significant changes in rates subsequent to year-end. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest, which cannot exceed 12%, required for these variable rate certificates through maturity would be \$604,155,360. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2006 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

<u>Issue</u>	<u>Balance June 30, 2006</u>	<u>Agreement Expiration</u>	<u>Fees Paid FY2006</u>	<u>Interest Rate June 30, 2006</u>
2004A	\$ 55,000,000	February 1, 2004	\$ 121,000	3.96 %
2004C	9,630,000	September 1, 2009	16,921	3.95
2005B	188,425,000	January 16, 2015	160,718	3.96

The debt service requirements to maturity for these variable rate certificates of participation are shown below:

<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>
2007	\$ 510,000	\$ 288,900	\$ -	\$ 9,837,830
2008	510,000	274,102	-	9,837,830
2009	510,000	257,826	-	9,860,650
2010	510,000	243,000	-	9,815,010
2011	510,000	227,700	-	9,837,830
2012-2016	2,535,000	909,757	15,055,000	48,869,145
2017-2021	2,525,000	530,027	44,110,000	42,239,791
2022-2026	2,020,000	151,527	55,410,000	31,693,693
2027-2031	-	-	72,045,000	18,410,506
2032-2034	-	-	56,805,000	3,814,803
	<u>\$ 9,630,000</u>	<u>\$ 2,882,839</u>	<u>\$ 243,425,000</u>	<u>\$ 194,217,088</u>

Installment financing agreements

The City has previously entered into installment financing agreements to finance an outdoor amphitheater and downtown improvements. These debt issues carry fixed interest rates of 5.54% for the amphitheater, and 3.0% to 5.25% for the downtown improvements. During 2006, the City issued \$8,505,000 of certificates of participation to finance park projects. The fixed interest rates on these certificates of participation range from 3.00% to 4.25%. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,728,609	1,121,581
2008	1,781,670	1,051,371
2009	1,836,587	978,704
2010	1,813,466	903,475
2011	1,827,416	817,374
2012-2016	8,819,805	2,755,024
2017-2021	4,920,000	1,119,307
2022-2026	2,060,000	252,351
	<u>\$ 24,787,553</u>	<u>\$ 8,999,187</u>

The City has entered into installment financing agreements, bearing interest at rates ranging from 2.6% to 5.85% to finance water and sewer improvements. During 2006, the City entered into a revolving loan with the state for water improvements for the Rolesville merged utilities. This \$3,000,000 loan matures in 2025 and has a fixed interest rate of 2.66%. Also during 2006, the City issued \$2,515,000 in certificates of participation for the recently completed utility operations center. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,094,451	565,326
2008	2,094,451	496,439
2009	2,089,451	427,057
2010	2,089,451	357,743
2011	1,524,450	288,956
2012-2016	4,815,254	847,019
2017-2021	2,206,101	217,778
2022-2026	600,000	39,900
	<u>\$ 17,513,609</u>	<u>\$ 3,240,218</u>

The City has 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%. 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
2007	\$ 1,430,000	2,386,259
2008	2,035,000	2,318,869
2009	2,085,000	2,235,494
2010	2,140,000	2,149,119
2011	2,205,000	2,048,885
2012-2016	9,685,000	8,892,982
2017-2021	10,560,000	6,710,080
2022-2026	8,850,000	4,337,800
2027-2031	6,685,000	2,444,025
2032-2035	6,550,000	753,300
	<u>\$ 52,225,000</u>	<u>\$ 34,276,813</u>

A portion of this debt was previously refinanced. The reacquisition price of the new debt exceeded the carrying value of the old debt. This amount is being netted against the new debt and amortized over the life of the new debt. The unamortized balance of this deferred refunding at June 30, 2006 is \$210,403.

The City has issued certificates of participation, including \$23,830,000 during 2006, to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. These debt issues bear interest rates ranging from 2.5% to 5.0%. 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		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 8,185,912	\$ 882,165	\$ 2,554,088	\$ 235,535
2008	4,357,800	542,477	1,022,200	127,248
2009	4,357,800	341,354	1,022,200	80,071
2010	4,353,750	152,381	1,021,250	35,744
	<u>\$ 21,255,262</u>	<u>\$ 1,918,377</u>	<u>\$ 5,619,738</u>	<u>\$ 478,598</u>

Portions of this debt were sold at premiums. This amount is included in the government-wide statement of net assets as long-term liabilities and is being amortized over the life of the debt. The unamortized balances at June 30, 2006 are \$136,861 for governmental activities and \$54,768 for business-type activities.

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 2.6 percent to 9.0 percent. 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		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 713,567	\$ 45,824	\$ 98,641	\$ 11,149
2008	35,652	28,977	104,066	5,723
2009	36,898	30,988	-	-
2010	36,278	31,609	-	-
2011	37,125	30,761	-	-
2012-2016	181,033	56,569	-	-
	<u>\$ 1,040,553</u>	<u>\$ 224,728</u>	<u>\$ 202,707</u>	<u>\$ 16,872</u>

Reimbursement contracts

Outstanding principal balances for reimbursement contracts at June 30, 2006 are \$135,444 for business-type activities.

Earned vacation pay

At June 30, 2006, earned vacation pay consists of \$14,625,138 for governmental activities and \$1,919,829 for business-type activities.

Landfill postclosure care costs

State and federal laws and regulations require the City to maintain a final cover on its Wilders Grove Landfill site when it stops accepting waste 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. The \$4,543,811 reported as landfill postclosure liability as of June 30, 2006, represents the amount it would cost to perform remaining postclosure care in 2006. 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 test as submitted to the North Carolina Department of Environment and Natural Resources on November 1, 2005.

Subsequent debt issuances and bond referendum

In September 2006, the City issued \$241,175,000 of water and sewer revenue bonds and \$59,210,000 of refunding water and sewer revenue bonds.

4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 139,713,236	\$ 61,185,000	\$ 11,571,727	\$ 189,326,509	\$ 13,107,617
Unamortized premiums - GO bonds	451,125	1,434,474	120,606	1,764,993	120,608
Deferred refundings - GO bonds	(1,244,640)	-	(113,149)	(1,131,491)	(113,149)
Installment financing agreements	40,265,985	27,895,127	11,447,744	56,713,368	11,138,088
Unamortized premiums on IFA	701,433	-	158,247	543,186	158,247
Reimbursement contracts	2,443	-	2,443	-	-
Earned vacation pay	13,719,707	9,266,884	8,361,453	14,625,138	8,361,453
Landfill postclosure	4,531,774	126,890	114,853	4,543,811	-
Total governmental activities	\$ 198,141,063	\$ 99,908,375	\$ 31,663,924	\$ 266,385,514	\$ 32,772,864

Changes in long-term liabilities continued:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 27,176,764	\$ -	\$ 4,178,273	\$ 22,998,491	\$ 4,082,383
Unamortized discount - GO bonds	(271,863)	-	(27,186)	(244,677)	(27,186)
Unamortized premium - GO bonds	256,634	-	23,330	233,304	23,330
Deferred refundings - GO bonds	(1,010,683)	-	(165,269)	(845,414)	(165,269)
Revenue bonds	178,135,000	-	2,755,000	175,380,000	4,915,000
Unamortized premium - Rev. bonds	6,894,180	-	336,524	6,557,656	336,524
Deferred refundings - Rev. bonds	(2,082,402)	-	(122,494)	(1,959,908)	(122,494)
Installment financing agreements	314,889,025	10,042,700	5,945,671	318,986,054	6,177,180
Unamortized premiums - IFA	727,158	-	85,148	642,010	30,381
Deferred refundings - IFA	(252,561)	-	(42,158)	(210,403)	(42,158)
Reimbursement contracts	151,732	-	16,288	135,444	16,288
Earned vacation pay	1,657,146	1,376,672	1,113,989	1,919,829	1,113,989
Total business-type activities	<u>\$ 526,270,130</u>	<u>\$ 11,419,372</u>	<u>\$ 14,097,116</u>	<u>\$ 523,592,386</u>	<u>\$ 16,337,968</u>

The current year additions to the governmental activities installment notes include noncash related financing activities in the amount of \$87,827.

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 \$185,859 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, 2006, a liability for \$1,459,818 is included in the convention center complex fund. A liability for \$180,420 is included in the parking facilities fund.

6. Interest rate swaps

2002 Swap

In order to achieve an economic benefit, when compared to the issuance of fixed rate bonds, effective June 24, 2002, the City entered into a six year pay-variable, receive-fixed interest rate swap agreement with respect to \$50 million of its general obligation bonds. The notional value of the swap is \$50 million and the

agreement matures June 1, 2008. The City pays a rate equivalent to the Bond Market Association Municipal Swap Index (BMA), which was 3.97% at June 30, 2006, and receives fixed-rate payments at 3.26%. Only the net difference in interest rate payments is actually exchanged. The \$50 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The City continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the City effectively pays the fixed rate of interest at which the debt was issued, adjusted for payments made to or received from the fixed-rate payer. During 2005-06, the City realized interest rate swap receipts of \$29,753. At June 30, 2006, the swap had a negative fair value of \$494,693. Fair value was estimated by the counterparty using mark to market valuations. As of June 30, the city is exposed to additional interest expense as the pay-variable rate exceeds the receive-fixed rate; however there is no credit risk exposure due to the negative fair value. The swap counterparty, Citigroup Financial Products, Inc., at June 30, was rated "Aa1" by Moody's Investors Service (Moody's), "AA-" by Standard and Poor's (S&P) and "AA+" 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 an unanticipated termination payment.

Swap payments and associated debt. Using interest rates as of June 30, 2006, principal and interest requirements of the fixed-rate debt and net swap payments were as follows. As rates vary, net swap payments will vary. The principal and interest payments shown below are components of the governmental activities general obligation bonds debt service requirements as reported on page 33.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2007	\$ -	\$ 2,546,008	\$ 355,000	\$ 2,901,008
2008	7,440,000	1,248,388	313,335	1,561,723
Total	<u>\$ 7,440,000</u>	<u>\$ 3,794,396</u>	<u>\$ 668,335</u>	<u>\$ 4,462,731</u>

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 Feb. 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 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 BMA. At June 30, 2006, the swap had a negative fair value to the City of \$906,589. 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, 2006, 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, 2006, Citibank NA, the counterparty, was rated "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA+" 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 35.

Using rates as of June 30, 2006, 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
2007	\$ -	\$ 7,480,473	\$ 734,858	\$ 8,215,331
2008	-	7,480,473	734,858	8,215,331
2009	-	7,480,473	734,858	8,215,331
2010	-	7,480,473	734,858	8,215,331
2011	-	7,480,473	734,858	8,215,331
2012-2016	15,055,000	37,110,171	3,645,584	40,755,755
2017-2021	44,110,000	31,072,595	3,052,472	34,125,067
2022-2026	55,410,000	21,459,835	2,108,145	23,567,980
2027-2031	58,945,000	9,380,713	921,531	10,302,244
2032-2034	14,905,000	1,201,322	118,014	1,319,336
Total	<u>\$ 188,425,000</u>	<u>\$ 137,627,001</u>	<u>\$ 13,520,036</u>	<u>\$ 151,147,037</u>

**Computed using 4.36% less floating rate paid to the City (3.97% at June 30, 2006) 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. These transactions give the City the right to choose from several options on the effective date, June 18, 2008. The options include terminating the swaps or engaging in the swap transactions in conjunction with the issue of variable rate revenue bonds. At June 30, 2006 the swaps had a combined positive fair value of \$4,478,507.

G. Restricted assets

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

	Deposits	Unspent Debt Proceeds
<u>Governmental</u>		
General fund	\$ -	\$ 195,167
Nonmajor governmental funds	-	61,411,186
Total governmental	<u>-</u>	<u>61,606,353</u>
<u>Enterprise</u>		
Water and sewer fund	30,450,918	20,653,862
Convention center fund	-	162,674,390
Parking facilities fund	-	26,063,982
Nonmajor enterprise funds	2,570,316	-
Total enterprise	<u>33,021,234</u>	<u>209,392,234</u>
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	8,159,184
Public utilities equipment replacement fund	-	2,136,333
Total internal service fund	<u>-</u>	<u>10,295,517</u>
Total	<u>\$ 33,021,234</u>	<u>\$ 281,294,104</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 or its own retention 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 and an annual aggregate stop-loss of \$3,000,000 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 purchased through the private sector. The excess coverage includes \$10,000,000 in the aggregate for loss due to flood. The City continues to self insure for public officials liability.

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 \$35,515,465 reported for these two internal service funds at June 30, 2006, 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 2005-06 and 2004-2005 are as follows:

	<u>2006</u>	<u>2005</u>
Insurance claims payable, beginning of year	\$ 23,276,362	\$ 17,926,381
Current year claims and changes in estimates	41,595,523	29,133,859
Claim payments	<u>(29,356,420)</u>	<u>(23,783,878)</u>
Insurance claims payable, end of year	<u>\$ 35,515,465</u>	<u>\$ 23,276,362</u>

Insurance claims payable at June 30, 2006 which are due within one year are estimated to be \$29,107,525.

As previously noted, the risk management fund has deficit net assets at June 30, 2006 of \$21,801,539. This deficit results from continuing adverse experience on prior years open claims which, in turn, resulted in higher than expected future liability for these claims; and the liability for claims incurred but not reported at June 30, 2006. The City is reviewing several options to address the deficit condition, including re-evaluating the level of funding.

Also as previously noted, the employees' health benefits fund has deficit net assets at June 30, 2006 of \$757,749. This deficit results from the liability for medical and dental claims incurred but not reported. The City periodically reviews requirements in order to maintain positive net assets in the fund.

B. Commitments and contingent liabilities

Commitment - loan guarantees

The City has provided a loan guaranty to Bank of America, in the amount of \$275,000. 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 2005-06 obligation was \$674,406. It is estimated, at this time, that the future annual cost to the City will not exceed \$725,000.

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.

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 \$81,534 to the council during the fiscal year ended June 30, 2006. 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, 2006 the City appropriated \$51,500 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, 2006 the balance of the trust maintained by the County was \$5,295,010, which is not available to the City except for current and future projects jointly determined by the City and the County. During 2005-06, the City received funding as follows: an annual \$1,000,000 that the City Council previously dedicated for continuing support of the performing arts center and the existing convention center complex; and \$9,883,764 to support construction financing of a new convention center complex. 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 construction and other purposes related to the new convention center as well as a financial participation in the construction of a headquarters hotel.

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 percent 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, 2006. 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, 2006. 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.

C. 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 4.80 percent and 4.78 percent, 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, 2006, 2005, and 2004 were \$7,308,127, \$6,657,987, and \$6,315,818, 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, 2006 were \$2,804,809, which consisted of \$1,812,172 from the City and \$992,637 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, 2005, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	113
Current active employees	<u>692</u>
Total	<u>805</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 \$1,735,162, or 4.87 percent 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.

Annual pension cost and net pension obligation:

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	\$ 1,663,837
Interest paid on pension obligation	(110,252)
Adjustment to annual required contribution	104,084
Annual pension cost	<u>1,657,669</u>
Employer contributions made for current fiscal year	<u>1,753,162</u>
Increase in net pension obligation	(95,493)
Net pension obligation beginning of fiscal year	<u>(1,520,711)</u>
Net pension obligation end of fiscal year	<u>\$ (1,616,204)</u>

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return and (b) projected salary increases ranging from 5.9 percent to 9.8 percent per year. Item (b) included an inflation component of 3.75 percent. 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 an open basis. The remaining amortization period at December 31, 2005 was 20 years.

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation End of Year</u>
June 30, 2004	\$ 1,421,196	116.00%	\$ (2,033,806)
June 30, 2005	\$ 1,501,517	65.83%	\$ (1,520,711)
June 30, 2006	\$ 1,657,669	105.76%	\$ (1,616,204)

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.

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 .3 percent of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.0 percent) into the 401a plan. During 2005-06, the City contributed \$2,418,646 to the plan.

The 2005-06 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENT OF NET ASSETS

	<u>Supplemental Money Purchase Pension Plan</u>	<u>Law Enforcement Officers' Special Separation Allowance</u>	<u>Total June 30, 2006</u>
ASSETS			
Cash and cash equivalents	\$ 19,085,030	\$ 4,223,606	\$ 23,308,636
Accrued interest receivable	-	14,328	14,328
Total assets	<u>\$ 19,085,030</u>	<u>\$ 4,237,934</u>	<u>\$ 23,322,964</u>
NET ASSETS			
Held in trust for:			
Employees' retirement benefits	<u>\$ 19,085,030</u>	<u>\$ 4,237,934</u>	<u>\$ 23,322,964</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Total
ADDITIONS			
Employer contributions	\$ 2,323,318	\$ 1,753,162	\$ 4,076,480
Interest	550,511	109,839	660,350
Net increase in fair value of investments	705,188	(12,756)	692,432
Less investment expense	(29,893)	-	(29,893)
Total additions	3,549,124	1,850,245	5,399,369
DEDUCTIONS			
Benefits	831,045	1,780,704	2,611,749
Withdrawals and forfeitures	39,281	-	39,281
Total deductions	870,326	1,780,704	2,651,030
Change in net assets restricted for:			
Employees' retirement benefits	2,678,798	69,541	2,748,339
Net assets, beginning of year	16,406,232	4,168,393	20,574,625
Net assets, end of year	\$ 19,085,030	\$ 4,237,934	\$ 23,322,964

D. Other postemployment benefits

City policy provides for postemployment health care and life insurance benefits for retired or disabled employees who have met eligibility requirements through age and/or service. The health care benefits terminate when individuals become eligible for Medicare coverage at age 65. For eligible retirees over age 65, the City subsidizes the cost of a Blue Cross Blue Shield Medicare supplement plan by up to \$40 per month (increased to \$100 per month effective July 1, 2006). Life insurance benefits range from \$1,000 to \$1,750, except for disability retirees whose benefit equals their insured annual salary amount at time of disability until age 65 when the coverage becomes \$1,750 depending on length of service.

At June 30, 2006, there were 670 City retirees receiving health care benefits, 250 of which also have dependent coverage. The City pays all of the cost of coverage for the retirees. In addition those who select to have dependent health care coverage pay for this at the City's group rate for employees. In addition, 182 City retirees are currently enrolled in the City medicare supplement plan. There are 1,086 City retirees who have life insurance benefits.

For the fiscal year ended June 30, 2006, the City paid \$2,658,588 for retiree health care coverage, \$85,160 for medicare supplement coverage, and \$112,295 for retiree life insurance coverage. Medical and life insurance claims paid on retirees for the fiscal year ended June 30, 2006 were \$4,915,301 and \$16,318, respectively.

E. Subsequent events

On October 2, 2006, the City completed mergers of water and sewer utility systems with the towns of Wendell and Zebulon. The mergers will add over 4,500 customers to the City's utility system. Under the terms of the merger agreements, all assets, liabilities, equity and operations of the towns' water and sewer utilities, except for general long-term debt were transferred to the City. The City is responsible for all operating activities and capital requirements of the merged systems. The merger agreements require the City to pay all amounts necessary to the towns to make all debt service payments when due and payable on the general long-term debt. Other significant terms of the merger agreements require the City to undertake and complete planned system upgrades and improvements totaling \$20.2 million and \$23.2 million for Wendell and Zebulon respectively.



REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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]
2000*	\$ 3,654,553	\$ 14,516,388	\$ 10,861,835	25.2%	\$ 26,391,242	41.2%
2001*	3,953,406	15,395,706	11,442,300	25.7	28,860,534	39.7
2002*	4,146,793	16,081,235	11,934,442	25.8	30,285,779	39.4
2003*	4,220,540	16,914,130	12,693,590	24.9	31,666,230	40.1
2004*	4,186,220	18,067,520	13,881,300	23.2	34,675,457	40.0
2005*	3,445,835	16,629,292	13,183,457	20.7	35,627,409	37.0

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
2001	\$ 1,323,397	110.0%
2002	1,306,663	127.7
2003	1,411,280	118.2
2004	1,428,523	115.4
2005	1,509,766	65.5
2006	1,663,837	104.2

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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increase	5.9% to 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A



CITY OF RALEIGH

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:

1. Combining Statements - By Fund Type
2. Individual Fund Schedules with Comparisons to Budget
3. Capital Assets Used in the Operation of
Governmental Funds
4. Other Schedules



CITY OF RALEIGH



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, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 33,511,816	\$ 91,170,928	\$ 124,682,744
Assessments receivable, net of allowance for uncollectibles of \$70,100	-	1,331,882	1,331,882
Due from other governmental agencies	3,943,563	755,195	4,698,758
Accrued interest receivable	151,407	633,022	784,429
Sales tax receivable	80,453	651,676	732,129
Loans receivable	39,914,863	-	39,914,863
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	61,411,186	61,411,186
Total assets	\$ 77,602,102	\$ 155,953,889	\$ 233,555,991
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 495,645	\$ 5,265,213	\$ 5,760,858
Accrued salaries and employee payroll taxes	39,831	-	39,831
Loan servicing escrow	915,291	-	915,291
Reimbursable facility fees	-	4,231,051	4,231,051
Other liabilities	-	262,925	262,925
Due to other funds	833,772	-	833,772
Deferred revenue	39,914,863	1,331,882	41,246,745
Unearned revenue	102,242	-	102,242
Total liabilities	42,301,644	11,091,071	53,392,715
Fund balances:			
Reserved for new convention center project	27,482,133	-	27,482,133
Reserved for wireless 911	1,572,917	-	1,572,917
Unreserved:			
Designated for subsequent year's appropriation	4,618,083	138,727,704	143,345,787
Designated for specific purposes	-	6,133,247	6,133,247
Undesignated	1,627,325	1,867	1,629,192
Total fund balances	35,300,458	144,862,818	180,163,276
Total liabilities and fund balances	\$ 77,602,102	\$ 155,953,889	\$ 233,555,991

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 26,638,951	\$ 624,952	\$ -	\$ 27,263,903
Developer participation	-	1,685,071	-	1,685,071
Assessments	-	1,370,893	-	1,370,893
Interest on investments	1,047,159	5,264,516	-	6,311,675
Facility fees	-	4,117,878	-	4,117,878
Rents	388,679	-	-	388,679
Program income	2,748,178	-	-	2,748,178
Miscellaneous other	391,501	1,721,437	-	2,112,938
Total revenues	<u>31,214,468</u>	<u>14,784,747</u>	<u>-</u>	<u>45,999,215</u>
EXPENDITURES				
General government	169,478	-	-	169,478
Community development services	8,163,667	-	-	8,163,667
Public works	1,257,554	-	-	1,257,554
Public safety	636,454	-	-	636,454
Solid waste services	11,144	-	-	11,144
Leisure services	436,681	-	-	436,681
Economic development programs	4,002,918	-	-	4,002,918
Capital outlay	566,382	45,710,551	-	46,276,933
Debt service:				
Principal	-	600,000	-	600,000
Interest	-	45,110	-	45,110
Bond issue costs	-	304,918	-	304,918
Total expenditures	<u>15,244,278</u>	<u>46,660,579</u>	<u>-</u>	<u>61,904,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,970,190</u>	<u>(31,875,832)</u>	<u>-</u>	<u>(15,905,642)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,725,021	15,869,074	(7,706,242)	10,887,853
Transfers out	(13,887,084)	(3,608,659)	7,706,242	(9,789,501)
Bonds issued	-	61,185,000	-	61,185,000
Certificates of participation issued	-	8,505,000	-	8,505,000
Premium on bonds	-	1,434,474	-	1,434,474
Total other financing sources (uses)	<u>(11,162,063)</u>	<u>83,384,889</u>	<u>-</u>	<u>72,222,826</u>
Net change in fund balances	4,808,127	51,509,057	-	56,317,184
Fund balance - beginning of year	30,492,331	93,353,761	-	123,846,092
Fund balance - ending of year	<u>\$ 35,300,458</u>	<u>\$ 144,862,818</u>	<u>\$ -</u>	<u>\$ 180,163,276</u>



CITY OF RALEIGH

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 Powell Bill funds, housing development and bond funds, new convention center financing funds, wireless 911 funds, and various grant revenues.



CITY OF RALEIGH



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 DEVELOPMENT FUND (NONMAJOR FUND) - The Housing Development Fund accounts for City housing development programs, which are funded from City general revenues.

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.

POWELL BILL FUND (NONMAJOR FUND) - The Powell Bill Fund accounts for the receipts and expenditures of the one cent sales tax on motor fuel, which is distributed to municipalities for local street improvement and maintenance. Allocation of this state tax is on the basis of local street mileage and population data.

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.

NEW CONVENTION CENTER FINANCING FUND (NONMAJOR FUND) - The New 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 New Convention Center.

WIRELESS 911 FUND (NONMAJOR FUND) - The Wireless 911 Fund accounts for the wireless 911 funds remitted to the City from the County and used for qualified wireless 911 expenditures.

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Grants Fund	Housing Development Fund	Housing Bond Fund	Community Development Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,753,123	\$ 2,439,151	\$ 9,239
Due from other governmental agencies	1,162,946	-	-	684,161
Accrued interest receivable	-	10,833	11,510	-
Sales tax receivable	60,347	7,045	958	9,355
Loans receivable	-	2,259,867	21,569,055	16,085,941
Total assets	<u>\$ 1,223,293</u>	<u>\$ 5,030,868</u>	<u>\$ 24,020,674</u>	<u>\$ 16,788,696</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 303,232	\$ 5,894	\$ 1,590	\$ 43,028
Accrued salaries and employee payroll taxes	16,906	22,925	-	-
Loan servicing escrow	-	288,423	-	626,868
Due to other funds	833,772	-	-	-
Deferred revenue	-	2,259,867	21,569,055	16,085,941
Unearned revenue	69,383	-	-	32,859
Total liabilities	<u>1,223,293</u>	<u>2,577,109</u>	<u>21,570,645</u>	<u>16,788,696</u>
Fund balances:				
Reserved for new convention center project	-	-	-	-
Reserved for wireless 911	-	-	-	-
Unreserved:				
Designated for subsequent year's appropriation	-	2,190,714	1,087,849	-
Undesignated	-	263,045	1,362,180	-
Total fund balances	<u>-</u>	<u>2,453,759</u>	<u>2,450,029</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,223,293</u>	<u>\$ 5,030,868</u>	<u>\$ 24,020,674</u>	<u>\$ 16,788,696</u>

Powell Bill Fund	Disaster Recovery Fund	New Convention Center Financing Fund	Wireless 911 Fund	Total Nonmajor Special Revenue Funds
\$ 2,062	\$ 1,304,099	\$ 25,295,945	\$ 1,708,197	\$ 33,511,816
-	32,673	2,063,783	-	3,943,563
38	-	122,405	6,621	151,407
-	2,748	-	-	80,453
-	-	-	-	39,914,863
<u>\$ 2,100</u>	<u>\$ 1,339,520</u>	<u>\$ 27,482,133</u>	<u>\$ 1,714,818</u>	<u>\$ 77,602,102</u>
\$ -	\$ -	\$ -	\$ 141,901	\$ 495,645
-	-	-	-	39,831
-	-	-	-	915,291
-	-	-	-	833,772
-	-	-	-	39,914,863
-	-	-	-	102,242
<u>-</u>	<u>-</u>	<u>-</u>	<u>141,901</u>	<u>42,301,644</u>
-	-	27,482,133	-	27,482,133
-	-	-	1,572,917	1,572,917
-	1,339,520	-	-	4,618,083
2,100	-	-	-	1,627,325
<u>2,100</u>	<u>1,339,520</u>	<u>27,482,133</u>	<u>1,572,917</u>	<u>35,300,458</u>
<u>\$ 2,100</u>	<u>\$ 1,339,520</u>	<u>\$ 27,482,133</u>	<u>\$ 1,714,818</u>	<u>\$ 77,602,102</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006**

	Grants Fund	Housing Development Fund	Housing Bond Fund	Community Development Fund
REVENUES				
Intergovernmental	\$ 2,049,690	\$ -	\$ -	\$ 4,690,697
Interest on investments	-	72,408	117,139	-
Rents	-	388,679	-	-
Program income	-	64,266	965,003	1,718,909
Miscellaneous other	374,193	-	7,566	-
Total revenues	<u>2,423,883</u>	<u>525,353</u>	<u>1,089,708</u>	<u>6,409,606</u>
EXPENDITURES				
Current:				
General government	86,805	-	-	-
Community development services	492,537	1,261,524	-	6,409,606
Public works	1,257,554	-	-	-
Public safety	636,454	-	-	-
Solid waste services	11,144	-	-	-
Leisure services	436,681	-	-	-
Economic development programs	-	-	4,002,918	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,921,175</u>	<u>1,261,524</u>	<u>4,002,918</u>	<u>6,409,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(497,292)</u>	<u>(736,171)</u>	<u>(2,913,210)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	497,292	736,150	-	-
Transfers out	-	(62,717)	(400,000)	-
Total other financing sources and uses	<u>497,292</u>	<u>673,433</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	-	(62,738)	(3,313,210)	-
Fund balances - beginning	-	2,516,497	5,763,239	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,453,759</u>	<u>\$ 2,450,029</u>	<u>\$ -</u>

Powell Bill Fund	Disaster Recovery Fund	New Convention Center Financing Fund	Wireless 911 Fund	Total Nonmajor Special Revenue Funds
\$ 9,156,663	\$ 82,673	\$ 9,883,764	\$ 775,464	\$ 26,638,951
4,487	-	787,889	65,236	1,047,159
-	-	-	-	388,679
-	-	-	-	2,748,178
-	9,742	-	-	391,501
<u>9,161,150</u>	<u>92,415</u>	<u>10,671,653</u>	<u>840,700</u>	<u>31,214,468</u>
-	82,673	-	-	169,478
-	-	-	-	8,163,667
-	-	-	-	1,257,554
-	-	-	-	636,454
-	-	-	-	11,144
-	-	-	-	436,681
-	-	-	-	4,002,918
-	-	-	566,382	566,382
<u>-</u>	<u>82,673</u>	<u>-</u>	<u>566,382</u>	<u>15,244,278</u>
<u>9,161,150</u>	<u>9,742</u>	<u>10,671,653</u>	<u>274,318</u>	<u>15,970,190</u>
-	-	-	1,491,579	2,725,021
(10,066,663)	(974,000)	(2,190,724)	(192,980)	(13,887,084)
<u>(10,066,663)</u>	<u>(974,000)</u>	<u>(2,190,724)</u>	<u>1,298,599</u>	<u>(11,162,063)</u>
(905,513)	(964,258)	8,480,929	1,572,917	4,808,127
907,613	2,303,778	19,001,204	-	30,492,331
<u>\$ 2,100</u>	<u>\$ 1,339,520</u>	<u>\$ 27,482,133</u>	<u>\$ 1,572,917</u>	<u>\$ 35,300,458</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
GRANTS FUND
For the Fiscal Year Ended June 30, 2006**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Intergovernmental:					
U.S. Department of Transportation	\$ 908,724	\$ 809,997	\$ 1,718,721	\$ 2,372,317	\$ (653,596)
Corporation for National and Community Service	158,730	320,095	478,825	800,606	(321,781)
U.S. Forest Service	2,666	10,491	13,157	16,950	(3,793)
U.S. Department of Justice	478,940	201,531	680,471	1,062,697	(382,226)
U.S. Environmental Protection Agency	22,739	49,108	71,847	1,400,000	(1,328,153)
U.S. Department of Agriculture	5,214	2,266	7,480	9,802	(2,322)
U.S. Department of Homeland Security	122,526	194,151	316,677	344,656	(27,979)
State of North Carolina	102,698	364,079	466,777	1,134,221	(667,444)
Wake County	217,560	97,972	315,532	376,732	(61,200)
	2,019,797	2,049,690	4,069,487	7,517,981	(3,448,494)
Miscellaneous other	119,373	374,193	493,566	628,560	(134,994)
Total revenues	2,139,170	2,423,883	4,563,053	8,146,541	(3,583,488)
OTHER FINANCING SOURCES					
Transfer from general fund	486,345	497,292	983,637	1,630,065	(646,428)
Total revenues and other financing sources	<u>\$ 2,625,515</u>	<u>\$ 2,921,175</u>	<u>\$ 5,546,690</u>	<u>\$ 9,776,606</u>	<u>\$ (4,229,916)</u>
EXPENDITURES					
General government	\$ 36,242	\$ 86,805	\$ 123,047	\$ 1,466,280	\$ (1,343,233)
Community development services	223,472	492,537	716,009	1,236,592	(520,583)
Public works	1,130,767	1,257,554	2,388,321	3,703,012	(1,314,691)
Public safety	757,992	636,454	1,394,446	1,936,481	(542,035)
Solid waste services	5,214	11,144	16,358	25,702	(9,344)
Leisure services	471,828	436,681	908,509	1,408,539	(500,030)
Total expenditures	<u>\$ 2,625,515</u>	<u>\$ 2,921,175</u>	<u>\$ 5,546,690</u>	<u>\$ 9,776,606</u>	<u>\$ (4,229,916)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 HOUSING DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 72,408	\$ 72,408	\$ 24,000	\$ 48,408
Rents	-	388,679	388,679	369,000	19,679
Program income	-	64,266	64,266	29,990	34,276
Total revenues	-	525,353	525,353	422,990	102,363
OTHER FINANCING SOURCES					
Transfer from general fund	-	736,150	736,150	831,150	(95,000)
Total revenues and other financing sources	\$ -	\$ 1,261,503	\$ 1,261,503	1,254,140	\$ 7,363
Fund balance appropriated				3,815,275	
				<u>\$ 5,069,415</u>	
EXPENDITURES					
Community development services	\$ 1,509,276	\$ 1,261,524	\$ 2,770,800	\$ 5,006,698	\$ (2,235,898)
OTHER FINANCING USES					
Transfer to general fund	-	62,717	62,717	62,717	-
Total expenditures and other financing uses	<u>\$ 1,509,276</u>	<u>\$ 1,324,241</u>	<u>\$ 2,833,517</u>	<u>\$ 5,069,415</u>	<u>\$ (2,235,898)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING BOND FUND
For the Fiscal Year Ended June 30, 2006**

		Actual			Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Interest on investments	\$ -	\$ 117,139	\$ 117,139	\$ -	\$ 117,139
Program income	-	965,003	965,003	-	965,003
Miscellaneous other	-	7,566	7,566	-	7,566
Total revenues	-	1,089,708	1,089,708	-	1,089,708
OTHER FINANCING SOURCES					
Bonds issued	5,446,504	-	5,446,504	12,424,273	(6,977,769)
Total revenues and other financing sources	<u>\$ 5,446,504</u>	<u>\$ 1,089,708</u>	<u>\$ 6,536,212</u>	12,424,273	<u>\$ (5,888,061)</u>
Fund balance appropriated				3,629,857	
				<u>\$ 16,054,130</u>	
EXPENDITURES					
Economic development programs	<u>\$ 5,423,329</u>	<u>\$ 4,002,918</u>	<u>\$ 9,426,247</u>	<u>\$ 15,624,694</u>	<u>\$ (6,198,447)</u>
OTHER FINANCING USES					
Transfer to general fund	-	400,000	400,000	429,436	(29,436)
Total expenditures and other financing uses	<u>\$ 5,423,329</u>	<u>\$ 4,402,918</u>	<u>\$ 9,826,247</u>	<u>\$ 16,054,130</u>	<u>\$ (6,227,883)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 COMMUNITY DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2006**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 4,914,027	\$ 4,683,594	\$ 9,597,621	\$ 16,509,390	\$ (6,911,769)
State of North Carolina	74,038	7,103	81,141	152,000	(70,859)
Program income	<u>1,863,133</u>	<u>1,718,909</u>	<u>3,582,042</u>	<u>3,264,923</u>	<u>317,119</u>
Total revenues	<u>\$ 6,851,198</u>	<u>\$ 6,409,606</u>	<u>\$ 13,260,804</u>	<u>\$ 19,926,313</u>	<u>\$ (6,665,509)</u>
EXPENDITURES					
Community development services	<u>\$ 6,851,198</u>	<u>\$ 6,409,606</u>	<u>\$ 13,260,804</u>	<u>\$ 19,926,313</u>	<u>\$ (6,665,509)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
POWELL BILL FUND
For the Fiscal Year Ended June 30, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 9,156,663	\$ 9,506,000	\$ (349,337)
Interest on investments	4,487	40,000	(35,513)
Total revenues	<u>\$ 9,161,150</u>	<u>9,546,000</u>	<u>\$ (384,850)</u>
 Fund balance appropriated		<u>900,000</u>	
		<u>\$ 10,446,000</u>	
 OTHER FINANCING USES			
Transfers to:			
General fund	\$ 4,826,000	\$ 4,826,000	\$ -
Street improvement fund	5,240,663	5,620,000	(379,337)
Total transfers out	<u>10,066,663</u>	<u>10,446,000</u>	<u>(379,337)</u>
Total other financing uses	<u>\$ 10,066,663</u>	<u>\$ 10,446,000</u>	<u>\$ (379,337)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 DISASTER RECOVERY FUND
 For the Fiscal Year Ended June 30, 2006**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ -	\$ 82,673	\$ 82,673	\$ -	\$ 82,673
Miscellaneous other	-	9,742	9,742	-	9,742
	<u>-</u>	<u>9,742</u>	<u>9,742</u>	<u>-</u>	<u>9,742</u>
Total revenues	<u>\$ -</u>	<u>\$ 92,415</u>	<u>\$ 92,415</u>	<u>-</u>	<u>\$ 92,415</u>
Fund balance appropriated				2,125,317	
				<u>\$ 2,125,317</u>	
EXPENDITURES					
General government	\$ -	\$ 82,673	\$ 82,673	\$ 1,151,317	\$ (1,068,644)
OTHER FINANCING USES					
Transfer to miscellaneous capital projects	-	974,000	974,000	974,000	-
	<u>-</u>	<u>974,000</u>	<u>974,000</u>	<u>974,000</u>	<u>-</u>
Total expenditures and and other financing uses	<u>\$ -</u>	<u>\$ 1,056,673</u>	<u>\$ 1,056,673</u>	<u>\$ 2,125,317</u>	<u>\$ (1,068,644)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 NEW CONVENTION CENTER FINANCING FUND
 For the Fiscal Year Ended June 30, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
Wake County	\$ 9,883,764	\$ 8,085,612	\$ 1,798,152
Interest on investments	<u>787,889</u>	<u>552,154</u>	<u>235,735</u>
 Total revenues	<u>\$ 10,671,653</u>	<u>8,637,766</u>	<u>\$ 2,033,887</u>
Fund balance appropriated		<u>10,000,000</u>	
		<u>\$ 18,637,766</u>	
 OTHER FINANCING USES			
Transfers to:			
Convention center complex operating fund	\$ 2,190,724	\$ 8,637,766	\$ (6,447,042)
New convention center capital projects fund	<u>-</u>	<u>10,000,000</u>	<u>(10,000,000)</u>
 Total other financing uses	<u>\$ 2,190,724</u>	<u>\$ 18,637,766</u>	<u>\$ (16,447,042)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WIRELESS 911 FUND
 For the Fiscal Year Ended June 30, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 775,464	\$ 760,980	\$ 14,484
Interest on investments	65,236	-	65,236
Total revenues	<u>840,700</u>	<u>760,980</u>	<u>79,720</u>
OTHER FINANCING SOURCES			
Transfer from miscellaneous capital projects fund	1,491,579	-	1,491,579
Total revenues and other financing sources	<u>\$ 2,332,279</u>	<u>\$ 760,980</u>	<u>\$ 1,571,299</u>
EXPENDITURES			
Emergency communications capital outlay	\$ 566,382	\$ 568,000	\$ (1,618)
OTHER FINANCING USES			
Transfer to general fund	192,980	192,980	-
Total expenditures and other financing uses	<u>\$ 759,362</u>	<u>\$ 760,980</u>	<u>\$ (1,618)</u>



CITY OF RALEIGH



GENERAL CAPITAL PROJECTS FUNDS

The purpose of the *General Capital Projects Funds* is 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 and other miscellaneous capital projects.



CITY OF RALEIGH



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.

STORMWATER PROJECTS FUND (NONMAJOR FUND) - The Stormwater Projects Fund accounts for stormwater management and drainage projects. These projects are financed from non-bond resources.

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.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2006

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 26,426,926	\$ 14,373,129	\$ 3,747,435	\$ 9,277,087
Assessments receivable, net of allowance for uncollectibles of \$70,100	1,331,882	-	-	-
Due from other governmental agencies	-	250,000	-	-
Accrued interest receivable	121,584	180,867	17,110	40,139
Sales tax receivable	125,565	132,325	3,373	69,308
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	26,674,736	-	-
Total assets	<u>\$ 28,005,957</u>	<u>\$ 41,611,057</u>	<u>\$ 3,767,918</u>	<u>\$ 9,386,534</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 891,678	\$ 1,073,149	\$ 36,824	\$ 353,722
Reimbursable facility fees	-	-	-	-
Other liabilities	213,085	-	-	31,602
Deferred revenue	1,331,882	-	-	-
Total liabilities	<u>2,436,645</u>	<u>1,073,149</u>	<u>36,824</u>	<u>385,324</u>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	24,197,713	38,937,275	3,558,117	9,001,210
Designated for specific purposes	1,371,599	1,600,633	172,977	-
Undesignated	-	-	-	-
Total fund balances	<u>25,569,312</u>	<u>40,537,908</u>	<u>3,731,094</u>	<u>9,001,210</u>
Total liabilities and fund balances	<u>\$ 28,005,957</u>	<u>\$ 41,611,057</u>	<u>\$ 3,767,918</u>	<u>\$ 9,386,534</u>

Facility Fees Fund	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Stormwater Projects Fund	Technology Capital Projects Fund	Total Nonmajor Capital Projects Funds
\$ 4,632,021	\$ 10,882,061	\$ 14,982,046	\$ 125,000	\$ 2,133,445	\$ 4,591,778	\$ 91,170,928
-	-	-	-	-	-	1,331,882
-	333,871	-	-	171,324	-	755,195
26,360	120,086	101,313	700	10,138	14,725	633,022
29	30,221	251,744	14,226	913	23,972	651,676
-	18,767,390	15,969,060	-	-	-	61,411,186
<u>\$ 4,658,410</u>	<u>\$ 30,133,629</u>	<u>\$ 31,304,163</u>	<u>\$ 139,926</u>	<u>\$ 2,315,820</u>	<u>\$ 4,630,475</u>	<u>\$ 155,953,889</u>
\$ -	\$ 223,365	\$ 2,452,525	\$ 32,828	\$ 14,084	\$ 187,038	\$ 5,265,213
4,231,051	-	-	-	-	-	4,231,051
12,566	-	5,672	-	-	-	262,925
-	-	-	-	-	-	1,331,882
<u>4,243,617</u>	<u>223,365</u>	<u>2,458,197</u>	<u>32,828</u>	<u>14,084</u>	<u>187,038</u>	<u>11,091,071</u>
414,793	28,827,904	26,976,429	103,492	2,301,736	4,409,035	138,727,704
-	1,082,360	1,867,670	3,606	-	34,402	6,133,247
-	-	1,867	-	-	-	1,867
<u>414,793</u>	<u>29,910,264</u>	<u>28,845,966</u>	<u>107,098</u>	<u>2,301,736</u>	<u>4,443,437</u>	<u>144,862,818</u>
<u>\$ 4,658,410</u>	<u>\$ 30,133,629</u>	<u>\$ 31,304,163</u>	<u>\$ 139,926</u>	<u>\$ 2,315,820</u>	<u>\$ 4,630,475</u>	<u>\$ 155,953,889</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2006

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Facility Fees Fund
REVENUES					
Intergovernmental	\$ -	\$ 10,980	\$ -	\$ -	\$ -
Developer participation	15,276	1,665,345	-	-	-
Assessments	1,190,321	-	180,572	-	-
Interest on investments	800,635	1,560,295	111,153	279,506	182,260
Facility Fees	-	-	-	-	4,117,878
Miscellaneous other	593,018	-	134,541	235,037	-
Total revenues	<u>2,599,250</u>	<u>3,236,620</u>	<u>426,266</u>	<u>514,543</u>	<u>4,300,138</u>
EXPENDITURES					
Current:					
Public improvements:					
Street paving/sidewalk projects	5,045,205	10,357,107	97,649	-	-
Parks and recreation projects	-	-	-	2,025,268	-
Walnut creek amphitheater projects	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issue costs	-	-	-	-	-
Total expenditures	<u>5,045,205</u>	<u>10,357,107</u>	<u>97,649</u>	<u>2,025,268</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,445,955)</u>	<u>(7,120,487)</u>	<u>328,617</u>	<u>(1,510,725)</u>	<u>4,300,138</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,781,119	300,101	444,000	2,985,000	-
Transfers out	(894,821)	-	(84,690)	(2,030,207)	(4,486,000)
Bonds issued	-	25,000,000	-	-	-
Certificates of participation issued	-	-	-	-	-
Premium on bonds	-	586,130	-	-	-
Total other financing sources and uses	<u>6,886,298</u>	<u>25,886,231</u>	<u>359,310</u>	<u>954,793</u>	<u>(4,486,000)</u>
Net change in fund balances	<u>4,440,343</u>	<u>18,765,744</u>	<u>687,927</u>	<u>(555,932)</u>	<u>(185,862)</u>
Fund balance - beginning of year	<u>21,128,969</u>	<u>21,772,164</u>	<u>3,043,167</u>	<u>9,557,142</u>	<u>600,655</u>
Fund balance - ending of year	<u>\$ 25,569,312</u>	<u>\$ 40,537,908</u>	<u>\$ 3,731,094</u>	<u>\$ 9,001,210</u>	<u>\$ 414,793</u>

Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Stormwater Projects Fund	Technology Capital Projects Fund	Combining Eliminations	Total Nonmajor Capital Projects Funds
\$ 530,226	\$ -	\$ -	\$ 83,746	\$ -	\$ -	\$ 624,952
-	4,450	-	-	-	-	1,685,071
-	-	-	-	-	-	1,370,893
1,081,276	1,049,628	8,132	104,161	87,470	-	5,264,516
-	-	-	-	-	-	4,117,878
39,950	398,196	320,197	498	-	-	1,721,437
<u>1,651,452</u>	<u>1,452,274</u>	<u>328,329</u>	<u>188,405</u>	<u>87,470</u>	<u>-</u>	<u>14,784,747</u>
-	-	-	-	-	-	15,499,961
13,366,214	-	-	-	-	-	15,391,482
-	-	478,070	-	-	-	478,070
-	-	-	262,929	-	-	262,929
-	12,660,771	-	-	-	-	12,660,771
-	-	-	-	1,417,338	-	1,417,338
600,000	-	-	-	-	-	600,000
45,110	-	-	-	-	-	45,110
304,918	-	-	-	-	-	304,918
<u>14,316,242</u>	<u>12,660,771</u>	<u>478,070</u>	<u>262,929</u>	<u>1,417,338</u>	<u>-</u>	<u>46,660,579</u>
<u>(12,664,790)</u>	<u>(11,208,497)</u>	<u>(149,741)</u>	<u>(74,524)</u>	<u>(1,329,868)</u>	<u>-</u>	<u>(31,875,832)</u>
2,127,132	6,932,720	-	-	2,200,000	(6,900,998)	15,869,074
-	(1,986,579)	-	(1,027,360)	-	6,900,998	(3,608,659)
25,585,000	10,600,000	-	-	-	-	61,185,000
8,505,000	-	-	-	-	-	8,505,000
599,845	248,499	-	-	-	-	1,434,474
<u>36,816,977</u>	<u>15,794,640</u>	<u>-</u>	<u>(1,027,360)</u>	<u>2,200,000</u>	<u>-</u>	<u>83,384,889</u>
24,152,187	4,586,143	(149,741)	(1,101,884)	870,132	-	51,509,057
5,758,077	24,259,823	256,839	3,403,620	3,573,305	-	93,353,761
<u>\$ 29,910,264</u>	<u>\$ 28,845,966</u>	<u>\$ 107,098</u>	<u>\$ 2,301,736</u>	<u>\$ 4,443,437</u>	<u>\$ -</u>	<u>\$ 144,862,818</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 487,500	\$ -	\$ 487,500	\$ 21,512,500	\$ (21,025,000)
Developer participation	252,860	15,276	268,136	2,717,633	(2,449,497)
Assessments	-	1,190,321	1,190,321	250,000	940,321
Interest on investments	-	800,635	800,635	200,000	600,635
Miscellaneous other	-	593,018	593,018	500,000	93,018
Total revenues	<u>740,360</u>	<u>2,599,250</u>	<u>3,339,610</u>	<u>25,180,133</u>	<u>(21,840,523)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	93,766	93,766	93,766	-
Powell bill fund	-	5,240,663	5,240,663	5,620,000	(379,337)
Sidewalk fund	-	84,690	84,690	84,690	-
Facility fees fund	-	2,362,000	2,362,000	2,362,000	-
Total other financing sources	<u>-</u>	<u>7,781,119</u>	<u>7,781,119</u>	<u>8,160,456</u>	<u>(379,337)</u>
Total revenues and other financing sources	<u>\$ 740,360</u>	<u>\$ 10,380,369</u>	<u>\$ 11,120,729</u>	<u>33,340,589</u>	<u>\$ (22,219,860)</u>
Fund balance appropriated				<u>45,108,537</u>	
				<u>\$ 78,449,126</u>	
EXPENDITURES					
Street projects	<u>\$ 26,026,873</u>	<u>\$ 5,045,205</u>	<u>\$ 31,072,078</u>	<u>\$ 77,554,305</u>	<u>\$ (46,482,227)</u>
OTHER FINANCING USES					
Transfers to:					
Street bond fund	-	300,101	300,101	300,101	-
Mass transit fund	-	594,720	594,720	594,720	-
Total other financing uses	<u>-</u>	<u>894,821</u>	<u>894,821</u>	<u>894,821</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 26,026,873</u>	<u>\$ 5,940,026</u>	<u>\$ 31,966,899</u>	<u>\$ 78,449,126</u>	<u>\$ (46,482,227)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 STREET BOND FUND
 For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 401,226	\$ 10,980	\$ 412,206	\$ 510,000	\$ (97,794)
Developer participation	-	1,665,345	1,665,345	1,665,345	-
Interest on investments	-	1,560,295	1,560,295	400,000	1,160,295
Miscellaneous other	-	-	-	43,489	(43,489)
Total revenues	<u>401,226</u>	<u>3,236,620</u>	<u>3,637,846</u>	<u>2,618,834</u>	<u>1,019,012</u>
OTHER FINANCING SOURCES					
Transfer from street improvement fund	-	300,101	300,101	300,101	-
Bonds issued	48,004,007	25,000,000	73,004,007	73,127,000	(122,993)
Premium on bonds	-	586,130	586,130	-	586,130
Total other financing sources	<u>48,004,007</u>	<u>25,886,231</u>	<u>73,890,238</u>	<u>73,427,101</u>	<u>463,137</u>
Total revenues and other financing sources	<u>\$ 48,405,233</u>	<u>\$ 29,122,851</u>	<u>\$ 77,528,084</u>	76,045,935	<u>\$ 1,482,149</u>
Fund balance appropriated				<u>28,419,668</u>	
				<u>\$ 104,465,603</u>	
EXPENDITURES					
Street projects	<u>\$ 55,293,047</u>	<u>\$ 10,357,107</u>	<u>\$ 65,650,154</u>	<u>\$ 104,465,603</u>	<u>\$ (38,815,449)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SIDEWALK FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 111,153	\$ 111,153	\$ 35,000	\$ 76,153
Sidewalk paving assessment	-	180,572	180,572	52,000	128,572
Fees in lieu various	-	134,541	134,541	124,000	10,541
Total revenues	-	426,266	426,266	211,000	215,266
OTHER FINANCING SOURCES					
Transfer from facility fees fund	-	444,000	444,000	444,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 870,266</u>	<u>\$ 870,266</u>	655,000	<u>\$ 215,266</u>
Fund balance appropriated				3,526,388	
				<u>\$ 4,181,388</u>	
EXPENDITURES					
Sidewalk projects	<u>\$ 509,317</u>	<u>\$ 97,649</u>	<u>\$ 606,966</u>	<u>\$ 4,096,698</u>	<u>\$ (3,489,732)</u>
OTHER FINANCING USES					
Transfer to street improvement fund	-	84,690	84,690	84,690	-
Total expenditures and other financing uses	<u>\$ 509,317</u>	<u>\$ 182,339</u>	<u>\$ 691,656</u>	<u>\$ 4,181,388</u>	<u>\$ (3,489,732)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Wake County	\$ -	\$ -	\$ -	\$ 250,000	\$ (250,000)
Interest on investments	-	279,506	279,506	5,000	274,506
Miscellaneous other	-	235,037	235,037	17,922,334	(17,687,297)
Total revenues	-	514,543	514,543	18,177,334	(17,662,791)
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	1,305,000	1,305,000	1,305,000	-
Facility fees fund	-	1,680,000	1,680,000	1,820,000	(140,000)
Total other financing sources	-	2,985,000	2,985,000	3,125,000	(140,000)
Total revenues and other financing sources	\$ -	\$ 3,499,543	\$ 3,499,543	21,302,334	\$ (17,802,791)
Fund balance appropriated				896,546	
				<u>\$ 22,198,880</u>	
EXPENDITURES					
Park improvement projects	\$ 9,394,412	\$ 2,025,268	\$ 11,419,680	\$ 20,168,673	\$ (8,748,993)
OTHER FINANCING USES					
Transfer to park bond fund	-	2,030,207	2,030,207	2,030,207	-
Total expenditures and other financing uses	<u>\$ 9,394,412</u>	<u>\$ 4,055,475</u>	<u>\$ 13,449,887</u>	<u>\$ 22,198,880</u>	<u>\$ (8,748,993)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
FACILITY FEES FUND
For the Fiscal Year Ended June 30, 2006**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 182,260	\$ 182,260	\$ 96,000	\$ 86,260
Facility fees	-	4,117,878	4,117,878	3,750,000	367,878
Total revenues	<u>\$ -</u>	<u>\$ 4,300,138</u>	<u>\$ 4,300,138</u>	3,846,000	<u>\$ 454,138</u>
Fund balance appropriated				780,000	
				<u>\$ 4,626,000</u>	
OTHER FINANCING USES					
Transfers to:					
Street improvement fund	\$ -	\$ 2,362,000	\$ 2,362,000	\$ 2,362,000	\$ -
Sidewalk fund	-	444,000	444,000	444,000	-
Park improvement fund	-	1,680,000	1,680,000	1,820,000	(140,000)
Total other financing uses	<u>\$ -</u>	<u>\$ 4,486,000</u>	<u>\$ 4,486,000</u>	<u>\$ 4,626,000</u>	<u>\$ (140,000)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK BOND FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 388,209	\$ 530,226	\$ 918,435	\$ 1,098,434	\$ (179,999)
Interest on investments	-	1,081,276	1,081,276	125,000	956,276
Miscellaneous income	27,000	39,950	66,950	50,000	16,950
Total revenues	<u>415,209</u>	<u>1,651,452</u>	<u>2,066,661</u>	<u>1,273,434</u>	<u>793,227</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	11,630	11,630	11,630	-
Park improvement fund	50,000	2,030,207	2,080,207	2,080,207	-
Sewer capital projects fund	-	85,295	85,295	85,295	-
	<u>50,000</u>	<u>2,127,132</u>	<u>2,177,132</u>	<u>2,177,132</u>	<u>-</u>
Bonds issued	7,460,107	25,585,000	33,045,107	29,232,580	3,812,527
Premium on bonds issued	-	599,845	599,845	-	599,845
Certificates of participation issued	-	8,505,000	8,505,000	7,913,085	591,915
Total other financing sources	<u>7,510,107</u>	<u>36,816,977</u>	<u>44,327,084</u>	<u>39,322,797</u>	<u>5,004,287</u>
Total revenues and other financing sources	<u>\$ 7,925,316</u>	<u>\$ 38,468,429</u>	<u>\$ 46,393,745</u>	40,596,231	<u>\$ 5,797,514</u>
Fund balance appropriated				<u>6,730,128</u>	
				<u>\$ 47,326,359</u>	
EXPENDITURES					
Park projects	\$ 9,120,817	\$ 13,366,214	\$ 22,487,031	\$ 46,653,164	\$ (24,166,133)
Debt service:					
Principal	-	600,000	600,000	600,000	-
Interest	-	45,110	45,110	45,110	-
Bond issue cost	-	304,918	304,918	28,085	276,833
Total expenditures	<u>\$ 9,120,817</u>	<u>\$ 14,316,242</u>	<u>\$ 23,437,059</u>	<u>\$ 47,326,359</u>	<u>\$ (23,889,300)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
US Department of HUD	\$ -	\$ -	\$ -	\$ 173,968	\$ (173,968)
State of North Carolina	-	-	-	85,000	(85,000)
Developer participation	-	4,450	4,450	4,450	-
Interest on investments	111,854	1,049,628	1,161,482	330,054	831,428
Miscellaneous income	1,384,526	398,196	1,782,722	1,784,492	(1,770)
Total revenues	1,496,380	1,452,274	2,948,654	2,377,964	570,690
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	5,958,720	5,958,720	5,809,965	148,755
Disaster recovery fund	-	974,000	974,000	974,000	-
	-	6,932,720	6,932,720	6,783,965	148,755
Bonds issued	-	10,600,000	10,600,000	9,751,501	848,499
Premium on bonds	-	248,499	248,499	248,499	-
Total other financing sources	-	17,781,219	17,781,219	16,783,965	997,254
Total revenues and other financing sources	\$ 1,496,380	\$ 19,233,493	\$ 20,729,873	19,161,929	\$ 1,567,944
Fund balance appropriated				36,388,164	
				<u>\$ 55,550,093</u>	
EXPENDITURES					
Debt issue costs	\$ 58,018	\$ -	\$ 58,018	\$ 87,549	\$ (29,531)
Miscellaneous capital projects	14,991,385	12,660,771	27,652,156	53,475,965	(25,823,809)
Total expenditures	15,049,403	12,660,771	27,710,174	53,563,514	(25,853,340)
OTHER FINANCING USES					
Transfers to:					
General fund	-	445,000	445,000	445,000	-
Parking capital projects fund	-	50,000	50,000	50,000	-
Wireless 911 fund	-	1,491,579	1,491,579	1,491,579	-
Total other financing uses	-	1,986,579	1,986,579	1,986,579	-
Total expenditures and other financing uses	\$ 15,049,403	\$ 14,647,350	\$ 29,696,753	\$ 55,550,093	\$ (25,853,340)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WALNUT CREEK AMPHITHEATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Amphitheater rent	\$ -	\$ 320,197	\$ 320,197	\$ 320,000	\$ 197
Interest on investments	-	8,132	8,132	-	8,132
Total revenues	<u>\$ -</u>	<u>\$ 328,329</u>	<u>\$ 328,329</u>	320,000	<u>\$ 8,329</u>
Fund balance appropriated				304,697	
				<u>\$ 624,697</u>	
EXPENDITURES					
Amphitheater capital projects	<u>\$ 52,116</u>	<u>\$ 478,070</u>	<u>\$ 530,186</u>	<u>\$ 624,697</u>	<u>\$ (94,511)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STORMWATER PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	<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	\$ 87,578	\$ 83,746	\$ 171,324	\$ 443,334	\$ (272,010)
Interest on investments	-	104,161	104,161	-	104,161
Drainage petition fees	2,070	498	2,568	2,070	498
Total revenues	<u>\$ 89,648</u>	<u>\$ 188,405</u>	<u>\$ 278,053</u>	445,404	<u>\$ (167,351)</u>
Fund balance appropriated				<u>5,508,351</u>	
				<u>\$ 5,953,755</u>	
EXPENDITURES					
Stormwater projects	<u>\$ 2,098,240</u>	<u>\$ 262,929</u>	<u>\$ 2,361,169</u>	<u>\$ 4,926,395</u>	<u>\$ (2,565,226)</u>
OTHER FINANCING USES					
Transfer to stormwater utility capital projects fund	<u>-</u>	<u>1,027,360</u>	<u>1,027,360</u>	<u>1,027,360</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 2,098,240</u>	<u>\$ 1,290,289</u>	<u>\$ 3,388,529</u>	<u>\$ 5,953,755</u>	<u>\$ (2,565,226)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 TECHNOLOGY CAPITAL PROJECTS FUND
 For the Fiscal Year Ended June 30, 2006**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 87,470	\$ 87,470	\$ -	\$ 87,470
OTHER FINANCING SOURCES					
Transfer from general fund	-	2,200,000	2,200,000	2,200,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 2,287,470</u>	<u>\$ 2,287,470</u>	2,200,000	<u>\$ 87,470</u>
Fund balance appropriated				<u>7,566,138</u>	
				<u>\$ 9,766,138</u>	
EXPENDITURES					
Technology projects	<u>\$ 4,072,009</u>	<u>\$ 1,417,338</u>	<u>\$ 5,489,347</u>	<u>\$ 9,766,138</u>	<u>\$ (4,276,791)</u>



CITY OF RALEIGH

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, mass transit, parking facilities 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 and the Water and Sewer General.

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 New Convention Center Complex Capital Projects Fund.

PARKING FACILITIES FUND (MAJOR 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 (NONMAJOR 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 and the Stormwater Utility Capital Projects 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, 2006

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 345,445	\$ 19,928,855	\$ 20,274,300
Customer receivables, net of allowance for uncollectibles of \$238,127	-	897,084	897,084
Due from other governmental agencies	999,890	-	999,890
Accrued interest receivable	-	102,010	102,010
Sales tax receivable	113,630	23,599	137,229
Inventories	461,041	-	461,041
Total current assets	1,920,006	20,951,548	22,871,554
Noncurrent assets:			
Restricted cash and cash equivalents	42,930	2,527,386	2,570,316
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	-	3,563,626	3,563,626
Buildings and machinery	3,798,718	-	3,798,718
Buses	19,229,455	-	19,229,455
Equipment	1,130,830	279,702	1,410,532
Furniture and fixtures	44,844	-	44,844
Improvements	1,087,255	40,612	1,127,867
Less accumulated depreciation	(12,647,937)	(212,753)	(12,860,690)
Total noncurrent assets	13,675,084	6,198,573	19,873,657
Total assets	15,595,090	27,150,121	42,745,211
LIABILITIES			
Current liabilities:			
Accounts payable	522,848	386,950	909,798
Accrued salaries and employee payroll taxes	5,403	42,232	47,635
Deferred contributions from other funds	353,936	-	353,936
Total current liabilities	882,187	429,182	1,311,369
Noncurrent liabilities:			
Escrow and other deposits payable from restricted assets	42,930	2,527,386	2,570,316
Earned vacation pay	26,288	153,847	180,135
Total noncurrent liabilities	69,218	2,681,233	2,750,451
Total liabilities	951,405	3,110,415	4,061,820
NET ASSETS			
Invested in capital assets, net of related debt	13,632,154	3,671,187	17,303,341
Unrestricted	1,011,531	20,368,519	21,380,050
Total net assets	\$ 14,643,685	\$ 24,039,706	\$ 38,683,391

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2006

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
User charges	\$ 1,972,078	\$ 12,426,612	\$ 14,398,690
Other	451,366	53,053	504,419
Total operating revenues	<u>2,423,444</u>	<u>12,479,665</u>	<u>14,903,109</u>
OPERATING EXPENSES			
Administration	391,786	2,298,753	2,690,539
Other facility operating costs	6,197,107	1,891,245	8,088,352
Management contract charges	9,992,884	-	9,992,884
Depreciation	1,792,184	19,376	1,811,560
Other	-	293,842	293,842
Total operating expenses	<u>18,373,961</u>	<u>4,503,216</u>	<u>22,877,177</u>
Operating income (loss)	<u>(15,950,517)</u>	<u>7,976,449</u>	<u>(7,974,068)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	638,086	638,086
Subsidy income - federal and state	<u>4,501,179</u>	<u>-</u>	<u>4,501,179</u>
Total nonoperating revenue	<u>4,501,179</u>	<u>638,086</u>	<u>5,139,265</u>
Income (loss) before contributions and transfers	(11,449,338)	8,614,535	(2,834,803)
Capital contributions	261,330	-	261,330
Transfers in	9,656,023	1,088,841	10,744,864
Transfers out	<u>(157,360)</u>	<u>-</u>	<u>(157,360)</u>
Change in net assets	(1,689,345)	9,703,376	8,014,031
Total net assets - beginning of year	<u>16,333,030</u>	<u>14,336,330</u>	<u>30,669,360</u>
Total net assets - end of year	<u>\$ 14,643,685</u>	<u>\$ 24,039,706</u>	<u>\$ 38,683,391</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2006

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,423,444	\$ 12,358,833	\$ 14,782,277
Payments to employees	(384,861)	(2,256,125)	(2,640,986)
Payments to suppliers and service providers	(16,117,283)	(1,817,590)	(17,934,873)
Other payments	-	(240,789)	(240,789)
Net cash provided by (used in) operating activities	<u>(14,078,700)</u>	<u>8,044,329</u>	<u>(6,034,371)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	4,770,622	1,088,841	5,859,463
Operating subsidies and transfers to other funds	(157,360)	-	(157,360)
Operating grants received	<u>2,122,772</u>	<u>-</u>	<u>2,122,772</u>
Net cash provided by noncapital financing activities	<u>6,736,034</u>	<u>1,088,841</u>	<u>7,824,875</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(425,825)	(720,683)	(1,146,508)
Capital grants and other capital contributions	8,113,936	-	8,113,936
Escrow deposits	-	830,299	830,299
Net cash (used in) capital and related financing activities	<u>7,688,111</u>	<u>109,616</u>	<u>7,797,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	569,970	569,970
Net cash provided by investing activities	<u>-</u>	<u>569,970</u>	<u>569,970</u>
Net increase (decrease) in cash and cash equivalents/investments	345,445	9,812,756	10,158,201
Cash and cash equivalents/investments - beginning of year	42,930	12,643,485	12,686,415
Cash and cash equivalents/investments - end of year	<u>\$ 388,375</u>	<u>\$ 22,456,241</u>	<u>\$ 22,844,616</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	\$ (15,950,517)	\$ 7,976,449	\$ (7,974,068)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	1,792,184	19,376	1,811,560
Change in assets and liabilities			
Operating receivables	-	(67,779)	(67,779)
Sales tax receivable	(34,546)	(13,837)	(48,383)
Inventories	(109,873)	-	(109,873)
Accounts payable and other accrued liabilities	217,126	87,492	304,618
Earned vacation pay and other payroll liabilities	6,926	42,628	49,554
Total adjustments	<u>1,871,817</u>	<u>67,880</u>	<u>1,939,697</u>
Net cash provided by (used in) operating activities	<u>\$ (14,078,700)</u>	<u>\$ 8,044,329</u>	<u>\$ (6,034,371)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ 188,989</u>	<u>\$ -</u>



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 two 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, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Water and sewer user charges	\$ 79,388,937	\$ 77,041,027	\$ 2,347,910
Water and sewer services	1,504,252	1,494,250	10,002
Outside sewer connections	27,246	35,500	(8,254)
Water and sewer penalties	277,159	200,750	76,409
Water and sewer sales - municipalities	9,486,868	8,605,924	880,944
Capital facility charges	2,186,711	1,556,596	630,115
Water and sewer assessments	1,223,706	650,000	573,706
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	2,262,609	2,400,589	(137,980)
Miscellaneous other	914,184	813,027	101,157
Total operating revenues	<u>97,521,672</u>	<u>93,047,663</u>	<u>4,474,009</u>
NONOPERATING REVENUES			
Interest on investments	2,547,423	1,720,545	826,878
Other	558,704	1,358,426	(799,722)
Total nonoperating revenues	<u>3,106,127</u>	<u>3,078,971</u>	<u>27,156</u>
 Total revenues	<u><u>\$ 100,627,799</u></u>	<u>96,126,634</u>	<u><u>\$ 4,501,165</u></u>
 Fund balance appropriated		<u>5,281,597</u>	
		<u><u>\$ 101,408,231</u></u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 3,075,122	\$ 3,454,736	\$ (379,614)
Water plant	16,530,985	20,881,673	(4,350,688)
Waste treatment plant	14,708,472	17,753,556	(3,045,084)
Utilities construction	4,725,694	5,142,234	(416,540)
Utilities reuse	4,223,630	4,846,994	(623,364)
Meter	3,940,896	4,500,248	(559,352)
Warehouse	1,118,845	1,298,878	(180,033)
	<u>48,323,644</u>	<u>57,878,319</u>	<u>(9,554,675)</u>
Special appropriations:			
Reimbursement to general fund	9,478,947	9,478,947	-
Insurance and risk management charges	739,651	805,047	(65,396)
Other expenditures	702,313	1,504,704	(802,391)
	<u>10,920,911</u>	<u>11,788,698</u>	<u>(867,787)</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, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
EXPENDITURES (CONTINUED)			
Debt service:			
General obligations bonds:			
Principal	\$ 3,408,273	\$ 3,552,705	\$ (144,432)
Interest	783,621	964,269	(180,648)
Revenue bonds:			
Principal	2,755,000	2,755,000	-
Interest	8,275,586	8,275,586	-
Installment financing agreement	2,298,692	2,531,964	(233,272)
Other installment obligations	17,210	10,000	7,210
Other expenditures	<u>703,958</u>	<u>1,134,705</u>	<u>(430,747)</u>
	<u>18,242,340</u>	<u>19,224,229</u>	<u>(981,889)</u>
 OTHER EXPENDITURES			
Refunds and other	<u>72,168</u>	<u>122,927</u>	<u>(50,759)</u>
Total expenditures	<u>77,559,063</u>	<u>89,014,173</u>	<u>(11,455,110)</u>
 OTHER FINANCING USES			
Transfers out:			
General fund	117,117	117,117	-
New convention center complex capital projects	268,260	268,260	-
Public utilities equipment replacement fund	753,500	753,500	-
Water capital projects fund	2,375,000	2,375,000	-
Sewer capital projects fund	3,600,000	3,600,000	-
Water and sewer revenue bond fund	<u>5,280,181</u>	<u>5,280,181</u>	<u>-</u>
Total other financing uses	<u>12,394,058</u>	<u>12,394,058</u>	<u>-</u>
 Total expenditures and other financing uses	<u>\$ 89,953,121</u>	<u>\$ 101,408,231</u>	<u>\$ (11,455,110)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 150,214	\$ 150,214	\$ 50,000	\$ 100,214
OTHER FINANCING SOURCES					
State loan proceeds	-	3,000,000	3,000,000	2,900,000	100,000
Transfers from:					
Water and sewer operating fund	-	2,375,000	2,375,000	2,375,000	-
Water and sewer revenue bond fund	-	34,352	34,352	-	34,352
Total other financing sources	-	5,409,352	5,409,352	5,275,000	134,352
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 5,559,566</u>	<u>\$ 5,559,566</u>	5,325,000	<u>\$ 234,566</u>
Fund balance appropriated				8,345,994	
				<u>\$ 13,670,994</u>	
EXPENDITURES					
Water capital projects	<u>\$ 8,967,657</u>	<u>\$ 2,058,166</u>	<u>\$ 11,025,823</u>	<u>\$ 13,277,994</u>	<u>\$ (2,252,171)</u>
OTHER FINANCING USES					
Transfers to:					
Sewer capital projects fund	-	106,000	106,000	106,000	-
New convention center complex capital projects fund	-	287,000	287,000	287,000	-
Total other financing uses	-	393,000	393,000	393,000	-
Total expenditures and other financing uses	<u>\$ 8,967,657</u>	<u>\$ 2,451,166</u>	<u>\$ 11,418,823</u>	<u>\$ 13,670,994</u>	<u>\$ (2,252,171)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 104,376	\$ 104,376	\$ 50,000	\$ 54,376
Developer participation:					
Wake Forest Road sewer	-	9,103	9,103	9,103	-
Telemetry upgrade	-	24,286	24,286	140,740	(116,454)
Total revenues	-	137,765	137,765	199,843	(62,078)
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	3,600,000	3,600,000	3,600,000	-
Water capital projects fund	-	106,000	106,000	-	106,000
Water and sewer revenue bond fund	-	56,542	56,542	-	56,542
Water and sewer general obligation bond fund	-	3,921	3,921	-	3,921
Total other financing sources	-	3,766,463	3,766,463	3,600,000	166,463
Total revenues and other financing sources	\$ -	\$ 3,904,228	\$ 3,904,228	3,799,843	\$ 104,385
Fund balance appropriated				11,504,888	
				<u>\$ 15,304,731</u>	
EXPENDITURES					
Sewer capital projects	\$ 8,637,388	\$ 3,682,886	\$ 12,320,274	\$ 15,113,846	\$ (2,793,572)
OTHER FINANCING USES					
Transfers to:					
Park bond fund	-	85,295	85,295	85,295	-
New convention center complex capital projects fund	-	105,590	105,590	105,590	-
Total other financing uses	-	190,885	190,885	190,885	-
Total expenditures and other financing uses	\$ 8,637,388	\$ 3,873,771	\$ 12,511,159	\$ 15,304,731	\$ (2,793,572)

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER REVENUE BOND FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 2,175,094	\$ 2,175,094	\$ 100,000	\$ 2,075,094
Developer participation	2,823	-	2,823	19,500	(16,677)
Miscellaneous other	-	-	-	238,275	(238,275)
Total revenues	2,823	2,175,094	2,177,917	357,775	1,820,142
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	5,280,181	5,280,181	5,280,181	-
Water general obligation bond fund	-	64,400	64,400	-	64,400
Bonds issued	61,634,408	-	61,634,408	195,718,457	(134,084,049)
Premium on revenue bonds	3,279,751	-	3,279,751	-	3,279,751
Certificates of participation issued	-	2,494,134	2,494,134	2,494,134	-
Total other financing sources	64,914,159	7,838,715	72,752,874	203,492,772	(130,739,898)
Total revenues and other financing sources	<u>\$ 64,916,982</u>	<u>\$ 10,013,809</u>	<u>\$ 74,930,791</u>	203,850,547	<u>\$ (128,919,756)</u>
Fund balance appropriated				63,014,487	
				<u>\$ 266,865,034</u>	
EXPENDITURES					
Water capital projects	\$ 29,724,305	\$ 17,861,910	\$ 47,586,215	\$ 142,316,304	\$ (94,730,089)
Sewer capital projects	26,195,692	44,159,161	70,354,853	119,339,760	(48,984,907)
Debt Service:					
Principal	332,941	348,422	681,363	5,108,403	(4,427,040)
Interest	31,683	16,202	47,885	-	47,885
Bond issue costs	-	6,346	6,346	8,305	(1,959)
Total expenditures	56,284,621	62,392,041	118,676,662	266,772,772	(148,096,110)
OTHER FINANCING USES					
Transfers to:					
Water capital projects fund	-	34,352	34,352	35,720	(1,368)
Sewer capital projects fund	-	56,542	56,542	56,542	-
Total other financing uses	-	90,894	90,894	92,262	(1,368)
Total expenditures and other financing uses	<u>\$ 56,284,621</u>	<u>\$ 62,482,935</u>	<u>\$ 118,767,556</u>	<u>\$ 266,865,034</u>	<u>\$ (148,097,478)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER GENERAL OBLIGATION BOND FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 16,579	\$ 16,579	\$ -	\$ 16,579
Fund balance appropriated				3,118,692	
				<u>\$ 3,118,692</u>	
EXPENDITURES					
Water and sewer capital projects	\$ 825,639	\$ 51,686	\$ 877,325	\$ 3,051,738	\$ (2,174,413)
OTHER FINANCING USES					
Transfers to:					
Sewer capital projects fund	-	3,921	3,921	3,921	-
Water and sewer revenue bond fund	-	64,400	64,400	63,033	1,367
	<u>-</u>	<u>68,321</u>	<u>68,321</u>	<u>66,954</u>	<u>1,367</u>
Total expenditures and other financing uses	<u>\$ 825,639</u>	<u>\$ 120,007</u>	<u>\$ 945,646</u>	<u>\$ 3,118,692</u>	<u>\$ (2,173,046)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER FUNDS
For the Fiscal Year Ended June 30, 2006**

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:

Total current year revenues and other financing
sources - modified accrual basis:

Water and sewer operating fund	\$ 100,627,799
Water capital projects fund	5,559,566
Sewer capital projects fund	3,904,228
Water and sewer revenue bond fund	10,013,809
Water and sewer general obligation bond fund	16,579

Total current year expenditures and other financing
uses - modified accrual basis:

Water and sewer operating fund	(89,953,121)
Water capital projects fund	(2,451,166)
Sewer capital projects fund	(3,873,771)
Water and sewer revenue bond fund	(62,482,935)
Water and sewer general obligation bond fund	<u>(120,007)</u>

Deficiency of revenues and other financing sources under expenditures and other financing uses	(38,759,019)
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Adjustments to full accrual basis:

Amortization of deferred costs	(64,702)
Bond and note proceeds	(5,508,563)
Bond and note principal payments	8,041,907
Capital contributions	66,837,432
Capital outlay	66,910,347
Capitalized interest	2,360,510
Depreciation	(18,094,318)
Interest expense accrual	234,257
Earned vacation pay expense	(179,897)
Other escrow expenditures	(390,564)
Revenue accruals from receivables	<u>86,507</u>

Change in net assets per statement of revenues, expenses and changes in net assets	<u><u>\$ 81,473,897</u></u>
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**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX OPERATING FUND
For the Fiscal Year Ended June 30, 2006**

	Actual	Budget	Over (Under) Budget
REVENUES			
User charges			
Performing arts center	\$ 11,539,797	\$ 14,446,500	\$ (2,906,703)
Convention and civic center	247,669	243,465	4,204
Special events	821,705	1,105,336	(283,631)
Other fees and charges	604,638	679,664	(75,026)
Total user charges	13,213,809	16,474,965	(3,261,156)
Interest on investments	865,528	20,000	845,528
Total revenues	14,079,337	16,494,965	(2,415,628)
OTHER FINANCING SOURCES			
Transfers from:			
General fund	1,000,208	1,000,208	-
New convention center financing fund	2,190,724	2,351,305	(160,581)
Total other financing sources	3,190,932	3,351,513	(160,581)
Total revenues and other financing sources	<u>\$ 17,270,269</u>	19,846,478	<u>\$ (2,576,209)</u>
Fund balance appropriated		10,605,489	
		<u>\$ 30,451,967</u>	
EXPENDITURES			
Administration	\$ 1,611,835	\$ 2,008,897	\$ (397,062)
Civic and convention center	790,338	1,265,061	(474,723)
Performing arts center	11,287,697	13,693,036	(2,405,339)
Special events	1,052,487	1,268,053	(215,566)
New convention center	842,362	1,350,920	(508,558)
Total operating expenditures	15,584,719	19,585,967	(4,001,248)
DEBT SERVICE			
Interest	9,795,419	9,666,068	129,351
Other debt service costs	658,298	899,932	(241,634)
Total debt service	10,453,717	10,566,000	(112,283)
OTHER FINANCING USES			
Transfers to convention center and memorial auditorium projects fund	300,000	300,000	-
Total expenditures and other financing uses	<u>\$ 26,338,436</u>	<u>\$ 30,451,967</u>	<u>\$ (4,113,531)</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, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 3,148	\$ 3,148	\$ -	\$ 3,148
Performing arts center donations	13,458,155	160,000	13,618,155	16,407,194	(2,789,039)
Total revenues	<u>\$ 13,458,155</u>	<u>\$ 163,148</u>	<u>\$ 13,621,303</u>	16,407,194	<u>\$ (2,785,891)</u>
OTHER FINANCING SOURCES					
Transfer from convention center operating fund	-	300,000	300,000	300,000	-
Total revenues and other financing sources	<u>\$ 13,458,155</u>	<u>\$ 463,148</u>	<u>\$ 13,921,303</u>	16,707,194	<u>\$ (2,785,891)</u>
Fund balance appropriated				14,863,539	
				<u>\$ 31,570,733</u>	
EXPENDITURES					
Convention center and memorial auditorium projects	<u>\$ 30,707,108</u>	<u>\$ 526,780</u>	<u>\$ 31,233,888</u>	<u>\$ 31,570,733</u>	<u>\$ (336,845)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
NEW CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Interest on investments	\$ 1,939,466	\$ 5,191,789	\$ 7,131,255	\$ 13,000,000	\$ (5,868,745)
Miscellaneous revenue	-	-	-	4,894,953	(4,894,953)
Total revenues	<u>1,939,466</u>	<u>5,191,789</u>	<u>7,131,255</u>	<u>17,894,953</u>	<u>(10,763,698)</u>
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	268,260	268,260	268,260	-
Water capital projects fund	-	287,000	287,000	287,000	-
Sewer capital projects fund	-	105,590	105,590	105,590	-
New convention center financing fund	-	-	-	10,000,000	(10,000,000)
Certificates of participation issued	206,270,588	-	206,270,588	210,000,000	(3,729,412)
Total revenues and other financing sources	<u>\$ 208,210,054</u>	<u>\$ 5,852,639</u>	<u>\$ 214,062,693</u>	<u>\$ 238,555,803</u>	<u>\$ (24,493,110)</u>
EXPENDITURES					
New convention center project	\$ 34,042,938	\$ 50,752,161	\$ 84,795,099	\$ 235,071,826	\$ (150,276,727)
OTHER FINANCING USES					
Transfer to parking facilities capital projects fund	<u>250,000</u>	<u>1,252,313</u>	<u>1,502,313</u>	<u>3,483,977</u>	<u>(1,981,664)</u>
Total expenditures and other financing uses	<u>\$ 34,292,938</u>	<u>\$ 52,004,474</u>	<u>\$ 86,297,412</u>	<u>\$ 238,555,803</u>	<u>\$ (152,258,391)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER FUNDS
For the Fiscal Year Ended June 30, 2006**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	
(Convention center complex operating fund)	\$ 17,270,269
Total current year expenditures and other financing uses - modified accrual basis	
(Convention center complex operating fund)	(26,338,436)
Total current year revenues and other financing sources - modified accrual basis	
(Convention center and memorial auditorium projects fund)	463,148
Total current year expenditures and other financing uses - modified accrual basis	
(Convention center and memorial auditorium projects fund)	(526,780)
Total current year revenues and other financing sources - modified accrual basis	
(New convention center capital projects fund)	5,852,639
Total current year expenditures and other financing uses - modified accrual basis	
(New convention center capital projects fund)	<u>(52,004,474)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(55,283,634)
Adjustments to full accrual basis:	
Depreciation	(1,969,000)
Capital outlay	50,537,551
Accrued interest income - arbitrage	(1,459,818)
Accrued interest expense	(3,742)
Capitalized interest	2,531,330
Amortization of deferred issue costs	(67,105)
Noncash transfer, construction in progress	(7,150)
Vacation expense	<u>(31,259)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	<u>\$ (5,752,827)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the Fiscal Year Ended June 30, 2006**

	Actual	Budget	Over (Under) Budget
REVENUES			
Parking fees	\$ 5,203,559	\$ 5,617,387	\$ (413,828)
Interest on investments	318,306	158,957	159,349
Total revenues	5,521,865	5,776,344	(254,479)
OTHER FINANCING SOURCES			
Transfer from mass transit	157,360	157,360	-
Total revenues and other financing sources	<u>\$ 5,679,225</u>	<u>5,933,704</u>	<u>\$ (254,479)</u>
Fund balance appropriated		<u>2,729,745</u>	
		<u>\$ 8,663,449</u>	
EXPENDITURES			
Operating expenditures	\$ 2,623,759	\$ 3,126,446	\$ (502,687)
DEBT SERVICE			
Bond principal	770,000	770,000	-
Bond interest	353,700	373,700	(20,000)
Note principal	1,483,498	1,635,699	(152,201)
Note interest	2,357,604	2,357,604	-
Other debt service expenditures	24,070	180,000	(155,930)
Total debt service	4,988,872	5,317,003	(328,131)
OTHER FINANCING USES			
Transfer to parking facilities capital projects fund	220,000	220,000	-
Total expenditures and other financing uses	<u>\$ 7,832,631</u>	<u>\$ 8,663,449</u>	<u>\$ (830,818)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 1,037,746	\$ 1,037,746	\$ 1,300,000	\$ (262,254)
Miscellaneous other	-	-	-	3,388,469	(3,388,469)
Total revenues	-	1,037,746	1,037,746	4,688,469	(3,650,723)
OTHER FINANCING SOURCES					
Transfers from:					
Miscellaneous capital projects fund	-	50,000	50,000	50,000	-
Parking facilities operating fund	-	220,000	220,000	220,000	-
New convention center capital projects fund	-	1,252,313	1,252,313	3,233,976	(1,981,663)
Certifications of participation issued	24,767,422	-	24,767,422	34,600,000	(9,832,578)
Total other financing sources	24,767,422	1,522,313	26,289,735	38,103,976	(11,814,241)
Total revenues and other financing sources	<u>\$ 24,767,422</u>	<u>\$ 2,560,059</u>	<u>\$ 27,327,481</u>	42,792,445	<u>\$ (15,464,964)</u>
Fund balance appropriated				3,970,257	
				<u>\$ 46,762,702</u>	
EXPENDITURES					
Parking facilities capital projects	<u>\$ 1,789,263</u>	<u>\$ 7,046,382</u>	<u>\$ 8,835,645</u>	<u>\$ 46,762,702</u>	<u>\$ (37,927,057)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES FUNDS
For the Fiscal Year Ended June 30, 2006**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities operating fund)	\$ 5,679,225
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities operating fund)	(7,832,631)
Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities capital projects fund)	2,560,059
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities capital projects fund)	<u>(7,046,382)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(6,639,729)
Adjustments to full accrual basis:	
Depreciation	(1,404,113)
Capital outlay	7,012,069
Accrued interest expense	59,536
Capitalized interest	429,696
Amortization of deferred refunding and deferred issue costs	(76,662)
Bond principal	770,000
Note principal	1,483,498
Accrued interest income - arbitrage	(157,003)
Vacation expense	<u>(17,331)</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u>\$ 1,459,961</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Farebox	\$ -	\$ 1,972,078	\$ 1,972,078	\$ 2,047,580	\$ (75,502)
Intergovernmental revenue:					
Federal Transit Administration	14,626,490	8,113,937	22,740,427	25,227,137	(2,486,710)
State of North Carolina	240,288	2,122,768	2,363,056	3,429,705	(1,066,649)
Miscellaneous other	-	451,366	451,366	512,808	(61,442)
Total revenues	<u>14,866,778</u>	<u>12,660,149</u>	<u>27,526,927</u>	<u>31,217,230</u>	<u>(3,690,303)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	9,053,783	9,053,783	9,053,783	-
Sales tax fund	551,758	-	551,758	551,758	-
Street improvement fund	3,704,400	594,720	4,299,120	4,299,120	-
Total other financing sources	<u>4,256,158</u>	<u>9,648,503</u>	<u>13,904,661</u>	<u>13,904,661</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 19,122,936</u>	<u>\$ 22,308,652</u>	<u>\$ 41,431,588</u>	<u>45,121,891</u>	<u>\$ (3,690,303)</u>
Fund balance appropriated				<u>334,675</u>	
				<u>\$ 45,456,566</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 10,165,357	\$ 10,165,357	\$ 10,312,532	\$ (147,175)
ART program operating expenditures	-	3,459,720	3,459,720	3,478,954	(19,234)
Capital grant expenditures	<u>25,090,763</u>	<u>3,378,037</u>	<u>28,468,800</u>	<u>31,507,720</u>	<u>(3,038,920)</u>
Total expenditures	<u>25,090,763</u>	<u>17,003,114</u>	<u>42,093,877</u>	<u>45,299,206</u>	<u>(3,205,329)</u>
OTHER FINANCING USES					
Transfer to parking fund	-	157,360	157,360	157,360	-
Total expenditures and other financing uses	<u>\$ 25,090,763</u>	<u>\$ 17,160,474</u>	<u>\$ 42,251,237</u>	<u>\$ 45,456,566</u>	<u>\$ (3,205,329)</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2006**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 22,308,652
Total current year expenditures and other financing uses - modified accrual basis	<u>(17,160,474)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	5,148,178
Adjustments to full accrual basis:	
Capital outlay	425,825
Decrease in federal and state receivables - capital projects	(5,474,196)
Decrease in deferred contributions from other funds	7,520
Depreciation	(1,792,184)
Vacation expense	<u>(4,488)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ (1,689,345)</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY OPERATING FUND
For the Fiscal Year Ended June 30, 2006**

	Actual Current Year	Budget	Over (Under) Budget
REVENUES			
User charges	\$ 12,358,833	\$ 11,007,285	\$ 1,351,548
Interest on investments	216,777	126,481	90,296
Miscellaneous other	725	-	725
Total revenues	<u>12,576,335</u>	<u>11,133,766</u>	<u>1,442,569</u>
OTHER FINANCING SOURCES			
Transfer from general fund	61,481	61,481	-
Total revenues and other financing sources	<u>\$ 12,637,816</u>	<u>11,195,247</u>	<u>\$ 1,442,569</u>
Fund balance appropriated		169,015	
		<u>\$ 11,364,262</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 4,160,290</u>	<u>\$ 5,117,262</u>	<u>\$ (956,972)</u>
OTHER FINANCING USES			
Transfer to stormwater utility capital projects fund	6,247,000	6,247,000	-
Total expenditures and other financing uses	<u>\$ 10,407,290</u>	<u>\$ 11,364,262</u>	<u>\$ (956,972)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2006**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 421,309	\$ 421,309	\$ -	\$ 421,309
Intergovernmental:					
State of North Carolina	-	-	-	362,000	(362,000)
Miscellaneous other	4,470	52,328	56,798	80,900	(24,102)
Total revenues	4,470	473,637	478,107	442,900	35,207
OTHER FINANCING SOURCES					
Transfers from:					
Stormwater capital projects fund	-	1,027,360	1,027,360	1,027,360	-
Stormwater utility operating fund	-	6,247,000	6,247,000	6,247,000	-
Total other financing sources	-	7,274,360	7,274,360	7,274,360	-
Total revenues and other financing sources	\$ 4,470	\$ 7,747,997	\$ 7,752,467	7,717,260	\$ 35,207
Fund balance appropriated				12,258,104	
				\$ 19,975,364	
EXPENDITURES					
Stormwater capital projects	<u>\$ 2,701,566</u>	<u>\$ 1,118,299</u>	<u>\$ 3,819,865</u>	<u>\$ 19,975,364</u>	<u>\$ (16,155,499)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2006**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 12,637,816
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility operating fund)	(10,407,290)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	7,747,997
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	<u>(1,118,299)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	8,860,224
Adjustments to full accrual basis:	
Capital outlay	824,457
Depreciation	(19,376)
Revenue accruals from receivables	67,779
Earned vacation pay	<u>(29,708)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 9,703,376</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 operation.



CITY OF RALEIGH



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, 2006

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 9,970,869	\$ 2,653,095
Customer receivables, net of allowance	574	-	-
Accrued interest receivable	-	35,756	-
Sales tax receivable	81,817	1,645	-
Inventories	19,845	-	-
Insurance deposit	-	335,000	-
Total current assets	<u>102,236</u>	<u>10,343,270</u>	<u>2,653,095</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	111,949	-	-
Less accumulated depreciation	(101,669)	-	-
Total noncurrent assets	<u>10,280</u>	<u>-</u>	<u>-</u>
Total assets	<u>112,516</u>	<u>10,343,270</u>	<u>2,653,095</u>
LIABILITIES			
Current liabilities:			
Accounts payable	26,201	40,188	-
Accrued salaries and employee payroll taxes	1,870	-	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	32,104,621	3,410,844
Due to other funds	200,779	-	-
Bonds, notes and loans payable	-	-	-
Unamortized premium	-	-	-
Total current liabilities	<u>228,850</u>	<u>32,144,809</u>	<u>3,410,844</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Earned vacation pay	10,819	-	-
Total noncurrent liabilities	<u>10,819</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>239,669</u>	<u>32,144,809</u>	<u>3,410,844</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,280	-	-
Unrestricted	(137,433)	(21,801,539)	(757,749)
Total net assets	<u>\$ (127,153)</u>	<u>\$ (21,801,539)</u>	<u>\$ (757,749)</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2006
\$ 1,972,252	\$ 2,619,455	\$ 1,296,567	\$ 18,512,238
-	-	-	574
-	17,271	-	53,027
122,718	107,902	360,788	674,870
-	-	754,849	774,694
-	-	-	335,000
<u>2,094,970</u>	<u>2,744,628</u>	<u>2,412,204</u>	<u>20,350,403</u>
8,159,184	2,136,333	-	10,295,517
-	-	230,912	230,912
50,065,275	13,201,089	742,916	64,121,229
(29,000,906)	(7,707,199)	(770,194)	(37,579,968)
<u>29,223,553</u>	<u>7,630,223</u>	<u>203,634</u>	<u>37,067,690</u>
<u>31,318,523</u>	<u>10,374,851</u>	<u>2,615,838</u>	<u>57,418,093</u>
624,589	123,148	429,862	1,243,988
-	-	43,858	45,728
177,356	41,602	-	218,958
-	-	-	35,515,465
-	-	-	200,779
8,185,912	2,554,088	-	10,740,000
136,861	54,768	-	191,629
<u>9,124,718</u>	<u>2,773,606</u>	<u>473,720</u>	<u>48,156,547</u>
13,069,350	3,065,650	-	16,135,000
-	-	175,040	185,859
<u>13,069,350</u>	<u>3,065,650</u>	<u>175,040</u>	<u>16,320,859</u>
<u>22,194,068</u>	<u>5,839,256</u>	<u>648,760</u>	<u>64,477,406</u>
7,831,429	1,955,717	203,634	10,001,060
1,293,026	2,579,878	1,763,444	(17,060,373)
<u>\$ 9,124,455</u>	<u>\$ 4,535,595</u>	<u>\$ 1,967,078</u>	<u>\$ (7,059,313)</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006**

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
OPERATING REVENUES			
Charges for services - internal	\$ 729,573	\$ 9,900,000	\$ 22,439,680
Other charges	3,265	2,227,434	-
Total operating revenues	732,838	12,127,434	22,439,680
OPERATING EXPENSES			
Administration	101,428	656,589	2,205,358
Other facility operating costs	706,341	-	-
Claims	-	19,495,545	22,099,978
Premiums	-	961,178	-
Depreciation	8,198	-	-
Other	8,557	-	-
Total operating expenses	824,524	21,113,312	24,305,336
Operating income (loss)	(91,686)	(8,985,878)	(1,865,656)
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	178,189	131,054
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Total nonoperating revenue (expense)	-	178,189	131,054
Income (loss) before transfers	(91,686)	(8,807,689)	(1,734,602)
Transfers in	-	1,000,000	-
Transfers out	-	-	-
Change in net assets	(91,686)	(7,807,689)	(1,734,602)
Total net assets, beginning of year	(35,467)	(13,993,850)	976,853
Total net assets, end of year	\$ (127,153)	\$ (21,801,539)	\$ (757,749)

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 8,456,254	\$ 2,223,548	\$ 11,073,499	\$ 54,822,554
155,684	-	6,242	2,392,625
8,611,938	2,223,548	11,079,741	57,215,179
-	-	2,650,129	5,613,504
-	-	7,542,232	8,248,573
-	-	-	41,595,523
-	-	-	961,178
6,330,578	1,653,820	17,162	8,009,758
141,375	54,269	13,633	217,834
6,471,953	1,708,089	10,223,156	64,646,370
2,139,985	515,459	856,585	(7,431,191)
517,814	218,000	18,765	1,063,822
(759,917)	(205,864)	-	(965,781)
(50,772)	-	-	(50,772)
(292,875)	12,136	18,765	47,269
1,847,110	527,595	875,350	(7,383,922)
-	753,500	-	1,753,500
-	(1,000,000)	-	(1,000,000)
1,847,110	281,095	875,350	(6,630,422)
7,277,345	4,254,500	1,091,728	(428,891)
<u>\$ 9,124,455</u>	<u>\$ 4,535,595</u>	<u>\$ 1,967,078</u>	<u>\$ (7,059,313)</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2006

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 732,494	\$ 12,127,434	\$ 22,439,680
Payments to employees	(102,504)	-	-
Payments to suppliers and service providers	(742,047)	(754,934)	(2,205,358)
Claims paid	-	(6,959,323)	(22,397,097)
Premiums paid	-	(961,178)	-
Other payments	-	-	-
Net cash provided by (used in) operating activities	(112,057)	3,451,999	(2,162,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	-	1,000,000	-
Operating subsidies and transfers to other funds	-	-	-
Negative cash balance implicitly financed	112,057	-	-
Net cash provided by (used in) noncapital financing activities	112,057	1,000,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	-	-	-
Proceeds from capital debt	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash (used in) capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	157,151	131,054
Net cash provided by investing activities	-	157,151	131,054
Net increase (decrease) in cash and cash equivalents/investments	-	4,609,150	(2,031,721)
Cash and cash equivalents/investments			
Beginning of year	-	5,361,719	4,684,816
End of year	\$ -	\$ 9,970,869	\$ 2,653,095
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (91,686)	\$ (8,985,878)	\$ (1,865,656)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	8,198	-	-
Change in assets and liabilities:			
Operating receivables	(344)	-	-
Sales tax receivable	(39,633)	(1,123)	-
Inventories	5,286	-	-
Accounts payable and other accrued liabilities	6,779	12,439,000	(297,119)
Earned vacation pay and other payroll liabilities	(657)	-	-
Nonoperating receipts/payments	-	-	-
Total adjustments	(20,371)	12,437,877	(297,119)
Net cash provided by (used in) operating activities	\$ (112,057)	\$ 3,451,999	\$ (2,162,775)
Noncash investing, capital, and financing activities:			
Acquisition and construction of capital assets	\$ -	\$ -	\$ -

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 8,456,254	\$ 2,223,548	\$ 11,073,499	\$ 57,052,909
-	-	(2,655,860)	(2,758,364)
-	-	(7,611,285)	(11,313,624)
-	-	-	(29,356,420)
-	-	-	(961,178)
(131,220)	(141,998)	(196,129)	(469,347)
<u>8,325,034</u>	<u>2,081,550</u>	<u>610,225</u>	<u>12,193,976</u>
-	753,500	-	1,753,500
-	(1,000,000)	-	(1,000,000)
(2,126,997)	-	-	(2,014,940)
<u>(2,126,997)</u>	<u>(246,500)</u>	<u>-</u>	<u>(1,261,440)</u>
(7,983,902)	(2,543,445)	(14,979)	(10,542,326)
19,302,301	4,527,700	-	23,830,001
(8,345,700)	(2,344,300)	-	(10,690,000)
(731,131)	(220,862)	-	(951,993)
<u>2,241,568</u>	<u>(580,907)</u>	<u>(14,979)</u>	<u>1,645,682</u>
517,814	208,369	18,765	1,033,153
<u>517,814</u>	<u>208,369</u>	<u>18,765</u>	<u>1,033,153</u>
8,957,419	1,462,512	614,011	13,611,371
1,174,018	3,293,276	682,556	15,196,385
<u>\$ 10,131,437</u>	<u>\$ 4,755,788</u>	<u>\$ 1,296,567</u>	<u>\$ 28,807,756</u>
\$ 2,139,985	\$ 515,459	\$ 856,585	\$ (7,431,191)
6,330,578	1,653,820	17,162	8,009,758
-	-	-	(344)
(94,757)	(87,729)	(188,738)	(411,980)
-	-	(69,053)	(63,767)
-	-	-	12,148,660
-	-	(5,731)	(6,388)
(50,772)	-	-	(50,772)
<u>6,185,049</u>	<u>1,566,091</u>	<u>(246,360)</u>	<u>19,625,167</u>
<u>\$ 8,325,034</u>	<u>\$ 2,081,550</u>	<u>\$ 610,225</u>	<u>\$ 12,193,976</u>
\$ 488,661	\$ -	\$ -	\$ 488,661



CITY OF RALEIGH

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 two pension trust funds and one agency fund which account for activities of the City's general supplemental retirement plan, the law enforcement officers' special separation allowance, and the CIAA Tournament Steering Committee, the Capital Area Sports Foundation, and the MEAC Tournament Steering Committee.



CITY OF RALEIGH



FIDUCIARY FUNDS

Pension Trust 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.

Agency Fund:

CIAA/CASF/MEAC FUND - This fund accounts for the fundraising and promotional activities of the CIAA Tournament Steering Committee, the Capital Area Sports Foundation, and the MEAC Tournament Steering Committee.

COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
June 30, 2006

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Total June 30, 2006
ASSETS			
Cash and cash equivalents	\$ 19,085,030	\$ 4,223,606	\$ 23,308,636
Accrued interest receivable	-	14,328	14,328
Total assets	<u>\$ 19,085,030</u>	<u>\$ 4,237,934</u>	<u>\$ 23,322,964</u>
NET ASSETS			
Held in trust for:			
Employees' retirement benefits	<u>\$ 19,085,030</u>	<u>\$ 4,237,934</u>	<u>\$ 23,322,964</u>

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2006**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Total
ADDITIONS			
Employer contributions	\$ 2,323,318	\$ 1,753,162	\$ 4,076,480
Interest	550,511	109,839	660,350
Net increase (decrease) in the fair value of investments	705,188	(12,756)	692,432
Less investment expense	(29,893)	-	(29,893)
Total additions	<u>3,549,124</u>	<u>1,850,245</u>	<u>5,399,369</u>
DEDUCTIONS			
Benefits	831,045	1,780,703	2,611,748
Withdrawals and forfeitures	39,281	-	39,281
Total deductions	<u>870,326</u>	<u>1,780,703</u>	<u>2,651,029</u>
Change in net assets restricted for:			
Employees' retirement benefits	2,678,798	69,542	2,748,340
Net assets, beginning of year	16,406,232	4,168,392	20,574,624
Net assets, end of year	<u>\$ 19,085,030</u>	<u>\$ 4,237,934</u>	<u>\$ 23,322,964</u>

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2006

	<u>CIAA/CASF/ MEAC Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 168,259</u>
Total assets	<u><u>\$ 168,259</u></u>
Liabilities	
Due to other agencies	<u>\$ 168,259</u>
Total liabilities	<u><u>\$ 168,259</u></u>

**STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Fiscal Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>CIAA /CASF/MEAC</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 48,290</u>	<u>\$ 1,770,228</u>	<u>\$ 1,650,259</u>	<u>\$ 168,259</u>
LIABILITIES				
Due to other agencies	<u>\$ 48,290</u>	<u>\$ 1,770,228</u>	<u>\$ 1,650,259</u>	<u>\$ 168,259</u>



CITY OF RALEIGH



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

The following schedules present the *Capital Assets Used in the Operation of Governmental Funds* by source, by function and activity and the changes by function and activity.



CITY OF RALEIGH

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
As of June 30, 2006

Capital assets:	
Land	\$ 111,536,688
Buildings and machinery	88,397,592
Streets & sidewalks	560,341,905
Equipment	29,952,945
Furniture & fixtures	2,043,065
Improvements - general and parks	135,762,296
Construction in progress	<u>23,553,584</u>
Total	<u><u>\$ 951,588,075</u></u>
Investment in capital assets from:	
General revenue	\$ 221,397,518
State revenue	59,944,407
Federal grants	12,973,030
G.O. bonds and other debt proceeds	199,800,480
Donations and participation	24,584,157
Contributed property	249,618,392
Amounts prior to 1987 for which source is unknown	<u>183,270,091</u>
Total	<u><u>\$ 951,588,075</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2006

	LAND	BUILDINGS	STREETS AND SIDEWALKS
General government:			
City manager	\$ -	\$ -	\$ -
Personnel	-	-	-
Administrative services	-	-	-
Finance	-	-	-
Information services	-	-	-
Total general government	-	-	-
Community development services:			
Community development	10,371,641	107,755	47,838
Planning	-	-	-
Inspections	-	-	-
Community services	-	-	-
Total community development services	10,371,641	107,755	47,838
Public works:			
Central engineering	2,886,075	-	-
Transportation	38,340,831	19,396,849	559,478,847
Total public works	41,226,906	19,396,849	559,478,847
Public safety:			
Emergency communications center	-	654,311	-
Police	-	911,710	-
Fire	523,396	14,978,369	-
Total public safety	523,396	16,544,390	-
Solid waste services	2,772,456	-	-
Leisure services:			
Walnut Creek Amphitheater	1,250,047	13,420,210	-
Parks and recreation	55,392,242	38,928,388	815,220
Total leisure services	56,642,289	52,348,598	815,220
Total governmental funds capital assets	<u>\$ 111,536,688</u>	<u>\$ 88,397,592</u>	<u>\$ 560,341,905</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

EQUIPMENT	FURNITURE AND FIXTURES	IMPROVEMENTS	CONSTRUCTION IN PROGRESS	TOTAL
\$ -	\$ 8,589	\$ -	\$ -	\$ 8,589
14,384	4,022	3,799	-	22,205
797,510	2,093	354,508	-	1,154,111
1,123,593	37,543	224,361	-	1,385,497
2,686,672	57,017	3,955,697	117,929	6,817,315
4,622,159	109,264	4,538,365	117,929	9,387,717
49,761	6,469	1,607,783	-	12,191,247
-	15,250	-	-	15,250
480,373	67,494	-	-	547,867
7,051	19,735	1,267	-	28,053
537,185	108,948	1,609,050	-	12,782,417
251,907	6,771	3,859,094	218,316	7,222,163
5,227,854	203,466	31,068,895	19,703,490	673,420,232
5,479,761	210,237	34,927,989	19,921,806	680,642,395
1,549,611	327,922	958,713	-	3,490,557
4,262,562	404,474	1,054,963	193,735	6,827,444
8,436,876	46,762	1,881,300	420,924	26,287,627
14,249,049	779,158	3,894,976	614,659	36,605,628
1,387,879	-	788,145	-	4,948,480
238,357	-	237,045	483,755	15,629,414
3,438,555	835,458	89,766,726	2,415,435	191,592,024
3,676,912	835,458	90,003,771	2,899,190	207,221,438
<u>\$ 29,952,945</u>	<u>\$ 2,043,065</u>	<u>\$ 135,762,296</u>	<u>\$ 23,553,584</u>	<u>\$ 951,588,075</u>

**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2006**

	BALANCE JUNE 30, 2005	ADDITIONS	TRANSFERS	DEDUCTIONS	BALANCE JUNE 30, 2006
General government:					
City manager	\$ 8,589	\$ -	\$ -	\$ -	\$ 8,589
Personnel	30,467	-	-	8,262	22,205
Administrative services	1,154,111	-	-	-	1,154,111
Finance	1,379,998	5,499	-	-	1,385,497
Information services	6,009,172	570,744	119,470	-	6,699,386
Total general government	8,582,337	576,243	119,470	8,262	9,269,788
Community development services:					
Community development	12,162,392	28,855	-	-	12,191,247
Planning	15,250	-	-	-	15,250
Inspections	573,865	-	-	25,998	547,867
Community services	28,053	-	-	-	28,053
Total community development services	12,779,560	28,855	-	25,998	12,782,417
Public works:					
Central engineering	7,004,388	37,397	11,632	49,570	7,003,847
Transportation	623,771,039	30,301,054	212,950	568,301	653,716,742
Total public works	630,775,427	30,338,451	224,582	617,871	660,720,589
Public safety:					
Emergency communications	3,476,505	-	14,052	-	3,490,557
Police	5,890,868	1,168,097	(14,052)	411,204	6,633,709
Fire	25,050,720	821,511	5,691	11,219	25,866,703
Total public safety	34,418,093	1,989,608	5,691	422,423	35,990,969
Solid waste services	6,237,316	-	-	1,288,836	4,948,480
Leisure services:					
Walnut Creek Amphitheater	15,145,659	-	-	-	15,145,659
Parks and recreation	167,446,015	20,912,176	1,052,815	234,417	189,176,589
Total leisure services	182,591,674	20,912,176	1,052,815	234,417	204,322,248
Construction in progress	8,464,979	16,491,163	(1,402,558)	-	23,553,584
Total general capital assets	\$ 883,849,386	\$ 70,336,496	\$ -	\$ 2,597,807	\$ 951,588,075

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

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, 2006**

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
2007	\$ 3,312,383	\$ 625,867	\$ -	\$ -	770,000	\$ 316,400
2008	2,830,629	495,619	-	-	680,000	279,100
2009	2,150,249	388,706	-	-	665,000	246,300
2010	1,523,057	314,201	-	-	595,000	214,550
2011	1,503,992	248,479	-	-	595,000	186,050
2012-2016	5,133,181	479,214	-	-	3,240,000	445,950
2017-2021	-	-	-	-	-	-
2022-2026	-	-	-	-	-	-
Total General Obligation Bonded Debt	16,453,491	2,552,086	-	-	6,545,000	1,688,350
Revenue Bonds:						
2007	4,915,000	8,519,057	-	-	-	-
2008	5,095,000	8,327,325	-	-	-	-
2009	5,285,000	8,135,169	-	-	-	-
2010	5,515,000	7,906,106	-	-	-	-
2011	5,745,000	7,675,494	-	-	-	-
2012-2016	33,275,000	33,809,713	-	-	-	-
2017-2021	42,435,000	24,642,850	-	-	-	-
2022-2026	39,710,000	13,940,137	-	-	-	-
2027-2031	33,405,000	5,174,000	-	-	-	-
Total Revenue Bonded Debt	175,380,000	118,129,851	-	-	-	-
Other Long-Term Obligations:						
Installment Financing Agreement:						
2007	2,094,451	565,326	-	9,837,830	1,430,000	2,386,259
2008	2,094,451	496,439	-	9,837,830	2,035,000	2,318,869
2009	2,089,451	427,057	-	9,860,650	2,085,000	2,235,494
2010	2,089,451	357,743	-	9,815,010	2,140,000	2,149,119
2011	1,524,450	288,956	-	9,837,830	2,205,000	2,048,885
2012-2016	4,815,254	847,019	15,055,000	48,869,145	9,685,000	8,892,982
2017-2021	2,206,101	217,778	44,110,000	42,239,791	10,560,000	6,710,080
2022-2026	600,000	39,900	55,410,000	31,693,693	8,850,000	4,337,800
2027-2031	-	-	72,045,000	18,410,506	6,685,000	2,444,025
2032-2035	-	-	56,805,000	3,814,803	6,550,000	753,300
	17,513,609	3,240,218	243,425,000	194,217,088	52,225,000	34,276,813

<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>
\$ -	\$ -	\$ 13,107,617	\$ 7,867,097	\$ -	\$ -	\$ 17,190,000	\$ 8,809,364
-	-	12,839,371	7,364,022	-	-	16,350,000	8,138,741
-	-	12,914,751	6,880,687	-	-	15,730,000	7,515,693
-	-	12,061,943	6,396,980	-	-	14,180,000	6,925,731
-	-	12,266,008	5,899,087	-	-	14,365,000	6,333,616
-	-	59,246,819	22,074,970	-	-	67,620,000	23,000,134
-	-	55,105,000	9,694,006	-	-	55,105,000	9,694,006
-	-	11,785,000	649,850	-	-	11,785,000	649,850
-	-	189,326,509	66,826,699	-	-	212,325,000	71,067,135
-	-	-	-	-	-	4,915,000	8,519,057
-	-	-	-	-	-	5,095,000	8,327,325
-	-	-	-	-	-	5,285,000	8,135,169
-	-	-	-	-	-	5,515,000	7,906,106
-	-	-	-	-	-	5,745,000	7,675,494
-	-	-	-	-	-	33,275,000	33,809,713
-	-	-	-	-	-	42,435,000	24,642,850
-	-	-	-	-	-	39,710,000	13,940,137
-	-	-	-	-	-	33,405,000	5,174,000
-	-	-	-	-	-	175,380,000	118,129,851
-	-	2,238,609	1,410,481	10,740,000	1,117,700	16,503,060	15,317,596
-	-	2,291,670	1,325,473	5,380,000	669,725	11,801,121	14,648,336
-	-	2,346,587	1,236,530	5,380,000	421,425	11,901,038	14,181,156
-	-	2,323,466	1,146,475	5,375,000	188,125	11,927,917	13,656,472
-	-	2,337,416	1,045,074	-	-	6,066,866	13,220,745
-	-	11,354,805	3,664,781	-	-	40,910,059	62,273,927
-	-	7,445,000	1,649,334	-	-	64,321,101	50,816,983
-	-	4,080,000	403,878	-	-	68,940,000	36,475,271
-	-	-	-	-	-	78,730,000	20,854,531
-	-	-	-	-	-	63,355,000	4,568,103
-	-	34,417,553	11,882,026	26,875,000	2,396,975	374,456,162	246,013,120

Continued

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES
AND DEBT SERVICE REQUIREMENTS
June 30, 2006**

Maturities on all long-term obligations are:

	Enterprise					
	Water and Sewer		Convention Center		Parking Facilities	
Other Long-Term Obligations:						
<i>Continued:</i>	Principal	Interest	Principal	Interest	Principal	Interest
Other Installment Obligations:						
2007	\$ -	\$ -	\$ -	-	98,641	\$ 11,149
2008	-	-	-	-	104,066	5,723
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012-2016	-	-	-	-	-	-
2017-2019	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	202,707	16,872
Other:						
Reimbursement Contracts	135,444	- (1)	-	-	-	-
Earned Vacation Pay	1,349,166	- (2)	359,556	-	30,972	-
Landfill Postclosure Costs	-	-	-	-	-	-
	1,484,610	-	359,556	-	30,972	-
Total Other Long-Term Obligations	18,998,219	3,240,218	243,784,556	194,217,088	52,458,679	34,293,685
Total Long-Term Obligations	<u>\$ 210,831,710</u>	<u>\$ 123,922,155</u>	<u>\$ 243,784,556</u>	<u>\$ 194,217,088</u>	<u>59,003,679</u>	<u>\$ 35,982,035</u>

Notes:

- (1) Interest to be paid in future periods not determinable in advance.
(2) Interest not applicable.

Other Enterprise		General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ 713,567	\$ 45,824	\$ -	\$ -	\$ 812,208	\$ 56,973
-	-	35,652	28,977	-	-	139,718	34,700
-	-	36,898	30,988	-	-	36,898	30,988
-	-	36,278	31,609	-	-	36,278	31,609
-	-	37,125	30,761	-	-	37,125	30,761
-	-	181,033	56,569	-	-	181,033	56,569
-	-	-	-	-	-	-	-
-	-	1,040,553	224,728	-	-	1,243,260	241,600
-	-	-	-	-	-	-	-
180,135	-	14,439,278	-	185,859	-	16,544,966	-
-	-	4,543,811	-	-	-	4,543,811	-
180,135	-	18,983,089	-	185,859	-	21,224,221	-
180,135	-	54,441,195	12,106,754	27,060,859	2,396,975	396,923,643	246,254,720
\$ 180,135	\$ -	\$ 243,767,704	\$ 78,933,453	\$ 27,060,859	\$ 2,396,975	\$ 784,628,643	\$ 435,451,706

SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2005</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Housing, Series 1994B Taxable	7.75 - 8.00	9/1/94	\$ 1,525,000	\$ -
Parks, Series 1996	5.20	6/1/96	1,505,000	-
Housing, Series 1996	5.40 - 5.75	6/1/96	1,265,000	-
Fire Station, Series 1996	5.20	6/1/96	105,000	-
Public Improvement Refunding, Series 1997	5.00	10/1/97	9,940,000	-
Housing, Series 1997	6.70	10/1/97	2,870,000	-
G. O. Refunding, Series 1998	4.00 - 4.20	12/1/98	4,440,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/1/98	16,300,000	-
Public Improvement, Series 2002	4.00 - 5.00	6/1/02	8,800,000	-
Public Improvement, Series 2002A	3.00 - 4.50	12/1/02	2,700,000	-
Public Improvement, Series 2002B	3.00 - 4.50	12/1/02	40,550,000	-
Public Improvement Refunding, Series 2002C	2.75 - 4.00	12/1/02	9,340,000	-
Public Improvement, Series 2004	2.00 - 4.00	3/1/04	14,550,000	-
Public Improvement Refunding, Series 2004A	2.00 - 4.00	3/1/04	17,118,236	-
Housing, Series 2004B	3.125 - 4.375	3/1/04	6,645,000	-
Housing Refunding, Series 2004B	3.125 - 4.00	3/1/04	2,060,000	-
Street Improvement, Series 2005A	3.50 - 5.00	8/1/05	-	10,600,000
Public Improvement, Series 2005B	3.50 - 5.00	8/1/05	-	50,585,000
Total General Obligation Bonded Debt			<u>139,713,236</u>	<u>61,185,000</u>
<u>OTHER GENERAL GOVERNMENTAL</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			27,755,330	8,505,000
Other Installment Obligations			2,211,993	87,827
Reimbursement Contracts - Streets			2,443	-
Earned Vacation Pay			13,519,726	9,120,248
Landfill Postclosure Costs			4,531,774	126,890
Total Other General Governmental Long-Term Obligations			<u>48,021,266</u>	<u>17,839,965</u>
Total General Governmental Long-Term Obligations			<u>\$ 187,734,502</u>	<u>\$ 79,024,965</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 2005-06		Principal Balance June 30, 2006	Due Fiscal 2006-2007		
Principal	Interest		Principal	Interest	Total
\$ 250,000	\$ 120,225	\$ 1,275,000	\$ 250,000	\$ 100,850	\$ 350,850
1,505,000	78,260	-	-	-	-
115,000	70,552	1,150,000	115,000	64,342	179,342
105,000	5,460	-	-	-	-
2,565,000	497,000	7,375,000	2,535,000	368,750	2,903,750
150,000	192,290	2,720,000	150,000	182,240	332,240
645,000	178,650	3,795,000	740,000	152,850	892,850
950,000	706,850	15,350,000	950,000	666,000	1,616,000
300,000	402,950	8,500,000	300,000	390,950	690,950
100,000	108,500	2,600,000	100,000	105,500	205,500
1,225,000	1,637,188	39,325,000	1,225,000	1,600,438	2,825,438
2,345,000	344,287	6,995,000	2,010,000	279,800	2,289,800
450,000	511,500	14,100,000	450,000	502,500	952,500
216,727	528,630	16,901,509	1,832,617	524,294	2,356,911
365,000	261,326	6,280,000	375,000	249,920	624,920
285,000	69,832	1,775,000	275,000	60,926	335,926
-	226,718	10,600,000	300,000	453,438	753,438
-	1,082,150	50,585,000	1,500,000	2,164,300	3,664,300
<u>11,571,727</u>	<u>7,022,368</u>	<u>189,326,509</u>	<u>13,107,617</u>	<u>7,867,098</u>	<u>20,974,715</u>
1,842,777	1,326,511	34,417,553	2,238,609	1,410,481	3,649,090
1,259,267	105,356	1,040,553	713,567	45,824	759,391
2,443	14	-	-	-	-
8,200,696	-	14,439,278	- (1)	-	-
114,853	-	4,543,811	-	-	-
<u>11,420,036</u>	<u>1,431,881</u>	<u>54,441,195</u>	<u>2,952,176</u>	<u>1,456,305</u>	<u>4,408,481</u>
<u>\$ 22,991,763</u>	<u>\$ 8,454,249</u>	<u>\$ 243,767,704</u>	<u>\$ 16,059,793</u>	<u>\$ 9,323,403</u>	<u>\$ 25,383,196</u>

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2005</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Water Series 1996	5.20	6/1/96	\$ 575,000	\$ -
Sanitary Sewer Series 1996	5.20	6/1/96	345,000	-
Sanitary Sewer Refunding, Series 1997	5.00	10/1/97	7,290,000	-
Sanitary Sewer Refunding, Series 2002C	2.75 - 4.00	12/01/02	1,915,000	-
Water Refunding, Series 2004A	2.00 - 4.00	3/1/04	6,109,136	-
Sanitary Sewer Refunding, Series 2004A	2.00 - 4.00	3/1/04	3,627,628	-
Total Water and Sewer General Obligation Debt			<u>19,861,764</u>	<u>-</u>
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 1996	5.25	12/01/96	2,350,000	-
Water/Sewer, Series 1999	4.00 - 4.75	1/1/99	9,625,000	-
Water/Sewer, Series 2001	3.80 - 5.25	1/1/01	15,310,000	-
Water/Sewer, Series 2004	3.00 - 5.00	5/4/04	108,980,000	-
Water/Sewer Refunding, Series 2005	2.50 - 5.00	5/5/05	41,870,000	-
Total Water and Sewer Revenue Debt			<u>178,135,000</u>	<u>-</u>
<u>OTHER WATER AND SEWER</u>				
<u>LONG TERM OBLIGATIONS</u>				
Installment Financing Agreement			13,768,060	5,515,000
Other Installment Obligations			348,422	-
Reimbursement Contracts - Water and Sewer Lines			151,732	-
Earned Vacation Pay			1,169,269	1,028,236
Total Other Water and Sewer Long-Term Obligations			<u>15,437,483</u>	<u>6,543,236</u>
Total Water and Sewer Long-Term Obligations			<u>213,434,247</u>	<u>6,543,236</u>
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding 1997	5.00	10/1/97	1,445,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/1/97	5,870,000	-
Total Parking Facilities General Obligation Bonded Debt			<u>7,315,000</u>	<u>-</u>
<u>OTHER PARKING FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			53,615,000	-
Other Installment Obligations			296,205	-
Earned Vacation Pay			13,641	22,522
Total Other Parking Facilities Long-Term Obligations			<u>53,924,846</u>	<u>22,522</u>
Total Parking Facilities Long-Term Obligations			<u>61,239,846</u>	<u>22,522</u>
<u>CONVENTION CENTER FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			243,425,000	-
Earned Vacation Pay			328,297	181,482
Total Convention Center Facilities Long-Term Obligations			<u>243,753,297</u>	<u>181,482</u>
<u>OTHER ENTERPRISE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			21,800	15,144
Stormwater Earned Vacation Pay			124,139	129,289
Total Other Enterprise Long-Term Obligations			<u>145,939</u>	<u>144,433</u>
Total Enterprise Long-Term Obligations			<u>\$ 518,573,329</u>	<u>\$ 6,891,673</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 2005-06		Principal Balance June 30, 2006	Due Fiscal 2006-07		
Principal	Interest		Principal	Interest	Total
\$ 575,000	\$ 29,900	\$ -	\$ -	\$ -	\$ -
345,000	17,940	-	-	-	-
1,885,000	364,500	5,405,000	1,860,000	270,250	2,130,250
480,000	70,600	1,435,000	410,000	57,400	467,400
77,345	188,657	6,031,791	654,022	187,110	841,132
45,928	112,026	3,581,700	388,361	111,107	499,468
<u>3,408,273</u>	<u>783,623</u>	<u>16,453,491</u>	<u>3,312,383</u>	<u>625,867</u>	<u>3,938,250</u>
1,145,000	123,376	1,205,000	1,205,000	63,263	1,268,263
665,000	439,401	8,960,000	695,000	412,801	1,107,801
610,000	700,081	14,700,000	635,000	676,443	1,311,443
-	5,337,563	108,980,000	2,380,000	5,337,563	7,717,563
335,000	1,675,165	41,535,000	-	2,028,988	2,028,988
<u>2,755,000</u>	<u>8,275,586</u>	<u>175,380,000</u>	<u>4,915,000</u>	<u>8,519,058</u>	<u>13,434,058</u>
1,769,451	529,242	17,513,609	2,094,451	565,326	2,659,777
348,422	16,202	-	-	-	-
16,288	922	135,444	5,762	692	6,454
848,339	-	1,349,166	- (I)	-	-
<u>2,982,500</u>	<u>546,366</u>	<u>18,998,219</u>	<u>2,100,213</u>	<u>566,018</u>	<u>2,666,231</u>
<u>9,145,773</u>	<u>9,605,575</u>	<u>210,831,710</u>	<u>10,327,596</u>	<u>9,710,943</u>	<u>20,038,539</u>
370,000	72,250	1,075,000	370,000	53,750	423,750
400,000	281,450	5,470,000	400,000	262,650	662,650
<u>770,000</u>	<u>353,700</u>	<u>6,545,000</u>	<u>770,000</u>	<u>316,400</u>	<u>1,086,400</u>
1,390,000	2,341,312	52,225,000	1,430,000	2,386,259	3,816,259
93,498	16,291	202,707	98,641	11,149	109,790
5,191	-	30,972	- (I)	-	-
<u>1,488,689</u>	<u>2,357,603</u>	<u>52,458,679</u>	<u>1,528,641</u>	<u>2,397,408</u>	<u>3,926,049</u>
<u>2,258,689</u>	<u>2,711,303</u>	<u>59,003,679</u>	<u>2,298,641</u>	<u>2,713,808</u>	<u>5,012,449</u>
-	9,795,418	243,425,000	-	9,837,830	9,837,830
150,223	-	359,556	- (I)	-	-
<u>150,223</u>	<u>9,795,418</u>	<u>243,784,556</u>	<u>-</u>	<u>9,837,830</u>	<u>9,837,830</u>
10,655	-	26,289	- (I)	-	-
99,581	-	153,847	- (I)	-	-
<u>110,236</u>	<u>-</u>	<u>180,136</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,664,921</u>	<u>\$ 22,112,296</u>	<u>\$ 513,800,081</u>	<u>\$ 12,626,237</u>	<u>\$ 22,262,581</u>	<u>\$ 34,888,818</u>

SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2005</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>CERTIFICATES OF PARTICIPATION</u>				
Equipment Acquisition Project, Series 2001	5.00	5/1/01	\$ 3,250,000	\$ -
Equipment Acquisition Project, Series 2003	2.50 - 5.00	4/1/03	10,485,000	-
Equipment Acquisition Project, Series 2005C	3.00 - 5.00	10/26/05	-	23,830,000
Total Certificates of Participation			<u>13,735,000</u>	<u>23,830,000</u>
<u>OTHER INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			11,476	9,528
Earned Vacation Pay - Vehicle Fleet Services			<u>188,505</u>	<u>137,108</u>
Total Other Internal Service Long-Term Obligations			<u>199,981</u>	<u>146,636</u>
Total Internal Service Long-Term Obligations			<u>\$ 13,934,981</u>	<u>\$ 23,976,636</u>

Note:

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

Payments During Fiscal 2005-06		Principal Balance June 30, 2006	Due Fiscal 2006-2007		
Principal	Interest		Principal	Interest	Total
\$ 3,250,000	\$ 81,250	\$ -	\$ -	\$ -	\$ -
5,125,000	463,750	5,360,000	5,360,000	241,875	5,601,875
2,315,000	406,993	21,515,000	5,380,000	875,825	6,255,825
<u>10,690,000</u>	<u>951,993</u>	<u>26,875,000</u>	<u>10,740,000</u>	<u>1,117,700</u>	<u>11,857,700</u>
10,185	-	10,819	- (1)	-	-
150,573	-	175,040	- (1)	-	-
160,758	-	185,859	-	-	-
<u>\$ 10,850,758</u>	<u>\$ 951,993</u>	<u>\$ 27,060,859</u>	<u>\$ 10,740,000</u>	<u>\$ 1,117,700</u>	<u>\$ 11,857,700</u>



CITY OF RALEIGH



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 government's overall financial position.





CITY OF RALEIGH

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

	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 434,696	\$ 449,699	\$ 463,753	\$ 440,349	\$ 455,991
Restricted	44,397	46,376	65,539	76,234	96,224
Unrestricted	143,001	128,885	123,379	131,575	131,896
Total governmental activities net assets	<u>622,094</u>	<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	404,642	417,486	435,295	514,326	584,402
Restricted	-	-	-	-	-
Unrestricted	84,119	88,157	68,243	75,199	90,117
Total business-type activities net assets	<u>488,761</u>	<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	839,338	867,185	899,048	954,675	1,040,393
Restricted	44,397	46,376	65,539	76,234	96,224
Unrestricted	227,120	217,042	191,622	206,774	222,013
Total government net assets	<u>\$ 1,110,855</u>	<u>\$ 1,130,603</u>	<u>\$ 1,156,209</u>	<u>\$ 1,237,683</u>	<u>\$ 1,358,630</u>

Note:

The city began to report accrual information for the city as a whole when it implemented GASB Statement 34 in fiscal year 2002.

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 22,964	\$ 27,607	\$ 32,495	\$ 30,698	\$ 46,666
Community development services	51,837	53,025	17,110	19,269	33,174
Public works (1)	-	-	39,038	43,768	44,786
Public safety	86,161	90,291	95,588	104,268	110,965
Solid waste services	17,962	19,424	19,394	21,706	17,494
Leisure services	39,270	48,567	53,482	36,640	39,645
Economic development programs	2,315	3,592	3,265	2,644	4,003
Interest on long-term debt	6,751	6,445	7,827	9,354	9,936
Total governmental activities expenses	<u>227,260</u>	<u>248,951</u>	<u>268,199</u>	<u>268,347</u>	<u>306,669</u>
Business-type activities:					
Water and sewer	60,174	64,825	71,685	75,710	86,099
Convention center (2)	-	-	-	22,593	26,337
Mass transit	12,132	13,636	14,877	16,621	18,376
Parking facilities	2,451	2,771	2,674	4,723	6,395
Stormwater (3)	-	2,654	3,032	3,328	4,512
Total business-type activities	<u>74,757</u>	<u>83,886</u>	<u>92,268</u>	<u>122,975</u>	<u>141,719</u>
Total government expenses	<u>\$ 302,017</u>	<u>\$ 332,837</u>	<u>\$ 360,467</u>	<u>\$ 391,322</u>	<u>\$ 448,388</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 591	\$ 548	\$ 459	\$ 1,491	\$ 947
Community development services	9,488	9,073	9,469	10,825	22,488
Public works	-	-	858	2,045	1,638
Public safety	1,727	1,897	2,225	2,470	2,905
Solid waste services	2,357	6,272	9,645	9,705	12,521
Leisure services	12,493	13,716	21,384	8,579	7,695
Economic development programs	835	1,003	1,131	977	965
Operating grants and contributions	15,247	25,221	24,139	25,193	27,593
Capital grants and contributions	28,728	21,336	18,618	61,891	40,263
Total governmental activities program revenues	<u>71,466</u>	<u>79,066</u>	<u>87,928</u>	<u>123,176</u>	<u>117,015</u>
Business-type activities:					
Charges for services:					
Water and sewer	61,791	58,550	66,926	77,877	98,207
Convention center	-	-	-	13,555	13,374
Mass transit	2,160	2,046	2,115	2,241	2,423
Parking facilities	2,167	2,334	2,906	4,029	5,203
Stormwater	-	4	3,251	11,516	12,480
Operating grants and contributions	3,263	3,449	4,525	4,408	4,501
Capital grants and contributions	19,250	16,237	8,798	22,685	67,099
Total business-type activities program revenues	<u>88,631</u>	<u>82,620</u>	<u>88,521</u>	<u>136,311</u>	<u>203,287</u>
Total government program revenues	<u>\$ 160,097</u>	<u>\$ 161,686</u>	<u>\$ 176,449</u>	<u>\$ 259,487</u>	<u>\$ 320,302</u>
Net (expense)/revenue					
Governmental activities	\$ (155,793)	\$ (169,885)	\$ (180,271)	\$ (145,171)	\$ (189,654)
Business-type activities	13,874	(1,266)	(3,747)	13,336	61,568
Total government net expense	<u>\$ (141,919)</u>	<u>\$ (171,151)</u>	<u>\$ (184,018)</u>	<u>\$ (131,835)</u>	<u>\$ (128,086)</u>
General Revenues and Change in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 101,980	\$ 107,540	\$ 113,312	\$ 120,835	\$ 125,131
Local sales tax	39,865	42,938	52,156	55,954	61,496
Franchise tax	7,191	14,967	15,033	15,717	16,747
Other taxes	7,262	4,905	5,959	5,929	6,037
Privilege license tax	8,325	9,348	9,861	12,151	14,166
Unrestricted grants and contributions	994	1,000	986	973	680
Investment earnings	7,513	4,749	3,855	5,827	10,883
Miscellaneous	1,479	1,597	802	1,331	2,243
Transfers	(9,280)	(15,985)	(621)	(16,968)	(11,776)
Total governmental activities	<u>165,329</u>	<u>171,059</u>	<u>201,343</u>	<u>201,749</u>	<u>225,607</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Business-type activities:					
Investment earnings	\$ 4,103	\$ 2,161	\$ 1,021	\$ 7,089	\$ 11,650
Transfers	9,280	15,986	621	16,968	11,776
Special item, loss on capital asset impairment	-	-	-	(12,498)	-
Total business-type activities	13,383	18,147	1,642	11,559	23,426
Total government general revenues	<u>\$ 178,712</u>	<u>\$ 189,206</u>	<u>\$ 202,985</u>	<u>\$ 213,308</u>	<u>\$ 249,033</u>

Change in Net Assets

Governmental activities	\$ 9,537	\$ 1,174	\$ 21,072	\$ 56,578	\$ 35,953
Business-type activities	27,257	16,881	(2,105)	24,895	84,994
Total government change in net assets	<u>\$ 36,794</u>	<u>\$ 18,055</u>	<u>\$ 18,967</u>	<u>\$ 81,473</u>	<u>\$ 120,947</u>

Notes:

The city began to report accrual information for the city as a whole when it implemented GASB Statement 34 in fiscal year 2002.

- (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 began stormwater operations in FY2003.

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

	Fiscal Year			
	1997	1998	1999	2000
General fund				
Reserved	\$ 31,900	\$ 17,619	\$ 16,157	\$ 16,427
Unreserved	72,987	75,140	70,982	72,508
Total general fund	<u>\$104,887</u>	<u>\$ 92,759</u>	<u>\$ 87,139</u>	<u>\$ 88,935</u>
All other governmental funds				
Reserved	\$ 206	\$ 219	\$ 952	\$ -
Unreserved, reported in:				
Special revenue funds	34,962	41,167	33,333	31,010
Capital projects funds	76,016	76,055	112,737	108,476
Total all other governmental funds	<u>\$111,184</u>	<u>\$117,441</u>	<u>\$147,022</u>	<u>\$139,486</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 20,019	\$ 17,839	\$ 23,096	\$ 30,153	\$ 39,246	\$ 35,607
74,930	75,453	65,881	76,792	74,379	78,774
<u>\$ 94,949</u>	<u>\$ 93,292</u>	<u>\$ 88,977</u>	<u>\$106,945</u>	<u>\$113,625</u>	<u>\$114,381</u>
\$ -	\$ -	\$ -	\$ 10,323	\$ 19,001	\$ 29,055
24,667	19,899	12,522	14,964	11,491	6,245
86,037	69,343	90,839	125,505	93,354	144,863
<u>\$110,704</u>	<u>\$ 89,242</u>	<u>\$103,361</u>	<u>\$150,792</u>	<u>\$123,846</u>	<u>\$180,163</u>

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

	Fiscal Year				
	1997	1998	1999	2000	2001
Revenues					
Ad valorem taxes	\$ 76,774	\$ 81,725	\$ 83,734	\$ 88,301	\$ 96,360
Intergovernmental	38,232	36,268	35,433	47,111	42,861
Developer participation	239	284	284	2,038	279
Assessments	-	-	-	-	403
Local sales tax	34,202	36,521	39,304	40,599	42,522
Licenses	6,454	6,994	6,902	7,188	7,924
Interest on investments	11,577	11,627	11,555	13,292	14,598
Inspections	3,722	4,450	6,465	6,862	7,750
Highway maintenance refunds	550	555	719	797	748
Facility fees	2,726	3,370	4,291	4,194	5,717
Other fees and charges	16,765	17,225	16,589	18,318	18,031
Rents	284	194	257	313	336
Program income	-	-	-	-	-
Other revenues	11,082	6,067	11,319	19,870	9,806
Miscellaneous	-	-	-	-	-
Total revenues	202,607	205,280	216,852	248,883	247,335
Expenditures					
General government	33,650	35,403	39,472	24,566	27,199
Community development services	21,891	24,419	26,312	43,927	39,993
Public works	-	-	-	-	-
Public safety	45,863	48,247	51,791	70,353	78,845
Solid waste services	11,436	11,905	13,052	14,824	16,547
Leisure services	19,273	21,237	22,593	27,339	29,339
Economic development programs	1,989	2,547	3,875	2,924	3,130
Other expenditures	2,653	3,341	7,721	1,207	600
Capital outlay	31,084	32,944	37,991	48,299	55,889
Debt service					
Principal	6,319	6,379	7,890	11,494	9,996
Interest	6,287	5,844	5,980	6,805	6,275
Capital leases, including interest	2,871	2,861	2,569	-	-
Other debt service charges	11	32	136	-	59
Total expenditures	183,327	195,159	219,382	251,738	267,872
Less: Administrative costs charged to water and sewer	(4,778)	(5,094)	(5,260)	(5,580)	(6,414)
Total expenditures	178,549	190,065	214,122	246,158	261,458
Other financing sources (uses)					
Transfers in	27,630	18,662	25,483	27,145	29,534
Transfers out	(34,341)	(24,594)	(31,363)	(35,565)	(38,077)
Proceeds from borrowing	1,596	3,942	27,323	769	8
Proceeds from refunding	-	22,255	6,740	-	-
Payments to escrow agent	-	(22,255)	(6,740)	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(5,115)	(1,990)	21,443	(7,651)	(8,535)
Net change in fund balances	\$ 18,943	\$ 13,225	\$ 24,173	\$ (4,926)	\$ (22,658)
Debt service as a percentage of noncapital expenditures	9.35%	8.44%	8.55%	10.19%	8.60%

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Ad valorem taxes	\$ 102,134	\$ 107,415	\$ 113,563	\$ 120,849	\$ 125,036
Intergovernmental	30,314	46,177	44,654	45,819	49,819
Developer participation	650	305	15	138	1,685
Assessments	371	494	444	726	1,371
Local sales tax	39,865	42,938	52,156	55,954	61,496
Licenses	8,325	9,347	9,861	12,152	14,166
Interest on investments	6,932	4,417	3,742	5,599	10,041
Inspections	7,114	8,274	10,123	11,275	12,476
Highway maintenance refunds	1,048	627	998	1,548	1,157
Facility fees	3,427	3,586	4,360	3,733	4,118
Other fees and charges	18,422	21,866	34,397	22,168	25,466
Rents	344	238	319	312	389
Program income	2,293	2,397	3,339	2,688	2,748
Other revenues	5,125	1,947	2,286	3,474	2,491
Miscellaneous	-	4,639	2,153	2,235	2,113
Total revenues	<u>226,364</u>	<u>254,667</u>	<u>282,410</u>	<u>288,670</u>	<u>314,572</u>
Expenditures					
General government	28,528	30,547	33,007	35,056	45,469
Community development services	37,531	40,791	19,626	21,644	24,373
Public works	-	-	19,758	20,302	21,513
Public safety	84,400	91,498	95,662	102,760	110,387
Solid waste services	17,337	19,852	18,280	22,297	17,476
Leisure services	31,979	41,683	45,672	31,716	33,983
Economic development programs	2,315	3,593	3,265	2,643	4,003
Other expenditures	186	72	12	2	88
Capital outlay	45,233	37,948	59,388	26,984	46,277
Debt service					
Principal	10,304	10,889	12,233	13,811	14,674
Interest	5,811	5,680	6,580	7,419	8,288
Capital leases, including interest	-	-	-	-	-
Other debt service charges	169	265	457	222	665
Total expenditures	<u>263,793</u>	<u>282,818</u>	<u>313,940</u>	<u>284,856</u>	<u>327,196</u>
Less: Administrative costs charged to water and sewer	<u>(7,060)</u>	<u>(8,902)</u>	<u>(9,416)</u>	<u>(10,663)</u>	<u>(12,261)</u>
Total expenditures	<u>256,733</u>	<u>273,916</u>	<u>304,524</u>	<u>274,193</u>	<u>314,935</u>
Other financing sources (uses)					
Transfers in	29,472	16,102	27,801	16,380	16,932
Transfers out	(34,479)	(32,967)	(25,918)	(32,428)	(30,707)
Proceeds from borrowing	9,804	45,919	78,849	21,212	71,211
Proceeds from refunding	-	15,380	20,226	-	-
Payments to escrow agent	-	(15,380)	(20,085)	-	-
Sale of capital assets	2,452	-	-	-	-
Total other financing sources (uses)	<u>7,249</u>	<u>29,054</u>	<u>80,873</u>	<u>5,164</u>	<u>57,436</u>
Net change in fund balances	<u>\$ (23,120)</u>	<u>\$ 9,805</u>	<u>\$ 58,759</u>	<u>\$ 19,641</u>	<u>\$ 57,073</u>
Debt service as a percentage of noncapital expenditures	8.25%	7.55%	8.31%	9.39%	9.35%

**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)
1997	\$ 10,991,597	\$ 3,022,687	\$ 421,727	\$ 14,436,011	\$ 0.5375
1998	11,490,116	3,385,082	453,243	15,328,441	0.5375
1999	12,002,016	3,638,218	428,245	16,068,479	0.5250
2000	12,609,958	3,800,598	597,704	17,008,260	0.5250
2001	20,745,733	4,161,173	722,270	25,629,176 (1)	0.3850
2002	21,697,405	4,257,693	817,312	26,772,410	0.3850
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

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>
1997	\$	0.5375	\$ 0.6300	\$ 1.1675
1998		0.5375	0.6300	1.1675
1999		0.5250	0.6300	1.1550
2000		0.5250	0.7300	1.2550
2001	(1)	0.3850	0.5640	0.9490
2002		0.3850	0.5640	0.9490
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

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.

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	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Progress Energy	\$ 336,474	1	1.04%	\$ 203,630	1	1.41%
Highwoods Realty	189,842	2	0.59%	131,173	3	0.91%
CVM Holdings	173,086	3	0.54%	106,957	4	0.74%
Bellsouth	150,482	4	0.47%	131,255	2	0.91%
Cisco	133,406	5	0.41%			
UDRT of NC	115,509	6	0.36%	70,810	5	0.49%
JG North Raleigh	99,290	7	0.31%			
First Citizens	83,895	8	0.26%			
Prudential Insurance	78,839	9	0.24%			
Capital Center Acquisition	69,328	10	0.22%			
North Hills, Inc.				61,944	6	0.43%
100 Block Associates				61,576	7	0.43%
Phoenix Limited Partnership				37,473	8	0.26%
Branch Banking & Trust				35,772	9	0.25%
Lead Mine Land Company				35,379	10	0.25%
Totals	<u>\$ 1,430,151</u>		<u>4.44%</u>	<u>\$ 875,969</u>		<u>6.08%</u>

Note:

Above taxable assessed valuations are as of January 1, 2005 and 1996 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2006 and 1997 respectively.

Source:

Wake County website, Statistics and Reports and 1997 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
1997	\$ 77,914	\$ 76,050	97.61%	\$ 803	\$ 76,853	98.64%
1998	82,602	80,681	97.67%	1,706	82,387	99.74%
1999	84,576	82,600	97.66%	1,746	84,346	99.73%
2000	89,412	87,245	97.58%	1,919	89,164	99.72%
2001	98,016	95,868	97.81%	1,918	97,786	99.77%
2002	103,396	101,218	97.89%	1,898	103,116	99.73%
2003	109,099	106,645	97.75%	2,169	108,814	99.74%
2004	113,861	111,949	98.32%	1,616	113,565	99.74%
2005	121,770	119,880	98.45%	1,487	121,367	99.67%
2006	127,767	125,745	98.42%	-	125,745 (1)	98.42%

Note:

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 125,745
Prior year collections in current year	1,856
Penalties collected	462
Rebates and waived taxes	(3,027)
	<u>\$ 125,036</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 125,036</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 Assessed Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Installment Financing Agreements	General Obligation Bonds	Water and Sewer Revenue Bonds	Installment Financing Agreements			
1997	\$ 105,570	\$ 17,152	\$ 59,750	\$ 37,700	\$ 11,250	\$ 231,422	1.60%	869.89
1998	104,640	15,165	62,485	36,880	16,031	235,201	1.53%	861.51
1999	119,295	30,493	56,410	58,295	20,860	285,353	1.78%	1,018.64
2000	110,695	22,338	50,320	57,410	27,927	268,690	1.58%	936.74
2001	102,135	31,371	44,280	78,605	38,269	294,660	1.15%	999.38
2002	102,690	25,808	38,391	76,640	36,153	279,682	1.04%	899.15
2003	138,880	31,912	34,109	74,495	37,943	317,339	1.13%	1,001.13
2004	150,537	80,963	30,197	185,053	33,594	480,344	1.63%	1,460.55
2005	138,920	40,970	26,151	182,947	315,515	704,503	2.30%	2,058.78
2006	189,327	56,714	22,998	175,380	318,987	763,406	2.37%	2,158.93

Notes:

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

(1) See the Schedule of Assessed Value of Taxable Property on page 132 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page 141 for population data.

**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	
				Gross	Net
				(4)	
1997	\$ 165,320	\$ 146,135	1.15%	\$ 621	\$ 549
1998	167,125	150,721	1.09%	612	552
1999	175,705	161,511	1.09%	627	577
2000	161,015	148,659	0.95%	561	518
2001	146,415	135,390	0.57%	497	459
2002	142,040	132,374	0.53%	457	426
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

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 Demographic and Economic Statistics schedule on page 141 for population data.
- (4) See Assessed Value of Taxable Property schedule on page 132 for property value data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2006
(amounts expressed in thousands)

	Bonded Debt	Percentage Applicable to City	City's Share of Debt
Direct Debt - City of Raleigh (1)	\$ 246,041	100.00%	\$ 246,041
Overlapping Debt: (2)			
Wake County Debt (3)	1,089,408	42.88% (4)	467,138
Total Direct and Overlapping Debt	\$ 1,335,449		\$ 713,179

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 \$939,389,269 of Wake County School Bonds.
- (4) Percentage of direct and overlapping debt is based on June 30, 2006 assessed valuation of the City of Raleigh (\$32,216,124,447) as compared to the June 30, 2006 assessed valuation of Wake County (\$75,134,720,561).

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
1997	\$ 1,154,881	\$ 181,657	\$ 973,224	15.73%
1998	1,226,275	231,918	994,357	18.91%
1999	1,285,478	240,864	1,044,614	18.74%
2000	1,360,661	226,924	1,133,737	16.68%
2001	2,050,334	308,030	1,742,304	15.02%
2002	2,188,826	297,489	1,891,337	13.59%
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%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 32,216,124
Debt limit (8% of assessed value)	2,577,290
Debt applicable to limit:	
General Obligation bonds	212,325
GO bonds authorized not issued	114,665
Other outstanding debt	375,843
Less: Statutory deductions	
Bonded debt included in gross debt incurred for water	(6,032)
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	(1,410)
Total net debt applicable to limit	<u>695,391</u>
Legal debt margin	<u><u>\$ 1,881,899</u></u>

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended (1)	Gross Revenues	15% of PY Unrestricted Net Assets (5)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios		
					Principal	Interest	Total	Net Coverage	With 15% (5)	Required Coverage
Parity Debt Service Coverage (3)										
1997	\$ 38,766,974	\$	\$ 24,396,590	\$ 14,370,384	\$ 250,000	\$ 694,376	\$ 944,376	15.21		1.25
1998	42,980,846		28,335,465	14,645,381	1,070,000	2,147,064	3,217,064	4.55		1.25
1999	51,092,288		28,833,598	22,258,690	1,105,000	2,113,547	3,218,547	6.92		1.25
2000	53,442,428		32,760,930	20,681,498	1,135,000	3,232,702	4,367,702	4.74		1.25
2001	57,337,535		36,870,339	20,467,196	1,725,000	3,012,533	4,737,533	4.32		1.25
2002	63,911,622		42,112,440	21,799,182	2,215,000	4,140,667	6,355,667	3.43		1.25
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	101,932,480	5,213,204	61,868,891	40,063,589	3,005,000	8,425,141	11,430,141	3.50	3.96	1.20
All Water and Sewer Debt Service Coverage (4)										
1997	\$ 38,766,974		\$ 24,396,590	\$ 14,370,384	\$ 6,855,000	\$ 4,034,971	\$ 10,889,971	1.32		1.00
1998	42,980,846		28,335,465	14,645,381	7,385,000	5,040,122	12,425,122	1.18		1.00
1999	51,092,288		28,833,598	22,258,690	6,455,000	4,758,353	11,213,353	1.99		1.00
2000	53,442,428		32,760,930	20,681,498	6,408,051	5,656,737	12,064,788	1.71		1.00
2001	57,337,535		36,870,339	20,467,196	7,093,051	5,279,894	12,372,945	1.65		1.00
2002	63,911,622		42,112,440	21,799,182	7,378,051	6,364,756	13,742,807	1.59		1.00
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	101,932,480		61,868,891	40,063,589	7,687,724	9,551,078	17,238,802	2.32		1.00

Notes:

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999, January 1, 2001 and May 4, 2004.
- (2) 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) All water and sewer debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds.
- (5) The City entered into the First Amendatory 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%.

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Per Capita Personal Income	School Enrollment ADM	Unemployment Rate
	(1)	(2)	(3)	(4)
1997	266,035	28,758	85,542	2.0
1998	273,011	30,525	89,074	1.6
1999	280,132	32,054	92,566	1.5
2000	286,834	32,537	94,295	1.6
2001	294,843	32,998	97,348	3.1
2002	311,053	33,293	101,967	5.5
2003	316,979	33,627	107,448	5.2
2004	328,880	34,498	112,158	4.0
2005	342,194	Unavailable	117,986	4.3
2006	353,604	Unavailable	120,381	3.5

Sources:

- (1) City of Raleigh Budget Office (Performance Indicators document).
- (2) U.S. Department of Commerce, Bureau of Economic Analysis.
Per capita income for the Raleigh-Cary MSA.
Data for 2005 and 2006 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.

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

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of North Carolina	37,671	1	19.91%	23,230	1	15.13%
Wake County Public School System	15,000	2	7.93%	9,209	2	6.00%
North Carolina State University	7,787	3	4.11%	6,123	3	3.99%
Wake Med Health and Hospitals	6,500	4	3.43%	4,000	4	2.61%
Wake Med Faculty Physicians Internal Medicine	4,000	5	2.11%			
Rex Healthcare	3,800	6	2.01%	2,945	5	1.92%
Progress Energy	3,400	7	1.80%	2,406	8	1.57%
Wake County	3,300	8	1.74%	2,694	6	1.75%
City of Raleigh	3,000	9	1.59%	2,439	7	1.59%
Waste Industries, Inc.	2,000	10	1.06%			
United Parcel Service				1,425	9	0.93%
Dorothea Dix Hospital				1,288	10	0.84%
Total	<u>86,458</u>		<u>45.69%</u>	<u>55,759</u>		<u>36.33%</u>

Note:

Progress Energy - 1997 - Carolina Power & Light Company

Source:

Raleigh Chamber of Commerce.

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

Function	Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Policy & Management Services										
General Government	43	41	42	43	43	44	46	54	57	62
Personnel	20	20	20	20	20	20	20	21	21	22
Administrative Services	15	15	16	17	17	17	17	18	17	17
Finance	77	77	80	82	89	92	97	100	103	113
Information Services	50	45	52	55	55	56	61	62	61	63
Community Development Services										
Central Engineering	71	71	79	83	83	86	73	75	67	115
Transportation	158	158	160	161	162	164	166	171	182	142
Vehicle Fleet Services	58	55	55	54	54	54	54	55	58	60
Stormwater Utility (1)	NA	NA	NA	NA	NA	NA	25	26	35	37
Planning	34	34	34	34	35	38	39	39	41	41
Inspections	106	111	119	140	139	147	139	139	148	154
Community Services	17	17	18	20	19	19	19	19	21	19
Community Development	20	20	21	21	19	20	20	21	21	21
Public Safety										
Police	674	686	711	757	777	789	792	812	835	851
Fire	398	398	431	460	460	493	494	507	522	523
Emergency Communications	50	52	59	63	67	71	74	74	76	78
Solid Waste Services	237	228	228	227	239	256	260	260	189	199
Public Utilities	261	262	275	283	310	355	366	377	377	438
Leisure Services										
Convention Center	44	46	49	52	63	70	70	71	71	71
Parks & Recreation	278	288	288	295	301	311	313	320	339	355
Total	<u>2,611</u>	<u>2,624</u>	<u>2,737</u>	<u>2,867</u>	<u>2,952</u>	<u>3,102</u>	<u>3,145</u>	<u>3,221</u>	<u>3,241</u>	<u>3,381</u>

Note:

Numbers presented are authorized positions.
(1) Stormwater operations began in FY2003.

Source:

City of Raleigh Budget Office.

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1997	1998	1999	2000
Community Development Services				
Inspections:				
Permits issued (all trade types)	Unavailable	Unavailable	41,665	41,068
Construction - inspections requested	103,661	109,063	132,743	143,447
Community Development:				
New housing units constructed	11	5	-	-
Homeownership loans provided	54	35	33	55
Rehabilitation loans provided	45	117	100	105
Public Works				
Asphalt failures repaired	9,589	8,900	4,235	6,017
Drainage structures repaired/maintained	499	841	347	910
Police				
Physical arrests	63,759	77,191	86,886	82,480
Traffic accidents investigated	17,316	16,822	16,418	16,812
Fire				
Emergency responses	7,720	8,273	9,239	9,542
Fire calls answered	10,599	10,447	11,246	12,278
Emergency Communications				
911 calls processed (2)	510,516	494,928	533,361	566,230
Solid Waste				
Refuse collected (tons)	64,003	61,206	59,534	66,760
Recyclables collected (tons)	13,498	13,982	13,856	14,406
Water				
Number of consumers	89,332	92,868	97,703	102,848
Average daily consumption (millions of gallons per day)	36.62	37.92	41.56	43.10
Maximun daily flow (millions of gallons per day)	56.31	60.98	68.87	64.91
Wastewater				
Average daily sewage treatment (millions of gallons per day)	34.51	40.33	37.05	37.58
Maximun daily flow (millions of gallons per day)	70.07	76.18	54.92	81.61
Leisure Services				
Convention center events	188	243	232	343
Event attendance	304,330	389,800	383,076	515,028
Parks and recreation programs	6,104	5,040	5,802	5,925
Registrants	140,278	134,005	140,061	144,087
Attendance at parks & recreation facilities (millions)	2.197	2.445	2.469	2.698

Notes:

(1) Estimates shown for 2006 Data

(2) New phone system installed in 2003 has changed the way incoming calls are counted.

Source:

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

Fiscal Year					
2001	2002	2003	2004	2005	2006
49,010	60,027	59,401	60,027	63,000	66,060 (1)
162,855	188,679	121,034	160,000	162,000	168,000 (1)
7	11	2	32	17	40 (1)
67	60	8	61	38	50 (1)
21	34	19	42	47	33 (1)
5,128	5,015	7,597	7,228	7,222	7,300 (1)
1,796	2,248	740	931	1,000	1,030 (1)
84,373	89,786	89,534	99,684	118,098	118,768 (1)
17,169	16,540	16,787	17,344	18,005	18,722 (1)
10,671	12,387	13,500	15,159	17,244	20,320 (1)
10,993	9,887	10,500	11,383	8,530	9,276 (1)
632,700	685,779	623,738	497,119	464,728	478,623 (1)
71,344	74,617	73,837	77,301	80,400	83,600 (1)
14,003	13,770	14,069	14,428	15,719	16,872 (1)
122,793	121,533	126,285	131,312	137,330	
44.50	47.15	42.43	54.00	47.69	48.80
54.59	63.30	60.70	67.40	68.00	69.20
36.20	35.61	45.68	44.01	46.45	45.24
57.26	57.00	73.41	68.00	72.18	72.00
389	426	480	518	571	589 (1)
528,883	549,304	582,896	593,693	661,968	589,204 (1)
5,485	5,666	7,485	7,195	6,977	7,042 (1)
153,013	157,000	149,205	125,771	134,798	138,000 (1)
2.739	2.800	3.328	3.019	3.127	3.200 (1)

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1997	1998	1999	2000
Public safety				
Police stations	3	3	3	3
Fire stations	19	20	21	23
Highways and streets				
Streets (miles)	912	947	969	989
Streetlights	21,767	22,424	23,056	23,654
Signalized intersections	427	447	461	461
Leisure services				
Number of major parks	54	56	56	59
Parks acreage	5,857	6,155	6,778	7,541
Aquatic facilities	8	8	8	8
Community centers (staffed and unstaffed)	51	51	54	58
Water				
Water mains (miles)	1,001	1,037	1,064	1,089
Sewers				
Sanitary sewers (miles)	1,006	1,036	1,349	1,378

Note:

No capital asset indicators are available for the general government function.

Source:

Various city departments.

Fiscal Year					
2001	2002	2003	2004	2005	2006
3	5	7	7	7	7
23	24	26	26	26	27
1,028	1,068	1,089	1,118	1,161	1,194
24,619	29,345	29,875	30,628	31,976	32,737
470	473	485	489	493	496
59	58	66	70	71	72
7,310	7,437	7,979	8,010	8,101	8,672
8	8	8	8	8	8
59	58	66	32	32	34
1,102	1,320	1,356	1,380	1,415	2,050
1,392	1,424	1,447	1,468	1,501	2,000

**ANALYSIS OF CURRENT TAX LEVY
CITY - WIDE LEVY
For the Fiscal Year Ended June 30, 2006**

	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	\$ 31,078,896,402	\$.3950	\$ 122,768,022	\$ 115,059,617	\$ 7,708,405
Registered motor vehicles taxed at prior year's rate	1,022,106,708	.3950	3,988,207	-	3,988,207
	<u>32,101,003,110</u>		<u>126,756,229</u>	<u>115,059,617</u>	<u>11,696,612</u>
Discoveries:					
Prior years' taxes	<u>115,121,337</u>	(1)	<u>413,793</u>	<u>408,518</u>	<u>5,275</u>
Total property valuation	<u><u>\$ 32,216,124,447</u></u>				
Deferred and waived			401,129	401,129	-
Penalty			195,595	195,595	-
Rebates			<u>(1,280,582)</u>	<u>(1,033,058)</u>	<u>(247,524)</u>
Net levy			126,486,164	115,031,801	11,454,363
Uncollected taxes at June 30,2006			<u>(2,022,073)</u>	<u>(526,191)</u>	<u>(1,495,882)</u>
Current year's taxes collected			<u>\$ 124,464,091</u>	<u>\$ 114,505,610</u>	<u>\$ 9,958,481</u>
Current levy collection percentage			<u>98.40%</u>	<u>99.54%</u>	<u>86.94%</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, 2006

Fiscal Year Ended June 30	Taxes Receivable June 30, 2005	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2006
				(1)
1997 & Prior	\$ 1,071,191	\$ -	\$ 449	\$ 1,070,742
1998	223,490	-	8,379	215,111
1999	240,564	-	10,118	230,446
2000	262,909	-	15,116	247,793
2001	245,007	-	15,267	229,740
2002	305,409	-	25,248	280,161
2003	382,615	-	98,029	284,586
2004	492,313	-	196,617	295,696
2005	1,889,585	-	1,486,863	402,722
2006	-	127,766,747	125,744,674	2,022,073
TOTALS	\$ 5,113,083	\$ 127,766,747	\$ 127,600,760	\$ 5,279,070
			(2)	

Notes:

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$2,043,349).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 127,600,760
Penalties collected	462,404
Rebates and waived taxes	(3,027,205)
Ad valorem taxes collected per general fund financial statements	<u>\$ 125,035,959</u>



CITY OF RALEIGH



Single Audit Section

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





CITY OF RALEIGH



**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, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2006. 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

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 27, 2006.

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 an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 06-1.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board 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 specific parties.

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

Cherry, Bekaert & Holland LLP

Raleigh, North Carolina

October 27, 2006



**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 compliance of the City of Raleigh, North Carolina (the City), 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 are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's 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; and 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

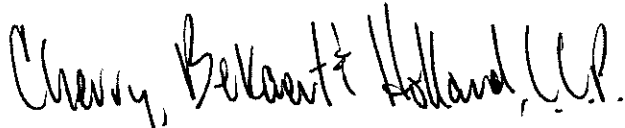
Internal Control Over Compliance

The 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 federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board 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 specific parties.

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

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland, L.L.P." in a cursive, stylized script.

Raleigh, North Carolina
October 27, 2006



**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 compliance of the City of Raleigh, North Carolina (the City), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. The City's major State programs are identified in the summary of auditor's 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; and 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 requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, which is described in the accompanying Schedule of Findings and Questioned Costs as Item 06-2.

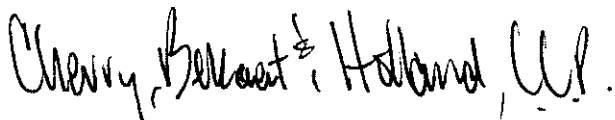
Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.

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

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland, L.L.P." in a cursive, stylized script.

Raleigh, North Carolina
October 27, 2006



SINGLE AUDIT SCHEDULES

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs:						
Federal Transit Administration						
Planning Assistance - Section 9	20.507	NC-90-2297	\$ 192,764	\$ 191,575	\$ -	\$ 191,575
Planning Assistance - Section 9	20.507	NC-90-2319	69,193	35,584	-	35,584
Planning Assistance - Section 9	20.507	NC-90-2341	168,607	98,862	-	98,862
Planning Assistance - Section 9	20.507	NC-90-2367	124,555	57,162	(1,341)	55,821
Planning Assistance - Section 9	20.507	NC-90-2393	81,515	-	59,203	59,203
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,431,584	7,600	2,439,184
Capital Assistance - Section 9	20.507	NC-90-0256	6,232,233	6,086,339	135,185	6,221,524
Capital Assistance - Section 9	20.507	NC-90-0279	2,831,337	2,645,853	15,360	2,661,213
Capital Assistance - Section 9	20.507	NC-90-0297	2,605,520	2,557,713	31,054	2,588,767
Capital Assistance - Section 9	20.507	NC-90-0319	2,165,834	1,898,340	171,016	2,069,356
Capital Assistance - Section 9	20.507	NC-90-0341	2,402,640	1,651,774	335,993	1,987,767
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	2,912,626	216,215	3,128,841
Capital Assistance - Section 9	20.507	NC-90-0367	2,378,880	-	1,687,711	1,687,711
Capital Assistance - Section 3	20.507	NC-03-0059	400,000	-	-	-
Capital Assistance - Section 3	20.507	NC-03-0061	147,339	-	-	-
			25,856,913	20,567,412	2,657,996	23,225,408
Passed-Through N.C. Department of Transportation:						
Federal Transit Administration						
Planning Assistance - Section 8	20.505	PTD 05-08-009	77,144	77,144	-	77,144
Planning Assistance - Section 8	20.505	PTD 06-08-009	85,096	-	85,096	85,096
			162,240	77,144	85,096	162,240
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	WBS39225.1.4	679,869	501,108	-	501,108
Section 104(f) Technical Assistance	20.205	WBS39225.1.21	1,197,474	-	789,987	789,987
			1,877,343	501,108	789,987	1,291,095
Total U.S. Department of Transportation			27,896,496	21,145,664	3,533,079	24,678,743
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program						
	94.011	05SFSNC002	130,771	129,871	-	129,871
	94.011	05SFSNC005	261,808	-	261,898	261,898
	94.011	05SFSNC006	261,898	-	-	-
			654,477	129,871	261,898	391,769
Retired Senior Volunteers Program						
	94.002	05SESNC001	28,859	28,859	-	28,859
	94.002	05SESNC002	58,197	-	58,197	58,197
	94.002	05SESNC003	58,983	-	-	-
			146,039	28,859	58,197	87,056
Total Corporation for National Service			800,516	158,730	320,095	478,825
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant Program						
	14.218	B96MC370009	2,416,000	2,408,806	7,145	2,415,951
	14.218	B02MC370009	2,420,000	2,179,032	240,923	2,419,955
	14.218	B03MC370009	2,814,000	1,766,155	315,812	2,081,967
	14.218	B04MC370009	2,813,000	834,053	1,940,986	2,775,039
	14.218	B05MC370009	3,684,205	-	604,449	604,449
			14,147,205	7,188,046	3,109,315	10,297,361
HOME Grant Program						
	14.239	M99MC370206	1,074,000	1,074,000	-	1,074,000
	14.239	M00MC370206	1,073,000	926,599	146,401	1,073,000
	14.239	M01MC370206	1,191,000	546,576	459,546	1,006,122
	14.239	M02MC370206	1,188,000	610,672	40,580	651,252
	14.239	M03MC370206	1,448,995	342,351	163,067	505,418
	14.239	M04MC370206	1,690,822	92,013	643,451	735,464
	14.239	M05MC370206	1,459,705	-	44,585	44,585
			9,125,522	3,592,211	1,497,630	5,089,841

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)						
Emergency Shelter Grant Program		S04MC370005	\$ 102,935	\$ -	\$ 76,651	\$ 76,651
EDI Special Project - Fayetteville Street		B04SPNC0572	173,968	-	-	-
Total U.S. Department of Housing and Urban Development			23,549,630	10,780,257	4,683,596	15,463,853
U.S. DEPARTMENT OF JUSTICE						
Direct Programs:						
Cops Secure Our Schools	16.710	05CKWX0571	10,000	-	6,219	6,219
LLE Block Grant Program	16.592	03LBBX2766	288,176	233,970	54,206	288,176
LLE Block Grant Program	16.592	04LBBX1033	119,224	31,494	48,799	80,293
			407,400	265,464	103,005	368,469
Weed & Seed Program	16.595	01WSQX0092	225,000	213,372	-	213,372
Weed & Seed Program	16.595	01WSQX0092	175,000	103	72,010	72,113
Weed & Seed Program	16.595	01WSQX0092	225,000	-	-	-
			625,000	213,475	72,010	285,485
2005 Bullet Proof Vest Grant		N/A	15,973	-	15,973	15,973
2006 Bullet Proof Vest Grant		N/A	4,324	-	4,324	4,324
			20,297	-	20,297	20,297
Total U.S. Department of Justice			1,062,697	478,939	201,531	680,470
ENVIRONMENTAL PROTECTION AGENCY						
Direct Programs:						
Brownfields Assessment Grant	66.818	BF964167040	400,000	2,156	43,558	45,714
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	20,585	5,548	26,133
			1,400,000	22,741	49,106	71,847
U.S. DEPARTMENT OF AGRICULTURE						
Direct Programs:						
Solid Waste Services WHIP Grant	10.914	72453232162	9,802	5,214	2,266	7,480
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborwoods"	10.664	FS05022	8,500	2,666	5,850	8,516
USFS - "Raleigh Neighborwoods"	10.664	F06017	8,400	-	4,641	4,641
			16,900	2,666	10,491	13,157
Total U.S. Department of Agriculture			26,702	7,880	12,757	20,637
U.S. DEPARTMENT OF HOMELAND SECURITY						
Direct Programs:						
Assistance to Firefighters	97.044	EMW2004FG18167	122,533	122,526	-	122,526
Assistance to Firefighters	97.044	EMW2005FG07718	222,123	-	194,151	194,151
			344,656	122,526	194,151	316,677
Passed-Through N.C. Department of Crime Control and Public Safety:						
Public Assistance - Hurricane Katrina	97.036	3222-EM-NC	257,626	-	257,626	257,626
Total Dept. of Homeland Security			602,282	122,526	451,777	574,303
Total Expenditures of Federal Awards			\$ 55,338,323	\$ 32,716,737	\$ 9,251,941	\$ 41,968,678

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF STATE AWARDS:						
<u>N. C. DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Planning Assistance		PTD 02-09-007	\$ 24,095	\$ 23,947	\$ -	\$ 23,947
Public Transportation Planning Assistance		PTD 03-09-007	8,649	4,448	-	4,448
Public Transportation Planning Assistance		PTD 04-09-007	21,075	12,357	-	12,357
Public Transportation Planning Assistance		PTD 05-09-007	15,569	7,145	(168)	6,977
Public Transportation Planning Assistance		PTD 06-09-009	10,189	-	7,401	7,401
Public Transportation Planning Assistance		PTD 05-08-009	9,643	9,643	-	9,643
Public Transportation Planning Assistance		PTD 06-08-009	10,637	-	10,637	10,637
Public Transportation Capital Assistance		PTD 98-09-007	146,457	129,628		129,628
Public Transportation Capital Assistance		PTD 99-09-004	166,817	165,748	950	166,698
Public Transportation Capital Assistance		PTD 00-09-007	640,829	622,591	16,900	639,491
Public Transportation Capital Assistance		PTD 01-09-007	69,387	64,154	-	64,154
Public Transportation Capital Assistance		PTD 02-09-007	364,360	293,028	21,752	314,780
Public Transportation Capital Assistance		NC-03-0059	50,000	-	-	-
Public Transportation Capital Assistance		NC-03-0061	18,427	-	-	-
Public Transportation Maintenance Assistance						
Program - Operating		06SM013	2,122,772	-	2,122,772	2,122,772
Leesville Road Extension		9.8052061	150,000	150,000	-	150,000
Traffic Signal Upgrade		WBS35247.5.6	337,500	337,500	-	337,500
City-wide Traffic Signal Upgrade		C-4923	21,000,000	-	-	-
Morgan Street Two Way Traffic		B-2655	110,000	-	-	-
Duraleigh Road at U.S. 70		9.8052058	150,000	150,000	-	150,000
Western Boulevard Landscaping		E-2973-E	100,000	89,020	10,980	100,000
House Creek Greenway		E-4929	500,000	-	20,000	20,000
Stonybrook Drive Bridge Design		-	443,334	87,578	83,746	171,324
GHSP Equipment Grant		-	3,120	2,941	-	2,941
GHSP Research Speed and Traffic		-	94,711	-	66,322	66,322
Neuse River Greenway Grant		E-4829	500,000	-	71,909	71,909
Powell Bill		WBS32570	9,156,663	-	9,156,663	9,156,663
Total N. C. Department of Transportation			36,224,234	2,149,728	11,589,864	13,739,592
<u>N.C. HOUSING FINANCE AGENCY</u>						
Job Training Grant		-	114,000	74,038	7,102	81,140
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
RRT Grant		-	57,000	40,549	-	40,549
Summit House		-	18,099	7,354	12,352	19,706
TRAC Initiative		-	67,405	-	40,020	40,020
Gang Violence Intervention		-	12,119	-	12,109	12,109
Total N. C. Department of Crime Control and Public Safety			154,623	47,903	64,481	112,384
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Water Construction Loan #HLRXF01093		-	2,900,000	2,817,941	182,059	3,000,000
Section 319(h) Fletcher Park Retention Pond		EW06010	328,000	-	-	-
Section 319(h) VFS Facility - Bio retention		EW06012	34,000	-	-	-
PARTF - Buffalo Road Park		2003-316	241,000	138,209	88,742	226,951
PARTF - Honeycutt Park		2004-380	250,000	-	250,000	250,000
LWCF - Honeycutt Park		37-01006	171,483	-	171,483	171,483
PARTF - Lake Johnson Park		2004-357	250,000	250,000	-	250,000
Soil Erosion Engineering Program		L04002	2,244	903	-	903
Waste Reduction and Recycle		H062006	14,455	-	7,990	7,990
Total N. C. Department of Environment and Natural Resources			4,191,182	3,207,053	700,274	3,907,327

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
<u>NC Department of Cultural Resources</u>						
Architectural Survey Grant		-	\$ 15,860	\$ -	\$ 12,559	\$ 12,559
Total Expenditures of State Awards			\$ 40,699,899	\$ 5,478,722	\$ 12,374,280	\$ 17,853,002
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Special Populations Program			\$ 76,366	\$ -	\$ 76,366	\$ 76,366
Open Space Program			200,000	136,194	2,606	138,800
Transportation - EDTAP			14,000	-	14,000	14,000
Secure Our Schools			5,000	-	5,000	5,000
Board of Alcohol Control			20,000	-	1,024	1,024
			315,366	136,194	98,996	235,190
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Alternate Fuel Grant			21,420	13,503	-	13,503
Total Expenditures of Other Awards			\$ 336,786	\$ 149,697	\$ 98,996	\$ 248,693
Total Expenditures - All Awards			\$ 96,375,008	\$ 38,345,156	\$ 21,725,217	\$ 60,070,373

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, 2006. 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, 2006 is \$-0-.

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY06.



CITY OF RALEIGH

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to federal awards? ☐ yes ☒ no

Type of auditor's 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 ☒ no

Identification of major federal programs:

CFDA Numbers

14.218
14.239
94.011
97.036
97.044

Names of Federal Program or Cluster

CDBG
HOME
Foster Grandparents
Hurricane Katrina Shelter Operation
Assistance to Firefighters

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

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Cause: The deficit net assets in the print services fund results from inadequate internal charges for the services. The deficit net assets in the risk management fund results from adverse experience in prior years' claims and from recognizing the liability and related expense for actuarially determined claims incurred but not yet reported. The deficit net assets in the employees' health benefits fund results from the year-end accounting recognition of the liability and related expense for claims incurred but not yet reported.

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

II – Financial Statement Findings

Finding 06-1 (continued)

Recommendation: The City should review its internal charge structure for print services to assure cost of services are sufficiently charged out and / or re-structure the print services operation as a general fund function. The City should increase future reserve funding and / or internal charges for services (i.e. employer and employee health benefits funding requirements) in the risk management and employees' health benefits funds sufficient to cover all claims liabilities.

Management response: The City agrees that increased charges for services or additional reserves are required for each fund. The City will review the internal charge structure for print services and consider re-structuring this operation as necessary. The deficit that the City reports in the risk management fund is impacted by the transition of its claims administration duties to a third party administrator and the acceleration of prior claim settlements. It is anticipated that the funding impact of this will be stabilized and moderated in ensuing years. Funding requirements of the employees' health benefits fund are regularly reviewed and adjusted as necessary, most recently July 1, 2006.

III – Federal Award Findings and Questioned Costs

None.

IV – State Award Findings and Questioned Costs

NC Department of Transportation

Finding #: 06-2

Nonmaterial noncompliance

Program Name: Powell Bill

Criteria: The Powell Bill compliance supplement specifically states that Powell Bill funds cannot be used for the installation of new fire hydrants or the installation of utility pipe hangers.

Condition: Based upon the testing of allowable costs and activities Powell Bill funds were used for the assembly and installation of fire hydrants. This finding occurred in one of fifteen invoices tested.

Effect: The City may have to return a portion of the Powell Bill funds used for assembly of the fire hydrants and installation of utility pipe hangers or reallocate additional Powell Bill eligible funds to the Powell Bill report.

Cause: The City did not adequately review the detail of the Powell Bill invoices to determine that all expenses were for eligible costs.

Questioned Costs: Approximately \$2,850.

Recommendation: The City should develop a system of policies and procedures for ensuring that only eligible Powell Bill expenditures are included on the reimbursement reports.

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

IV – State Award Findings and Questioned Costs

Finding 06-2 (continued)

Management Response: The City will implement procedures to identify and exclude installation of new fire hydrants or the installation of utility pipe hangers as Powell Bill expenditures. Inasmuch as the City incurred and reported excess eligible Powell Bill expenditures sufficient to offset these ineligible costs, it is unlikely that repayment will be required. The City will file an amended Powell Bill report with the NCDOT if required.

CITY OF RALEIGH, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2006

Finding #: 06-1

Name of Contact Person: Perry James, III, Chief Financial Officer

Corrective Action Plan: The City agrees that increased charges for services or additional reserve funding will be required in these internal service funds.

Proposed Completion Date: Fiscal 2006-2007

II – Federal and State Awards Findings and Questioned Costs

Finding #: 06-2

Name of Contact Person: John House, Controller

Corrective Action Plan: Procedures will be implemented to identify and exclude installation of new fire hydrants or the installation of utility pipe hangers as Powell Bill expenditures.

Proposed Completion Date: Fiscal 2006-2007.

CITY OF RALEIGH, NORTH CAROLINA
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2006

Finding 05-1

This is a recurring finding in 2006 (Finding 06-1).

Credits:

Convention center photo – *Raleigh Convention Center*

Stanley Cup photo – *Matt Robinson, Raleighskyline.com*

Fireworks over Fayetteville Street photo – *City of Raleigh Public Affairs*

Dempsey E. Benton Water Treatment Plant photo – *Arcadis G&M of North Carolina*

City Seal terrazzo fabrication and installation – *David Allen Co.*

City Seal photo – *Michael Zirkle*

CAFR design and production – *Sally Johns Design • Marketing Communications*

Printing – *Joseph C. Woodard Company*



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