



CITY OF RALEIGH  
NORTH CAROLINA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2007





# CITY OF RALEIGH NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2007





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*INTRODUCTORY SECTION*

## **INTRODUCTORY SECTION**



## RALEIGH CITY COUNCIL - 2006-2007



INTRODUCTORY SECTION

**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

## CITY ADMINISTRATIVE, LEGAL AND FINANCIAL STAFF



J. Russell Allen  
City Manager



Perry E. James, III  
Chief Financial Officer

**J. Russell Allen**  
CITY MANAGER

**Lawrence E. Wray**  
ASSISTANT CITY MANAGER

**Julian B. Prosser, Jr.**  
ASSISTANT CITY MANAGER

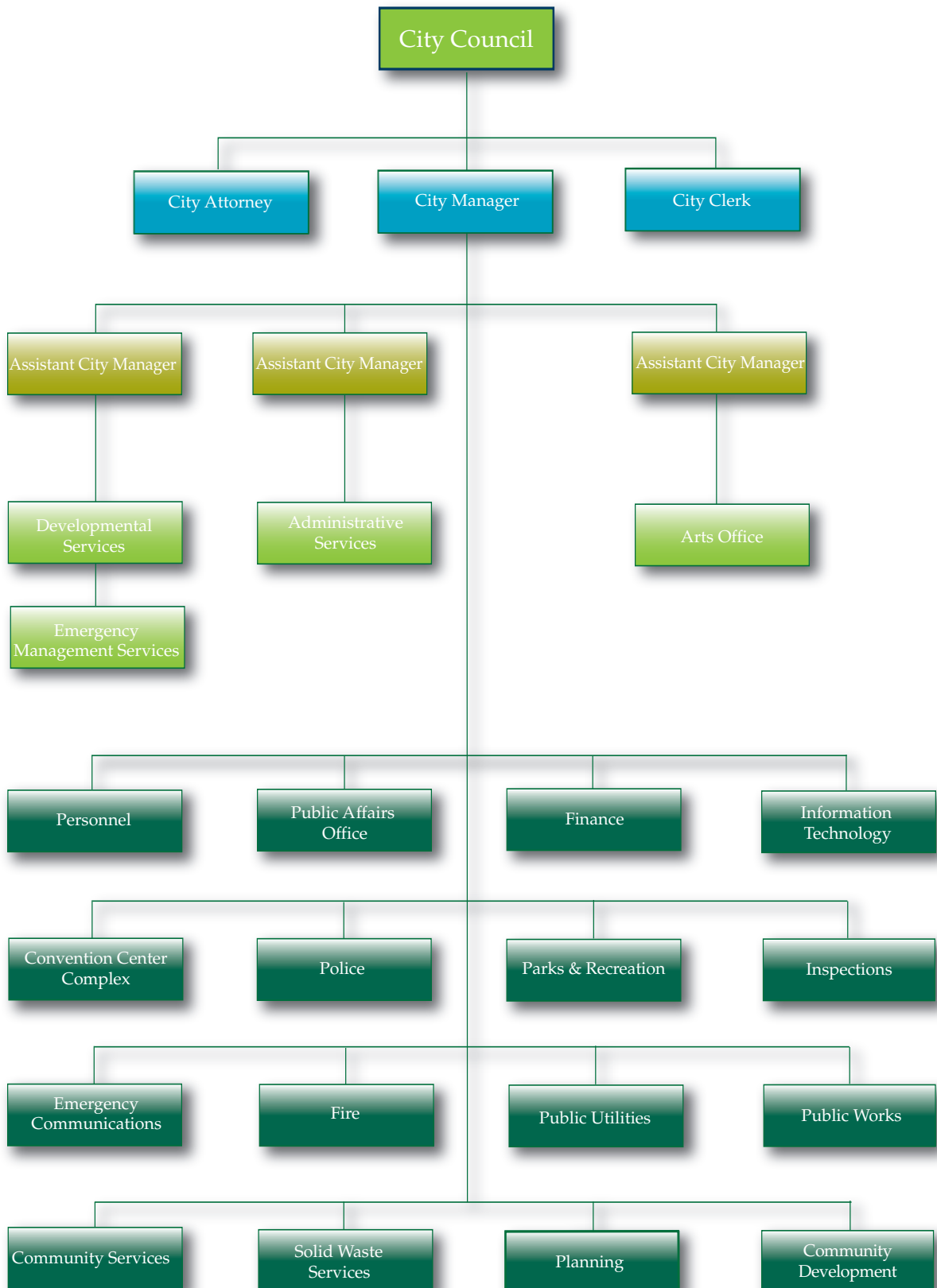
**Daniel A. Howe**  
ASSISTANT CITY MANAGER

**Thomas A. McCormick, Jr.**  
CITY ATTORNEY

**Gail G. Smith**  
CITY CLERK

**Perry E. James, III**  
CHIEF FINANCIAL OFFICER

## City-Wide Organization Chart





December 3, 2007



***TO THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL AND CITIZENS OF  
THE CITY OF RALEIGH, NORTH CAROLINA***

**I**t is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2007. 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, 2007, 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, 2007 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

**R**aleigh is situated in the heart of the State of North Carolina, in a section 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 140 square miles and has an estimated population of 367,995. 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 1,422,000.

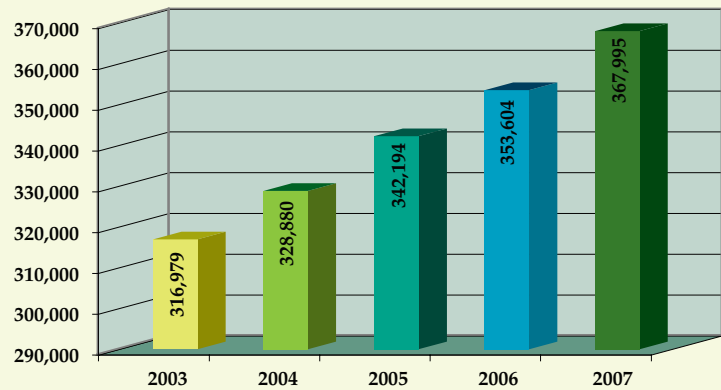
The North Carolina General Assembly purchased land for the original site of the City for the specific purpose of being the Capital of North Carolina. The City was established in 1792 by an act of the General Assembly and has utilized a council-manager form of government since 1947. The Mayor and two 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, parks, recreation and cultural services, a variety of transportation and public works programs, and other traditional support activities. Extended planning on the city's infrastructure needs occurs on an ongoing basis resulting in the present infrastructure being in excellent condition.

The City is empowered to levy a property tax on 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.

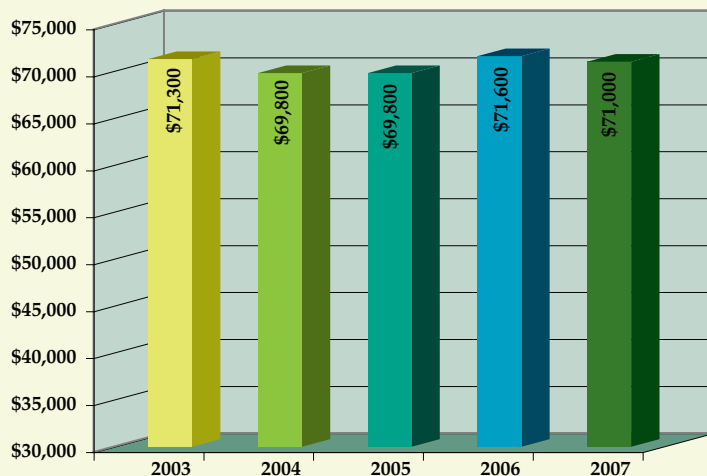
Based on its annual survey of the top 100 cities, Forbes Magazine recently cited the Raleigh area as the “hottest” metropolitan area for jobs in the U.S. Forbes noted “...The city has low unemployment, strong income and job growth and high incomes... yet it still maintains a relatively low cost of living...” 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 2006 American Community Survey reports the percent of adults in the City with a high school diploma is 88% and 45% of the adults have a bachelor’s degree. That same survey reports that the City median household income is \$51,123 and the median family income is \$71,000. The median monthly housing cost for homeowners with mortgages is \$1,415.

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. The latest data for Wake County reflects per capita income higher than the state and national per capita personal incomes. 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, commerce 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 all new construction, such as is occurring at an unprecedented level in the downtown area, is projected to continue to increase as will the demand for City services.

Retail Sales also continue to be strong. From 2001 through 2005, gross retail sales increased an average of 4% per year from \$7.5 billion to \$8.5 billion. Beginning in FY 2006, retailers have been required to report only taxable retail sales. In FY 2006, taxable retail sales were \$6.1 billion, in FY 2007 these sales were \$6.8 billion, an increase of 11% over FY 2006.

**Median Family Income**



For the eighth consecutive year, total permitted construction value in Raleigh was over \$1 billion. In the 1st through 3rd quarters of 2006, 30 major companies announced either new operations or expansions of present operations in Wake County with an announced estimated investment of over \$445 million. This represents 4,190 new jobs added to the workforce in Wake County. As a result, the June, 2007 unemployment rate was 3.9 percent as compared to 4.9 percent statewide and 4.5 percent nationwide. As the aforementioned Forbes survey concluded, "... there isn't much of a negative in Raleigh... ."

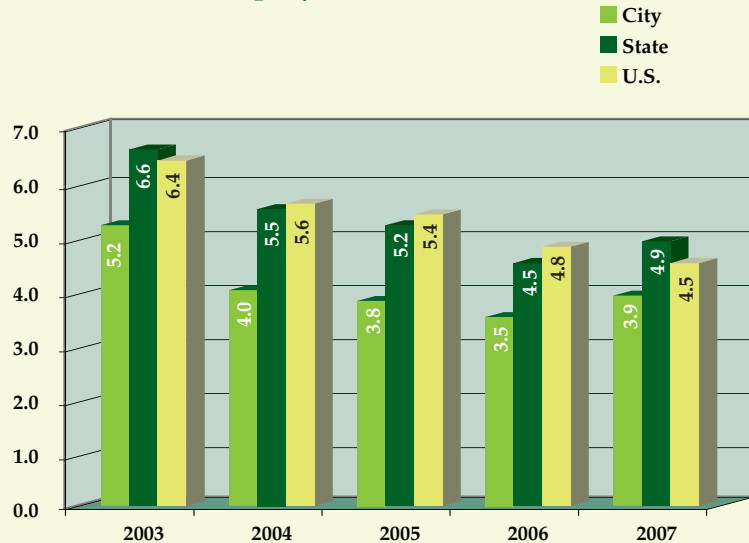
The nearby Research Triangle Park was developed in 1959 for industrial, governmental and scientific research. Its primary objective is to attract research related institutions to the area, and currently consists of approximately 157 organizations including those of International Business Machines Corporation, Nortel, GlaxoSmithKline, Cisco Systems, 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 11.22 million people visited Raleigh during 2006 for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the RBC Center, Walnut Creek Amphitheater, the Progress Energy Center for the

Performing Arts, Marbles Museum and IMAX Theater, numerous state museums, and several major retail shopping malls. The 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, at the Progress Energy Center for the Performing Arts, hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South. The Progress Energy Center for the Performing Arts is the home of the North Carolina Symphony and the Carolina Ballet, and provides 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 the 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 the 944 space underground parking deck to serve the convention center, hotel and nearby private development. The project budgets for the convention center, hotel participation and underground parking deck are approximately \$290 million with completion of these expected to be in mid-2008. The convention center construction cost and the City's \$20 million share of the headquarters' hotel project are funded from an interlocal agreement that allocates revenues from the county-wide 6% room occupancy tax and 1% prepared food and beverage tax. The underground parking deck is being 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

Five-Year Unemployment Rates

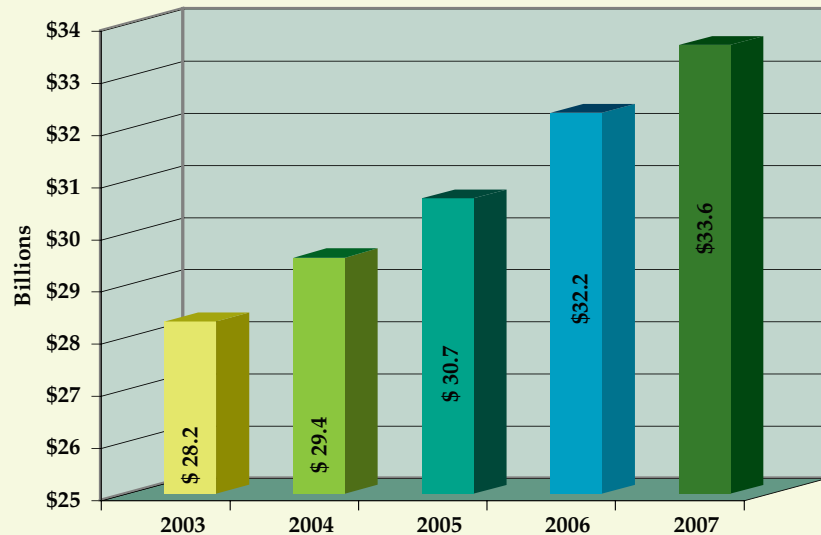


state capitol to the new convention center hotel construction site. Other phases of this project will include construction of a plaza site and the full extension of Fayetteville Street to the Progress Energy Center for the Performing Arts. The City is also currently partnering with a private development group to do a long-term capital lease of an underground parking deck under a planned adjoining mixed use complex. It is expected that these major projects will continue to be catalysts in attracting 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, or is in process, 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, affordable housing and student housing) are projected to be within or adjacent to the downtown business improvement district by 2008.

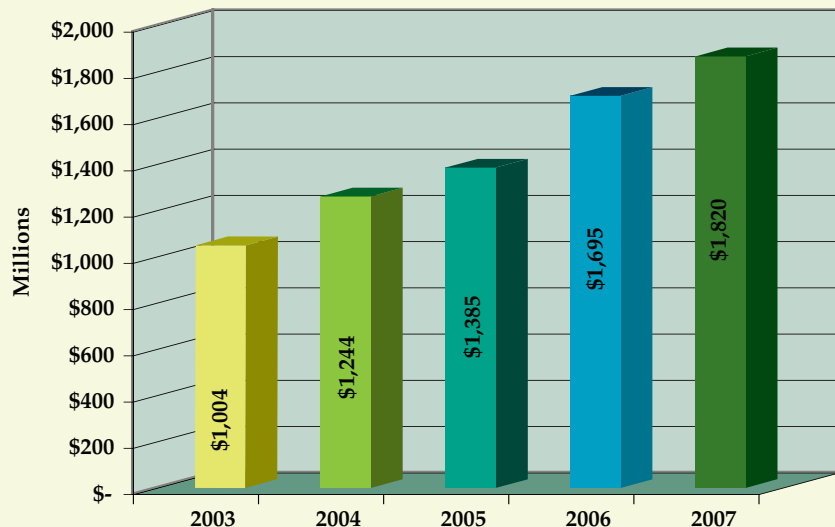
The expected growth of the area will result in the continued increase in the tax base and our largest revenue source, property taxes. Sales tax, our second largest revenue source, also is favorably impacted by the growth of the area and by ongoing good economic conditions. While sales tax is one of the 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



### Construction Activity

#### Value of Building Permits - Commercial and Residential





## 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 2006-07 through 2010-11. 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 and transportation programs represent the largest portions of the CIP due to the strong growth of our area and the large amount of utility and transportation needs.

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 2007 results that are built into the 2007-08 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 parking fund 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.

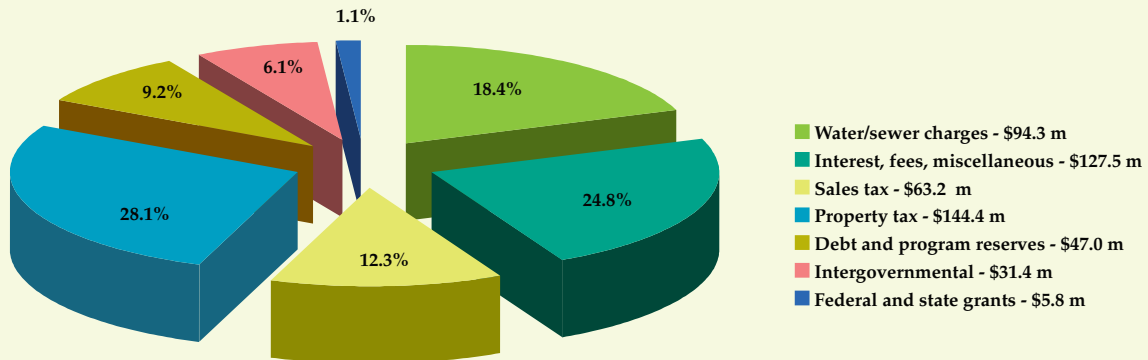
## Major Initiatives

### For the Year 2006-07

The City's Annual Budget for 2006-07, inclusive of operating and capital programs, grew by 12.2 percent from the prior year. The property tax rate increased four cents to \$.435, with two cents being dedicated to the general debt model to meet new debt requirements of the voter approved roads and affordable housing bond programs. Water and sewer rates were increased 9% in order to adequately maintain both parity debt covenants and the City's fund balance goals for the utilities operating fund. Other revenue adjustments included a first increment of a Council-approved plan to increase facility fee rates, an increase in public transit fares to \$1 and a \$5 increase in the vehicle decal fee to be dedicated to Transit. Major operating expense drivers included new staffing costs, pay and classification system adjustments, an annual debt service increase of \$7 million, growth of annual healthcare costs, fuel and utility cost increases and additional required public transit subsidies. Ongoing City growth, as well as new capital facilities, also required appropriate investments in new personnel resources and other operating costs that were associated with those needs.

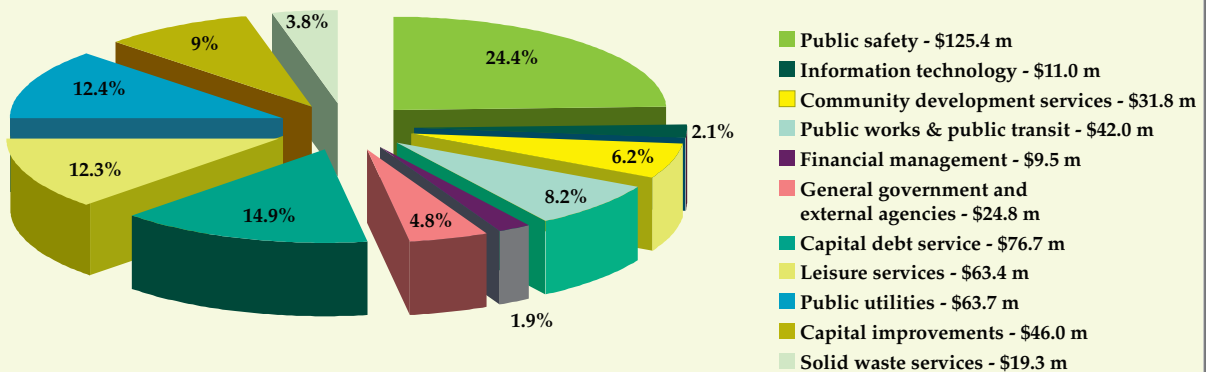
Capital improvement budgets in 2006-07 included the programming of remaining capital expenditures associated with the 2003 Parks Bond and a significant amount of general capital projects commencing such projects as the Clarence Lightner Public Safety Center and various remote operating facilities. Other key capital projects budgeted focused on transportation, stormwater, water and sewer utility infrastructure, and affordable housing.

### Adopted Budget 2006-2007



Revenues \$513,638,733

### Adopted Budget 2006-2007



Expenditures \$513,638,733

## For the Future

The fiscal year 2007-08 Annual Budget was adopted by the City Council on June 11, 2007. The combined capital and operating budget for the fiscal year beginning July 1, 2007 totals \$557,066,589, representing an 8.5% increase from the FY 2006-07 Annual Budget. The adopted budget maintains a property tax rate of \$.435. Water and sewer rates were again increased 9% to maintain ongoing operations and capital investment goals.

Other major revenue components of the 2007-08 operating budget include a \$2 per month increase in the solid waste fee, a second increment of increase in facility fees and the full implementation of a revenue indexing program in development services. The 2007-08 operating budget funds the continuation of current operations and provides additional funding and staffing for various needs associated with the City's growth, expansion of facilities and new programs. Including approved changes at mid-year, a total of 109 new positions are authorized. Of this total, 82 are in the General Fund, 21 in Public Utilities and 6 in other funds.

The 2007-08 capital budget includes new and/or continuing projects totaling \$237.1 million. This budget includes traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements. Fiscal year 08 capital funding sources include traditional capital revenues such as Powell Bill funds, facility fees, capital reserves, parking operations, and other pay-as-you-go funds. The capital budget is also funded by the appropriation of previously issued bond proceeds as well as new planned long-term debt issues.

## AWARDS AND ACKNOWLEDGMENTS

The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program since 1980. GFOA recognizes governmental units that issue their comprehensive annual financial report (CAFR) substantially in conformity with GAAP and all legal requirements. The City has received this award for its comprehensive annual financial report for all years beginning in 1980, including the 2006 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.

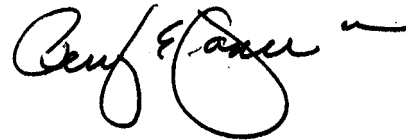
The preparation of this report has been accomplished by the City's Finance Department staff, with assistance from the independent auditors, Cherry, Bekaert & Holland, LLP. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves.

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, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Enser*

Executive Director





*FINANCIAL SECTION*

**FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year then ended June 30, 2007, 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, 2007, 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.

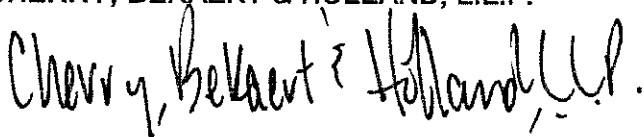
In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, L.L.P." in a cursive, stylized script.

Raleigh, North Carolina  
December 3, 2007

## 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, 2007. 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 \$1.48 billion (*net assets*). This amount is a \$122.3 million increase from last year. Of this amount, \$236.1 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 \$314.1 million. Of this total amount, 73.7% or \$231.7 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 \$84.1 million or 31.4% of total general fund expenditures. Of that amount, \$53.9 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 \$261.1 million during the current fiscal year. The issuance of new debt (\$356.2 million) exceeded principal repayments (\$96.1 million) by \$260.1 million. Other long-term obligations (earned vacation pay and landfill postclosure care) increased by \$1.0 million.
  - The City issued \$7.0 million in general obligation housing improvement bonds.
  - The City issued \$241.2 million in water and sewer revenue bonds for utility projects and \$59.2 million in water and sewer revenue refunding bonds to refund \$55.0 million of previously issued water and sewer revenue bonds.
  - The City entered into a \$39.6 million master installment financing agreement to finance several equipment acquisitions: automatic water meter reading equipment (\$19.0 million), 800 megahertz radio system (\$4.5 million), and rolling stock (\$16.1 million).
  - The City also entered into an installment purchase obligation of \$797,500 to purchase land for wastewater treatment plant improvements.
- 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 \$205.2 million, which were \$67.7 million less than the general revenues of \$272.9 million.
- On a government-wide basis for business-type activities, the City had revenues net of program expenses of \$33.9 million. Part of this excess resulted from water and sewer annexations (\$14.9 million) and mergers (\$28.6 million).

## OVERVIEW OF THE FINANCIAL STATEMENTS

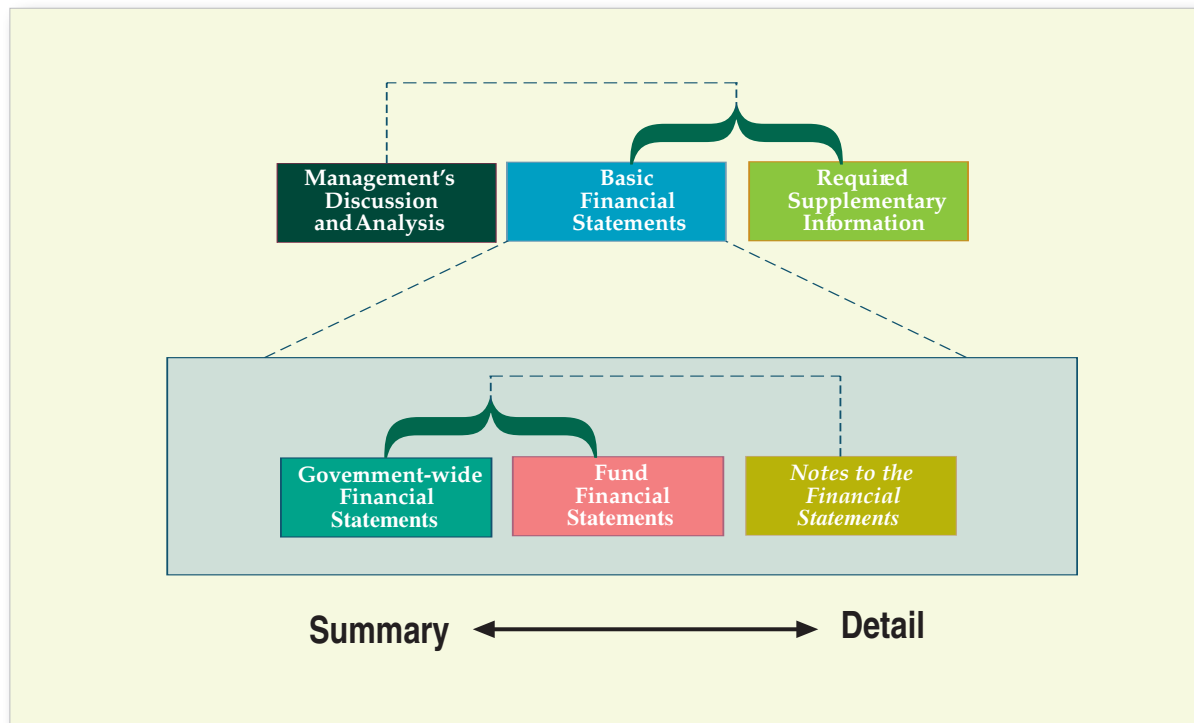
These basic financial statements consist of two sections: introductory and financial. As Figure A-1 shows, the financial section has three components – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements, as follows:
  - The governmental funds statements tell how general government services like public safety and solid waste, for example, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates 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 Basic Financial Statements**





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

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

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

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

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

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

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

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

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



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

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

The City maintains 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 - 50 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 51 - 52 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 53-108 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 \$1.48 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Raleigh's net assets (\$1.12 billion or 76.0 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	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 390.7	\$ 433.5	\$ 378.4	\$ 510.1	\$ 769.1	\$ 943.6
Capital assets	622.7	639.5	894.4	1,106.8	1,517.1	1,746.3
<b>Total assets</b>	1,013.4	1,073.0	1,272.8	1,616.9	2,286.2	2,689.9
Long-term debt outstanding	266.4	264.2	523.6	786.9	790.0	1,051.1
Other liabilities	62.9	69.8	74.7	88.1	137.6	157.9
<b>Total liabilities</b>	329.3	334.0	598.3	875.0	927.6	1,209.0
Invested in capital assets, net of related debt	456.0	462.3	584.4	662.1	1,040.4	1,124.4
Restricted	96.2	120.4	-	-	96.2	120.4
Unrestricted	131.9	156.3	90.1	79.8	222.0	236.1
<b>Total net assets</b>	<u>\$ 684.1</u>	<u>\$ 739.0</u>	<u>\$ 674.5</u>	<u>\$ 741.9</u>	<u>\$ 1,358.6</u>	<u>\$ 1,480.9</u>

An additional portion of the City's net assets (\$120.4 million or 8.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$236.1 million or 15.9 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 \$122.3 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	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 49.2	\$ 39.8	\$ 131.7	\$ 149.6	\$ 180.9	\$ 189.4
Operating grants and contributions	27.6	28.7	4.5	4.8	32.1	33.5
Capital grants and contributions	40.3	22.7	67.1	49.7	107.4	72.4
General revenues:						
Property taxes	125.1	144.4			125.1	144.4
Other taxes	98.4	107.0			98.4	107.0
Grants and contributions not restricted to specific programs	0.7	0.7			0.7	0.7
Other	13.1	20.8	11.6	20.6	24.7	41.4
Total revenues	354.4	364.1	214.9	224.7	569.3	588.8
Expenses:						
General government	46.7	37.6			46.7	37.6
Community development services	33.2	15.1			33.2	15.1
Public works	44.8	50.1			44.8	50.1
Public safety	110.9	118.4			110.9	118.4
Solid waste services	17.5	18.0			17.5	18.0
Leisure services	39.6	42.7			39.6	42.7
Economic development programs	4.0	4.5			4.0	4.5
Interest on long-term debt	9.9	10.0			9.9	10.0
Water and sewer			86.1	108.4	86.1	108.4
Convention center			26.3	29.9	26.3	29.9
Mass transit			18.4	19.9	18.4	19.9
Parking facilities			6.4	6.6	6.4	6.6
Stormwater			4.5	5.3	4.5	5.3
Total expenses	306.6	296.4	141.7	170.1	448.3	466.5
Increase in net assets before transfers	47.8	67.7	73.2	54.6	121.0	122.3
Transfers	(11.8)	(12.8)	11.8	12.8	-	-
Increase in net assets	36.0	54.9	85.0	67.4	121.0	122.3
Net assets, beginning of year	648.1	684.1	589.5	674.5	1,237.6	1,358.6
Net assets, end of year	\$ 684.1	\$ 739.0	\$ 674.5	\$ 741.9	\$ 1,358.6	\$ 1,480.9

**Change in net assets.** The City's total revenues were \$588.8 million. Thirty-two percent of the City's revenue comes from charges for services; another twenty-four percent comes from property taxes. Other taxes account for eighteen percent and most of the rest is state and federal grants and other contributions.

The total cost of all programs and services was \$466.5 million. The City's expenses cover a range of services, with twenty-five percent related to public safety (police, fire and emergency communications), twenty-three percent to utilities (water and sewer), and eleven percent related to public works.

## GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$364.1 million, while total expenses were \$296.4 million. The increase in net assets for governmental activities (after transfers of \$12.8 million) was \$54.9 million in 2007.

General economic growth in the City, combined with a 4 cents increase in the property tax rate (from \$0.395 to \$0.435 per \$100 valuation of taxable property) resulted in increased property tax revenues of \$19.3 million from \$125.1 million to \$144.4 million. Property taxes represent 39.7% of total governmental revenues. Other taxes, which accounted for 29.4% of total governmental revenues, increased \$8.6 million from 2006.

### Revenues by Source - Governmental Activities

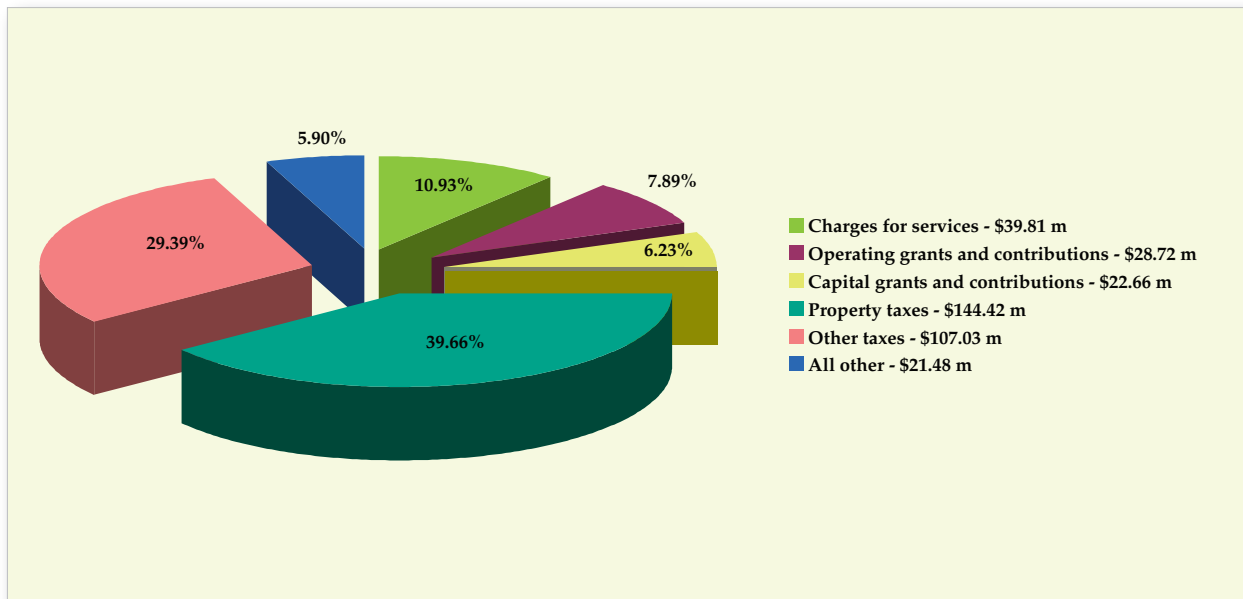


Table 3 presents the cost of each of the City's four largest governmental activities programs – public safety, public works, leisure services, and general government – as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the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

**Table 3**

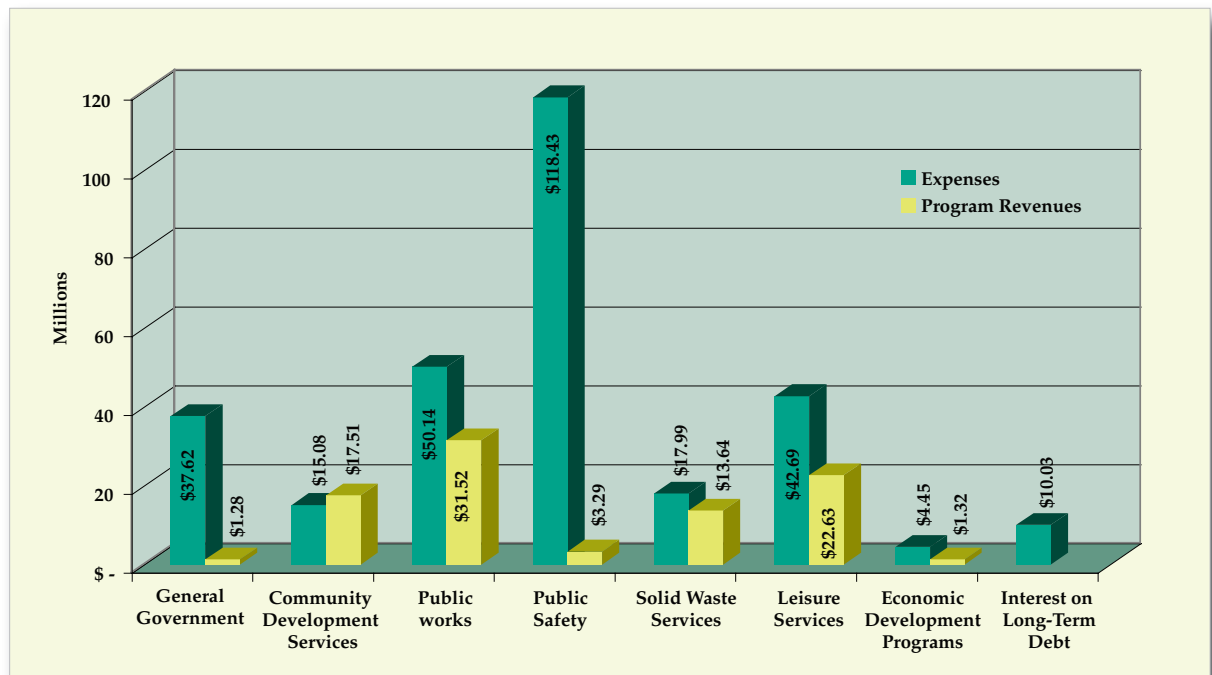
### Net Cost of City of Raleigh Governmental Programs (in millions of dollars)

	Total Cost of Services		Net Cost of Services	
	2006	2007	2006	2007
Public safety	\$ 110.9	\$ 118.4	\$ (106.6)	\$ (115.1)
Public works	44.8	50.1	(3.3)	(18.6)
Leisure services	39.6	42.7	(11.2)	(20.1)
General government	46.7	37.6	(45.6)	(36.3)

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

- The cost of all governmental activities this year was \$296.4 million.
- The amount that our taxpayers paid for these activities through property taxes was \$144.4 million.
- Those who directly benefited from service-fee based programs paid \$39.8 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions totaling \$51.4 million. These grants and contributions include annexations of streets and sidewalks (\$13.2 million), operating support from various federal and state agencies (\$18.7 million), interlocal support from Wake County for debt service on the convention center construction project (\$11.6 million), and other facility fees and developers' participation (\$6.3 million).
- The City received \$272.9 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$205.2 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (39.9%), public works (16.9%), leisure services (14.4%), and general government (12.7%) – represent 83.9% of the total governmental activities.

### Expenses and Program Revenues - Governmental Activities





## BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$224.7 million, and expenses were \$170.1 million. The increase in net assets for business-type activities (after transfers in of \$12.8 million) was \$67.4 million in 2007. Table 4 shows the total cost and net cost or revenue for these services.

**Table 4**

**Net Cost of City of Raleigh Business-type Activities** (in millions of dollars)

	Total Cost of Services		Net (Cost) Revenue of Services	
	2006	2007	2006	2007
Water and sewer	\$ 86.1	\$ 108.4	\$ 78.9	\$ 44.7
Convention center	26.3	29.9	(12.9)	(8.8)
Parking facilities	6.4	6.6	(1.2)	2.3
Mass transit	18.4	19.9	(11.2)	(12.2)
Stormwater	4.5	5.3	8.0	7.9
Total	<u>\$ 141.7</u>	<u>\$ 170.1</u>	<u>\$ 61.6</u>	<u>\$ 33.9</u>

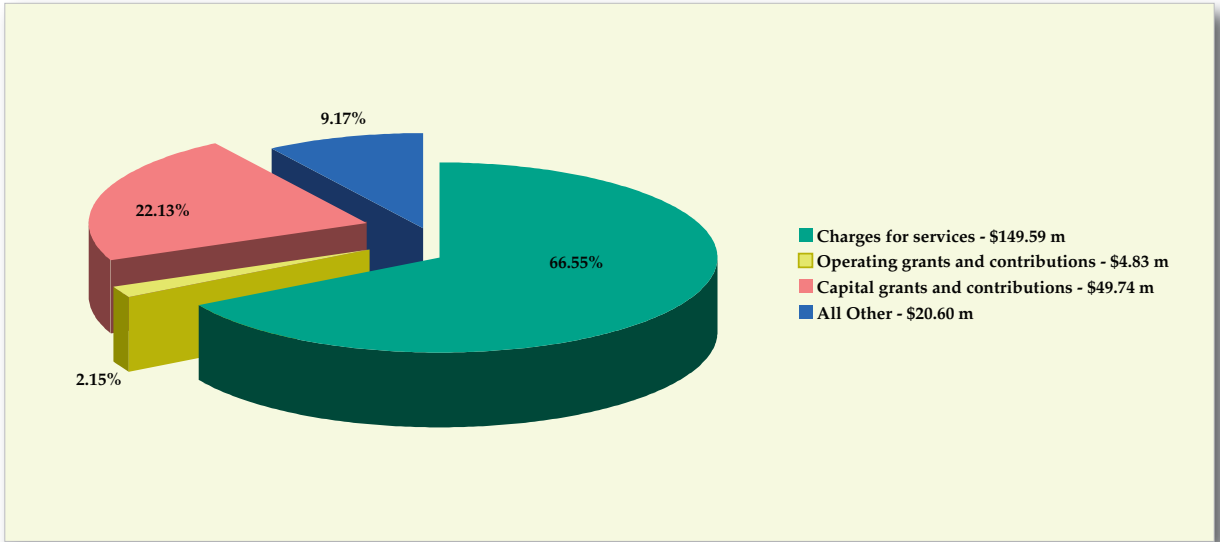
The net revenue in the water and sewer operation decreased by \$34.2 million in 2006-07 from \$78.9 million to \$44.7 million. The decrease resulted primarily from two factors. Operating expenses increased \$22.3 million in 2006-07 from \$86.1 million to \$108.4 million as overall growth and our merger program increased our service base to over 160,000 customer accounts. A second factor for the net revenue decrease is that capital contributions from mergers decreased \$21.3 million in 2006-07 as we completed our eastern Wake County merger program. Merger contributions from the Towns of Zebulon and Wendell were \$28.6 million in 2006-07 versus merger contributions of \$49.9 million from Wake Forest and Knightdale in 2005-06. The aforementioned service base growth as well as a 9% water and sewer rate increase contributed to the \$8.6 million increase in user charges revenues in 2006-07, from \$98.2 million to \$106.8 million.

Significant changes in other major business-type activities included an increase in net revenue of the convention center activities of \$4.1 million from a deficit of \$12.9 million in 2005-06 to a deficit of \$8.8 million in 2006-07. This increase primarily results from increased program revenues, charges for services, of \$7.4 million from \$13.4 million to \$20.8 million. More specifically, overall growth in attendance at the performing arts center events, from 560,000 in 2005-06 to 654,000 in 2006-07, generated \$7.0 million of the total revenue increase.

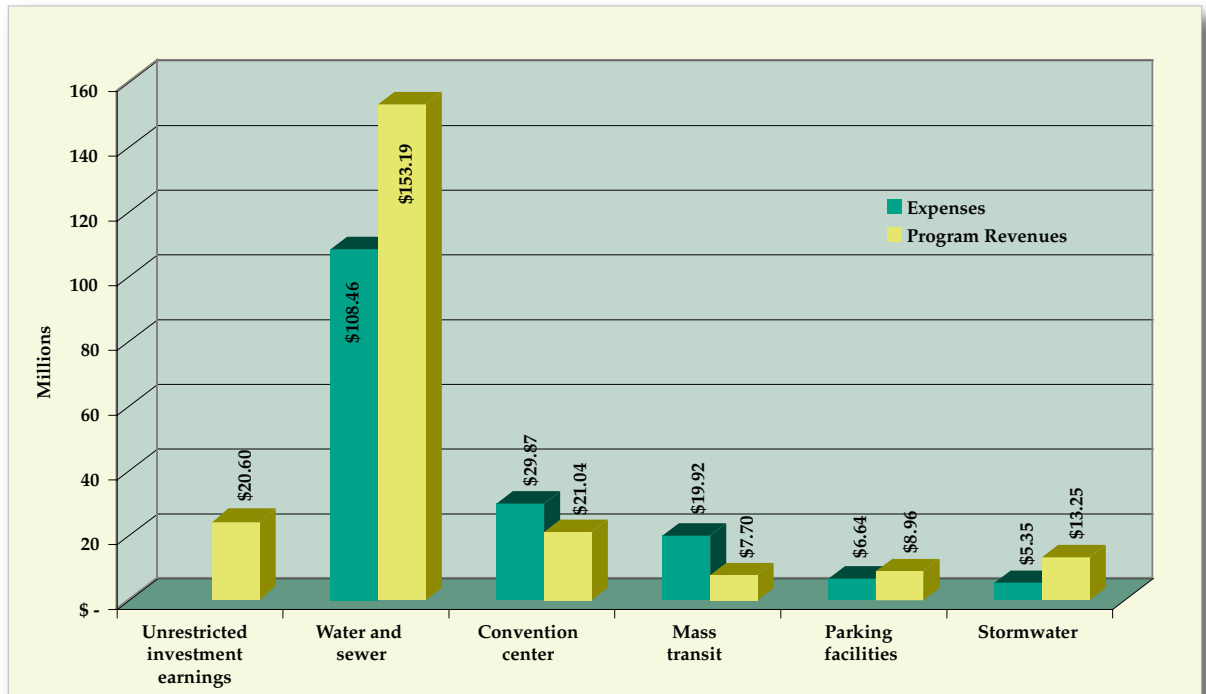
Net revenues of the parking facilities activities also increased during 2006-07. This increase, by \$3.5 million from a deficit of \$1.2 million to a positive \$2.3 million, resulted primarily from a \$2.9 million developer's contribution to a downtown parking facilities construction project.

We continue to heavily subsidize our mass transit operation. Deficit net revenues of \$12.2 million are essentially funded from governmental activities general revenues by way of transfers. Net revenues in our stormwater activities decreased slightly in 2006-07 from \$8.0 million to \$7.9 million.

### 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 \$314.1 million, an increase of \$19.6 million in comparison with the prior year. Approximately 73.7% of this total amount (\$231.7 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 (\$8.0 million), reserved for inventories (\$1.9 million), reserved by state statute (\$32.4 million), reserved for the new convention center project (\$38.1 million), or reserved for emergency communications equipment (\$2.0 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 \$84.1 million, while total fund balance was \$126.5 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 31.4 percent of total general fund expenditures, while total fund balance represents 47.3 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 budget. 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 \$30.2 million as specified on page 25 of the notes to the financial statements. This includes \$14.6 million appropriated for 2007-08. The remaining unreserved fund balance of \$53.9 million is undesignated and represents 15.31% of the 2007-08 general fund expenditure budget.

The fund balance of the City's general fund increased by \$12.1 million during the current fiscal year. Key factors in this increase are as follows:

- Overall revenues increased \$31.0 million in 2006-07. Specifically, property taxes increased \$19.0 million reflecting growth consistent with prior years and the 4 cents increase in the tax rate. Local sales tax increased \$5.7 million, and all other revenues increased in total by \$6.3 million.
- Overall expenditures increased \$14.5 million in 2006-07.
- The resulting excess of revenues over expenditures for 2006-07 was \$16.5 million, an increase of \$1.0 million over 2005-06.
- Net other financing uses increased \$5.2 million in 2006-07 from \$14.8 million to \$20.0 million. Most of the increase resulted from a \$6.7 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 \$615.8 million. The net assets of the water and sewer fund increased by \$59.2 million. This increase is due primarily to an increase in operating income and an increase in capital contributions. Operating income increased \$8.2 million from \$97.6 million in 2005-06 to \$105.8 million in 2006-07 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 4,500 customers from mergers with the towns of Zebulon and Wendell. These towns join Garner, Rolesville, Knightdale and Wake Forest as Wake County towns which have merged with our utility system since 2001. Capital contributions from grants, annexations, developers' participation, and system mergers increased net assets significantly as these items added \$46.4 million to net assets in 2006-07. The single largest component of capital contributions in 2006-07 was \$29.0 million resulting from the aforementioned system mergers with Zebulon and Wendell. Convention Center net assets decreased \$1.3 million in 2006-07 versus a \$5.8 million decrease in 2005-06. These improved operating results were due to the increased operating revenues, \$7.2 million (from \$13.4 million to \$20.6 million), in excess of the increased operating expenses, \$4.0 million (from \$18.3 million to \$22.3 million). The increase of \$3.2 million in parking net assets was primarily due to \$2.9 million capital contributions from private developer participation in an underground parking deck project.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in appropriations increasing \$11.8 million during 2006-07. Increases in expenditure budgets (\$7.2 million) and transfers to other funds budgets (\$7.9 million) exceeded increases in revenue and transfers from other funds budgets (\$3.3 million), thus resulting in the \$11.8 million increase in the budget from fund balance appropriated. The final positive budget variance was \$39.8 million. This overall positive variance resulted as follows:

- Revenues \$7.8 million positive, primarily from local sales tax (\$3.9 million positive), intergovernmental revenues (\$3.4 million positive), and all other fees and revenues (\$3.4 million positive). These positive variances offset the \$2.9 million negative variance from ad valorem taxes, interest on investments, and other fees.
- Expenditures \$30.0 million positive, pervasively across the board as all individual expenditure functions and departments had positive budget variances.
- Other financing net uses \$2.0 million positive, from budgeted transfers to other funds 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, 2007, amounts to \$1.7 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 15.1 percent (a 2.7 percent increase for governmental activities and a 23.7 percent increase for business-type activities).

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

- Land additions of \$7.4 million were made during the year.
- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total construction was \$28.8 million, including construction in progress of \$18.6 million as of June 30, 2007.

- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$88.5 million including construction in progress of \$68.9 million as of June 30, 2007.
- Equipment acquisitions added \$11.3 million to the City's rolling stock inventory.
- Total construction in progress for the on-going convention center project at June 30, 2007 was \$146.9 million, including \$73.8 million during 2006-07.
- Total construction in progress on the on-going underground parking deck project adjacent to the new convention center was \$35.7 million at June 30, 2007, including \$27.4 million added during 2006-07.
- On-going investment in stormwater management (\$2.7 million) projects continued during 2006-07.
- Annexations added \$13.2 million to streets and \$14.9 million to water and sewer systems. Utility system mergers with the towns of Zebulon and Wendell added \$25.2 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	
	2006	2007	2006	2007	2006	2007
Land	\$ 111,537	\$ 115,706	\$ 61,396	\$ 64,634	\$ 172,933	\$ 180,340
Buildings and machinery	53,691	54,120	77,616	76,361	131,307	130,481
Water and sewer systems	-	-	523,570	579,319	523,570	579,319
Streets and sidewalks	325,390	340,518	-	-	325,390	340,518
Parking decks	-	-	45,730	44,397	45,730	44,397
Buses	-	-	9,800	8,381	9,800	8,381
Equipment	24,972	26,720	13,856	15,437	38,828	42,157
Furniture and fixtures	986	700	61	26	1,047	726
Improvements	82,600	83,142	29,001	63,305	111,601	146,447
Construction in progress	23,554	18,567	133,402	254,932	156,956	273,499
Total	<u>\$ 622,730</u>	<u>\$ 639,473</u>	<u>\$ 894,432</u>	<u>\$ 1,106,792</u>	<u>\$ 1,517,162</u>	<u>\$ 1,746,265</u>

Additional information on the City's capital assets can be found on pages 28 - 30 of the notes to the financial statements of this report.

**Long-term debt.** In September 2006, the City sold \$241.2 million in water and sewer revenue bonds to finance utility system improvements. The bonds mature incrementally between 2010 and 2036 and bear rates ranging from 3.50% to 5.00% for a true interest cost of 4.53063%.

Also in September 2006, the City issued \$59.2 million in water and sewer revenue refunding bonds to refund \$55.0 million of previously issued water and sewer revenue bonds. The bonds mature incrementally between 2007 and 2026 and bear interest rates ranging from 3.40% to 4.25% for a true interest cost of 4.280347%. This refunding was undertaken to reduce total debt service payments over the next 19 years by \$2,371,580, and resulted in an economic gain of \$1,662,167.

Both September 2006 revenue bond issues were rated AAA by Standard & Poor's (S&P) and Fitch, and Aa1 by Moody's.

In March 2007, the City sold \$7.0 million in taxable general obligation housing improvements bonds. The issue was rated AAA/Aaa by S&P, Fitch and Moody's. The bonds mature incrementally between 2007 and 2027 and bear interest rates ranging from 4.95% to 5.40%.

In June 2007, the City entered into a \$39.6 million master installment financing agreement to finance several equipment acquisitions: automatic water meter reading equipment (\$19.0 million), 800 megahertz radio system (\$4.5 million), and rolling stock (\$16.1 million). The loan is secured with a security interest in the financed property for the benefit of the lender. Installment payments are due annually beginning June 2008 through May 2012, with interest payments due semi-annually. The loan carries a fixed interest rate of 4.16%.

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$202.1 million. The remainder of the City's debt represents revenue bonds (\$415.5 million) and installment financing agreements (\$398.4 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 \$252.5 million (33.0%) during 2006-07 as new debt issues of \$347.8 million exceeded principal repayments of \$95.3 million.

The City has other long-term obligations for earned but unused vacation pay due its employees (\$17.8 million) and landfill postclosure care costs (\$4.5 million). These obligations increased \$1.3 million from 2006 balances.

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

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
General obligation bonds	\$ 189,327	\$ 183,219	\$ 22,998	\$ 18,916	\$ 212,325	\$ 202,135
Revenue bonds	-	-	175,380	415,540	175,380	415,540
Installment financing agreements	56,713	60,272	319,121	338,086	375,834	398,358
Total	<u>\$ 246,040</u>	<u>\$ 243,491</u>	<u>\$ 517,499</u>	<u>\$ 772,542</u>	<u>\$ 763,539</u>	<u>\$ 1,016,033</u>

Subsequent to FY07 year-end, in September 2007, the City sold \$28.930 million in certificates of participation to finance a solid waste transfer station (\$7.885 million) and on-going construction of an underground parking deck (\$14.765 million) and Fayetteville Street improvements (\$6.280 million). This issue was rated AA+ by S&P, AA by Fitch, and Aa2 by Moody's.

Raleigh continues to benefit from outstanding credit ratings as evidenced by the aforementioned placements, earning the highest general obligation credit ratings and excellent revenue bond and COPS ratings 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 \$2.7 billion, which is significantly in excess of the City's outstanding net debt of \$700.6 million.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 33 – 42 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant factors considered in preparing the City's budget for the 2007-08 fiscal year were:

The City's tax base continues to benefit from strong growth in the area, and as a result our largest revenue source, property taxes, will continue to grow. The 2007-08 adopted budget maintains the property tax rate at \$.435, and projects property tax revenue at \$151.5 million. This is an increase of \$7.0 million, or 4.9%, from 2006-07.

Sales tax is our second largest general revenue source. Sales tax continues to be positively impacted by the good economy in our area, although growth is being negatively affected by increasing internet sales. The 2007-08 budget for sales tax projects continued economic vitality and was increased \$4.06 million (6.4%) to \$67.3 million.

Other major general revenue enhancements approved in the 2007-08 budget are a \$2 per month increase in the solid waste fee, a second increment of increase in facility fees, and implementation of revenue indexing in the development services fees. These enhancements added \$6.8 million to 2007-08 budgeted general revenues.

The overall growth in general revenues supports the continuation of current operations and provides funding for needs associated with growth, expansion of facilities, and new programs.

We also expect continued growth during 2007-08 in our water and sewer utility system; as we are now servicing over 160,000 customer accounts. Water and sewer rates were again raised 9% in order to provide funding for ongoing operations and capital investment consistent with our utility rate model. For 2007-08, we have budgeted \$105.8 million for water and sewer operating revenues, representing a \$11.6 million (12.3%) increase over 2006-07. Our immediate five year capital improvement program (2007-08 through 2011-12) for utilities recommends \$547.6 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 (\$16.7 million), improvements and renovations to our existing water treatment plant (\$139.2 million), and expansion and improvements of our existing wastewater treatment plant (\$114.6 million). It is anticipated that this capital program will be funded from operating revenues (\$94.0 million) and revenue bond proceeds (\$453.6 million).

The other five major areas of our five year capital improvement program include transportation (\$117.7 million), parks (\$53.9 million), stormwater (\$76.5 million), housing (\$22.7 million), and general public improvements (\$318.6 million). In addition to ongoing roads, parks and stormwater projects, major new facilities planned within the capital improvement program are a new public safety center (\$107.6 million) and four remote operations facilities for streets, parks, solid waste and other public works maintenance operations (\$177.1 million). Several of these require yet to be developed alternative financing plans to pay for them.

As a result of these and other factors, the 2007-08 budget was adopted with an overall combined operating and capital budget of \$557.1 million. This represents an 8.5% increase over the \$513.6 million 2006-07 budget. The budget includes 109 new positions to support continued growth in service population, with 20 positions going to police, 53 positions going to utilities, and 36 positions going to other general services departments.

**Ongoing downtown development.** The City continues to focus new investment in revitalizing downtown. Construction is ongoing on four major City projects. A new 500,000 square foot convention center has been under construction since 2005. This project includes public meeting space in an adjacent 400 room headquarters' hotel, also currently under construction. Construction began in 2006 and continues on a 944 space underground parking deck to serve the convention center, the hotel and other expected new development. The project budgets for the convention center, the hotel participation, and the underground parking deck total \$290 million. These three projects are expected to be complete and operational in 2008. The fourth major downtown City project is the ongoing re-opening of Fayetteville Street. The initial \$11.0 million phase one of this



project was completed in July, 2006 with demolition of the pedestrian mall and the re-opening of the 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 (\$16.3 million), scheduled to begin with completion of the convention center, hotel, and underground parking deck, includes construction of a plaza site and completely re-opening Fayetteville Street to Memorial Auditorium and the Progress Energy Center for the Performing Arts. Other notable public and private projects include the City's partnering with a private development group on an underground parking deck for an adjoining mixed use complex, and the \$100 million, 32 story corporate headquarters building for RBC Centura Bank, currently under construction on Fayetteville Street. We expect these major projects to continue to attract new private investment and development in downtown Raleigh, as evidenced by over \$2.5 billion in planned, current, and completed projects since 2002.

**2007 Drought.** During 2007 and continuing to this report date, much of the southeast United States, including all of North Carolina, is experiencing extreme drought conditions. Raleigh's primary source of drinking water, Falls Lake, is severely below capacity levels. The City has invoked mandatory water usage restrictions such as banning all residential and commercial irrigation, and all non-commercial car washing. These restrictions, together with significant conservation efforts from our citizens, have significantly reduced consumption levels to assure adequate raw water inventory for the immediate future. Ultimately, it is hopeful that the rain deficit will be reversed. Regardless, planning is under way to address long-term water supply inventory and permanent efforts to conserve existing supply. At the current time, the financial position of the water and sewer fund remains strong. However, we will continue to monitor the implications of the drought on the current and long-term financial position of the utility enterprise.

## 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.





**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 277,531,102	\$ 99,247,411	\$ 376,778,513
Taxes receivable, net of allowance for uncollectibles of \$6,522,398	1,950,827	-	1,950,827
Assessments receivable, net of allowance for uncollectibles of \$190,846	1,733,661	1,892,442	3,626,103
Customer receivables, net of allowance for uncollectibles of \$3,783,449	1,206,137	18,485,406	19,691,543
Due from other governmental agencies	5,943,466	1,627,882	7,571,348
Accrued interest receivable	2,199,157	2,207,612	4,406,769
Other receivables and assets	6,626,770	683,078	7,309,848
Sales tax receivable	22,563,102	7,801,685	30,364,787
Internal balances	4,358,783	(4,358,783)	-
Inventories	2,668,358	4,593,086	7,261,444
Deferred charges	90,269	3,068,845	3,159,114
Loans receivable	47,075,555	-	47,075,555
Cash and cash equivalents/investments - restricted deposits and bond proceeds	57,559,552	374,843,242	432,402,794
Net pension asset	1,976,624	-	1,976,624
Capital assets:			
Land and construction in progress	134,272,460	319,566,306	453,838,766
Other capital assets, net of depreciation	505,200,502	787,225,997	1,292,426,499
Total assets	<u>1,072,956,325</u>	<u>1,616,884,209</u>	<u>2,689,840,534</u>
<b>LIABILITIES</b>			
Accounts payable	14,731,788	35,740,840	50,472,628
Arbitrage rebate payable	101,938	4,677,881	4,779,819
Accrued salaries and employee payroll taxes	4,726,223	560,390	5,286,613
Employee taxes and related withholdings	2,655,976	-	2,655,976
Accrued interest payable	2,543,510	10,646,787	13,190,297
Rehabilitation loans escrow	843,644	-	843,644
Reimbursable facility fees	4,520,889	-	4,520,889
Claims payable and other liabilities	37,862,654	-	37,862,654
Deferred contributions from other funds	-	990,925	990,925
Unearned revenue	1,826,197	489,811	2,316,008
Escrow and other deposits payable from restricted assets	-	35,027,513	35,027,513
Long-term liabilities:			
Due within one year	30,582,540	20,555,346	51,137,886
Due in more than one year	233,603,999	766,317,028	999,921,027
Total liabilities	<u>333,999,358</u>	<u>875,006,521</u>	<u>1,209,005,879</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	462,286,257	662,101,326	1,124,387,583
Restricted for:			
Capital projects	66,105,876	-	66,105,876
Community development projects	54,255,417	-	54,255,417
Unrestricted	156,309,417	79,776,362	236,085,779
Total net assets	<u>\$ 738,956,967</u>	<u>\$ 741,877,688</u>	<u>\$ 1,480,834,655</u>

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

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 37,623,753	\$ 864,409	\$ 338,114	\$ 78,223
Community development services	15,083,408	12,804,462	4,562,720	146,200
Public works	50,141,102	663,085	10,309,459	20,549,269
Public safety	118,436,297	3,081,028	79,731	135,353
Solid waste services	17,996,246	13,347,191	294,784	-
Leisure services	42,690,174	7,731,589	13,140,454	1,756,952
Economic development programs	4,455,909	1,324,143	-	-
Interest on long-term debt	10,035,115	-	-	-
Total governmental activities	296,462,004	39,815,907	28,725,262	22,665,997
Business-type activities:				
Water and sewer	108,461,378	106,758,067	-	46,441,189
Convention center	29,879,822	20,794,194	-	250,000
Mass transit	19,923,376	2,787,343	4,831,102	85,964
Parking facilities	6,640,737	6,001,072	-	2,962,964
Stormwater	5,359,153	13,256,709	-	-
Total business-type activities	170,264,466	149,597,385	4,831,102	49,740,117
Total City of Raleigh	\$ 466,726,470	\$ 189,413,292	\$ 33,556,364	\$ 72,406,114

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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (36,343,007)		\$ (36,343,007)
2,429,974		2,429,974
(18,619,289)		(18,619,289)
(115,140,185)		(115,140,185)
(4,354,271)		(4,354,271)
(20,061,179)		(20,061,179)
(3,131,766)		(3,131,766)
(10,035,115)		(10,035,115)
<u>(205,254,838)</u>		<u>(205,254,838)</u>
	\$ 44,737,878	44,737,878
	(8,835,628)	(8,835,628)
	(12,218,967)	(12,218,967)
	2,323,299	2,323,299
	<u>7,897,556</u>	<u>7,897,556</u>
	<u>33,904,138</u>	<u>33,904,138</u>
<u>(205,254,838)</u>	<u>33,904,138</u>	<u>(171,350,700)</u>
144,427,725	-	144,427,725
67,178,543	-	67,178,543
18,326,387	-	18,326,387
6,729,845	-	6,729,845
14,799,623	-	14,799,623
680,004	-	680,004
16,130,905	20,609,426	36,740,331
4,673,034	-	4,673,034
(12,845,183)	<u>12,845,183</u>	<u>-</u>
<u>260,100,883</u>	<u>33,454,609</u>	<u>293,555,492</u>
54,846,045	67,358,747	122,204,792
684,110,922	<u>674,518,941</u>	<u>1,358,629,863</u>
<u>\$ 738,956,967</u>	<u>\$ 741,877,688</u>	<u>\$ 1,480,834,655</u>

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2007**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 108,727,837	\$ 144,047,903	\$ 252,775,740
Taxes receivable, net of allowance for uncollectibles of \$6,522,398	1,950,827	-	1,950,827
Assessments receivable, net of allowance for uncollectibles of \$91,244	325,469	1,408,192	1,733,661
Customer receivables, net of allowance for uncollectibles of \$499,541	1,205,798	-	1,205,798
Due from other governmental agencies	444,667	5,498,799	5,943,466
Accrued interest receivable	1,173,439	949,200	2,122,639
Other receivables and assets	5,819,014	-	5,819,014
Sales tax receivable	20,600,125	1,094,551	21,694,676
Due from other funds	2,440,809	-	2,440,809
Inventories	1,874,200	-	1,874,200
Other assets	372,182	-	372,182
Loans receivable	43,685	47,031,870	47,075,555
Cash and cash equivalents/investments - restricted deposits and bond proceeds	232,185	50,467,866	50,700,051
Total assets	<u>\$ 145,210,237</u>	<u>\$ 250,498,381</u>	<u>\$ 395,708,618</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,830,454	\$ 5,911,801	\$ 13,742,255
Accrued salaries and employee payroll taxes	4,608,409	40,579	4,648,988
Employee taxes and related withholdings	2,655,976	-	2,655,976
Loan servicing escrow	-	843,644	843,644
Reimbursable facility fees	-	4,520,889	4,520,889
Other liabilities	264,848	299,528	564,376
Due to other funds	103,830	1,905,330	2,009,160
Deferred revenue	2,319,982	48,440,062	50,760,044
Unearned revenue	941,688	884,509	1,826,197
Total liabilities	<u>18,725,187</u>	<u>62,846,342</u>	<u>81,571,529</u>
Fund balances:			
Reserved for inventories	1,874,200	-	1,874,200
Reserved by state statute	32,442,765	-	32,442,765
Reserved for encumbrances	8,004,307	-	8,004,307
Reserved for new convention center project	-	38,071,994	38,071,994
Reserved for wireless 911	-	2,033,295	2,033,295
Unreserved, reported in:			
General fund	84,163,778	-	84,163,778
Special revenue funds	-	9,870,034	9,870,034
Capital projects funds	-	137,676,716	137,676,716
Total fund balances	<u>126,485,050</u>	<u>187,652,039</u>	<u>314,137,089</u>
Total liabilities and fund balances	<u>\$ 145,210,237</u>	<u>\$ 250,498,381</u>	<u>\$ 395,708,618</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, 2007**

Total *fund balances* for governmental funds \$ 314,137,089

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 - \$134,272,460; capital assets being depreciated, net - \$482,085,446). 616,357,906

The pension assets resulting from contributions in excess of annual required contributions are not financial resources and therefore are not reported in the funds. 1,976,624

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. 90,269

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. (6,231,977)

Taxes receivable - \$1,950,827, and assessments receivable - \$1,733,661 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. 3,684,488

Loans receivable - \$47,075,555, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds. 47,075,555

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 - \$183,844,835 - net of deferred refunding and issuance premium, notes payable - \$32,414,578; earned vacation pay - \$14,989,837; landfill postclosure costs - \$4,475,846; and accrued interest payable - \$2,407,891). (238,132,987)

Net assets of governmental activities \$ 738,956,967

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, 2007**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 144,014,850	\$ -	\$ 144,014,850
Intergovernmental	24,887,372	30,347,397	55,234,769
Developer participation	-	739,811	739,811
Assessments	-	830,703	830,703
Local sales tax	67,178,543	-	67,178,543
Licenses	14,799,623	-	14,799,623
Interest on investments	5,711,025	9,382,681	15,093,706
Inspection fees	12,109,142	-	12,109,142
Highway maintenance refunds	1,377,238	-	1,377,238
Facility fees	-	5,604,911	5,604,911
Other fees and charges	26,628,737	-	26,628,737
Rents	-	350,712	350,712
Program income	-	4,481,404	4,481,404
Other revenues	2,888,626	-	2,888,626
Miscellaneous other	-	1,383,617	1,383,617
Total revenues	<u>299,595,156</u>	<u>53,121,236</u>	<u>352,716,392</u>
<b>EXPENDITURES</b>			
Current:			
General government	32,955,812	246,127	33,201,939
Community development services	15,912,978	9,426,645	25,339,623
Public works	19,461,430	1,864,248	21,325,678
Public safety	117,919,127	928,998	118,848,125
Solid waste services	18,855,533	4,884	18,860,417
Leisure services	36,326,293	250,934	36,577,227
Economic development programs	-	4,455,909	4,455,909
Capital outlay	11,048	39,888,015	39,899,063
Debt service:			
Principal	16,547,132	-	16,547,132
Interest	9,485,561	-	9,485,561
Bond issue costs	275,161	-	275,161
Total expenditures	<u>267,750,075</u>	<u>57,065,760</u>	<u>324,815,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,845,081</u>	<u>(3,944,524)</u>	<u>27,900,557</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,628,721	14,870,090	22,498,811
Transfers out	(27,380,732)	(10,436,803)	(37,817,535)
Capital related debt issued	11,048	-	11,048
Bonds issued	-	7,000,000	7,000,000
Total other financing sources (uses)	<u>(19,740,963)</u>	<u>11,433,287</u>	<u>(8,307,676)</u>
Net change in fund balances	12,104,118	7,488,763	19,592,881
Fund balance - beginning	114,380,932	180,163,276	294,544,208
Fund balance - ending	<u>\$ 126,485,050</u>	<u>\$ 187,652,039</u>	<u>\$ 314,137,089</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, 2007**

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	\$ 19,592,881
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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 (\$34,213,843) exceeded depreciation (\$32,508,943) in the current period.	1,704,900
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Net change in net pension asset.	360,420
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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 - \$13,201,139; Property taxes - \$412,875; Assessments - \$(24,121)).	13,589,893
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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.	(3,122,707)
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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 (\$7,011,048) exceeded repayments (\$16,547,132).

Debt issued or incurred:			
General obligation debt		7,000,000	
Installment financing		11,048	
Principal repayments:			
General obligation debt		(13,107,617)	
Installment financing		(3,439,515)	
Net adjustment		<u>\$ (9,536,084)</u>	9,536,084

Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$10,123,729). They reduce cash and increase loans receivable.	10,123,729
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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 - \$550,559, change in accrued interest expense - \$(80,010), and change in landfill postclosure liability - \$(67,965)).	(402,584)
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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.	18,913
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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>3,444,516</u>
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Change in net assets of governmental activities	<u>\$ 54,846,045</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, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 144,455,320	\$ 144,480,320	\$ 144,014,850	\$ (465,470)
Intergovernmental	20,983,412	21,492,330	24,887,372	3,395,042
Local sales tax	63,216,755	63,216,755	67,178,543	3,961,788
Licenses	14,156,000	14,156,000	14,799,623	643,623
Interest on investments	6,844,599	6,844,599	5,711,025	(1,133,574)
Inspection fees	12,714,250	12,763,750	12,109,142	(654,608)
Highway maintenance refunds	1,065,000	1,065,000	1,377,238	312,238
Solid waste fees	11,890,340	11,890,340	13,037,476	1,147,136
Parks and recreation fees	6,808,566	6,640,226	5,965,022	(675,204)
Other fees and charges	6,235,589	7,223,007	7,626,239	403,232
Other revenues	1,327,494	2,015,302	2,888,626	873,324
Total revenues	<u>289,697,325</u>	<u>291,787,629</u>	<u>299,595,156</u>	<u>7,807,527</u>
<b>EXPENDITURES</b>				
General government:				
City council	175,212	171,833	136,905	34,928
City clerk	436,392	467,195	462,797	4,398
City attorney	1,785,273	1,812,424	1,643,858	168,566
Special appropriations	11,978,619	12,014,361	11,312,013	702,348
Agency appropriations	2,798,943	3,234,075	2,717,974	516,101
City manager	1,572,883	2,143,042	1,929,526	213,516
Public affairs office	1,405,419	1,428,089	1,299,651	128,438
Arts office	155,184	180,893	168,637	12,256
Personnel	2,829,532	3,003,038	2,629,012	374,026
Administrative service	1,426,380	1,418,222	1,348,526	69,696
Finance	9,512,107	9,925,666	9,141,597	784,069
Information technology	10,959,414	13,518,107	10,683,162	2,834,945
Total general government	<u>45,035,358</u>	<u>49,316,945</u>	<u>43,473,658</u>	<u>5,843,287</u>
Community development services:				
Planning	3,690,876	3,721,429	3,184,726	536,703
Inspections	11,831,907	11,630,485	10,316,619	1,313,866
Community services	1,804,334	1,850,281	1,496,534	353,747
Economic development	1,026,562	1,455,463	915,099	540,364
Total community development services	<u>18,353,679</u>	<u>18,657,658</u>	<u>15,912,978</u>	<u>2,744,680</u>
Public works:				
Central engineering	14,529,097	14,966,551	13,552,545	1,414,006
Transportation	10,292,517	10,496,340	9,018,186	1,478,154
Total public works	<u>24,821,614</u>	<u>25,462,891</u>	<u>22,570,731</u>	<u>2,892,160</u>

*Continued*

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



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Public safety:				
Emergency communications center	\$ 5,961,019	\$ 6,098,048	\$ 5,327,063	\$ 770,985
Police	76,688,000	78,849,735	71,330,926	7,518,809
Fire	42,733,448	43,250,014	41,311,138	1,938,876
Total public safety	<u>125,382,467</u>	<u>128,197,797</u>	<u>117,969,127</u>	<u>10,228,670</u>
Solid waste services	<u>19,309,585</u>	<u>20,134,946</u>	<u>18,855,533</u>	<u>1,279,413</u>
Leisure services:				
Parks and recreation	34,503,763	34,367,106	31,424,357	2,942,749
Revenue and special facilities	-	-	-	-
Continuing recreation activities	<u>6,138,385</u>	<u>7,388,488</u>	<u>4,901,936</u>	<u>2,486,552</u>
Total leisure services	<u>40,642,148</u>	<u>41,755,594</u>	<u>36,326,293</u>	<u>5,429,301</u>
Other expenditures:				
Capital outlay - installment note obligations	<u>11,048</u>	<u>11,048</u>	<u>11,048</u>	<u>-</u>
Total other expenditures	<u>11,048</u>	<u>11,048</u>	<u>11,048</u>	<u>-</u>
Debt service:				
Principal and interest	30,065,998	27,451,940	26,032,693	1,419,247
Other debt service expenditures	<u>415,000</u>	<u>491,558</u>	<u>275,161</u>	<u>216,397</u>
Total debt service	<u>30,480,998</u>	<u>27,943,498</u>	<u>26,307,854</u>	<u>1,635,644</u>
Total expenditures before charge-out	304,036,897	311,480,377	281,427,222	30,053,155
Less: administrative costs charged to other funds	<u>13,775,887</u>	<u>13,775,887</u>	<u>13,677,147</u>	<u>(98,740)</u>
Total expenditures	<u>290,261,010</u>	<u>297,704,490</u>	<u>267,750,075</u>	<u>29,954,415</u>
Excess (deficiency) of revenues over expenditures	(563,685)	(5,916,861)	31,845,081	37,761,942
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,369,212	7,628,721	7,628,721	-
Transfers out	(21,736,050)	(29,411,751)	(27,380,732)	2,031,019
Capital related debt issued	<u>11,048</u>	<u>11,048</u>	<u>11,048</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,355,790)</u>	<u>(21,771,982)</u>	<u>(19,740,963)</u>	<u>2,031,019</u>
Net changes in fund balance	<u>\$ (15,919,475)</u>	<u>\$ (27,688,843)</u>	<u>12,104,118</u>	<u>\$ 39,792,961</u>
Fund balance appropriated	<u>\$ 15,919,475</u>	<u>\$ 27,688,843</u>		
Fund balance - beginning of year			<u>114,380,932</u>	
Fund balance - end of year			<u>\$ 126,485,050</u>	

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>	<b>Parking Facilities Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 64,609,730	\$ 174,459	\$ 3,525,185
Customer receivables, net of allowance for uncollectibles of \$3,283,908	16,834,171	-	573,476
Assessments receivable, net of allowance for uncollectibles of \$99,602	1,892,442	-	-
Due from other governmental agencies	530,689	-	-
Accrued interest receivable	1,529,255	451,152	57,208
Other receivables and assets	81,163	601,915	-
Sales tax receivable	4,996,559	2,068,217	352,423
Due from other funds	-	-	875,000
Inventories	4,154,566	-	-
Insurance deposit	-	-	-
Deferred charges	962,508	1,744,719	361,618
Total current assets	<u>95,591,083</u>	<u>5,040,462</u>	<u>5,744,910</u>
Noncurrent assets:			
Restricted cash and cash equivalents	264,136,190	95,138,827	8,416,418
Capital assets:			
Land and improvements	31,614,586	23,978,826	8,050,998
Construction in progress	68,906,269	146,925,229	35,675,158
Water and sewer systems	756,880,786	-	-
Buildings and machinery	80,074,812	27,022,903	-
Parking decks	-	-	57,890,472
Buses	-	-	-
Equipment	17,034,067	515,386	357,244
Furniture and fixtures	48,481	370,296	-
Improvements	49,717,094	25,907,367	487,664
Less accumulated depreciation	(216,755,473)	(19,348,097)	(13,997,031)
Total noncurrent assets	<u>1,051,656,812</u>	<u>300,510,737</u>	<u>96,880,923</u>
Total assets	<u>1,147,247,895</u>	<u>305,551,199</u>	<u>102,625,833</u>

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

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007**

	<b>Enterprise Funds</b>		
	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 28,980,619	\$ 97,289,993	\$ 26,712,780
Customer receivables, net of allowance for uncollectibles of \$3,283,908	1,077,759	18,485,406	913
Assessments receivable, net of allowance for uncollectibles of \$99,602	-	1,892,442	-
Due from other governmental agencies	1,097,193	1,627,882	-
Accrued interest receivable	158,033	2,195,648	88,482
Other receivables and assets	-	683,078	-
Sales tax receivable	201,782	7,618,981	1,051,130
Due from other funds	103,830	978,830	1,527,000
Inventories	438,520	4,593,086	794,158
Insurance deposit	-	-	435,000
Deferred charges	-	3,068,845	-
Total current assets	32,057,736	138,434,191	30,609,463
Noncurrent assets:			
Restricted cash and cash equivalents	3,915,272	371,606,707	10,096,036
Capital assets:			
Land and improvements	988,989	64,633,399	-
Construction in progress	3,426,251	254,932,907	-
Water and sewer systems	-	756,880,786	-
Buildings and machinery	3,798,718	110,896,433	230,912
Parking decks	-	57,890,472	-
Buses	19,254,240	19,254,240	-
Equipment	1,489,854	19,396,551	75,460,555
Furniture and fixtures	44,844	463,621	-
Improvements	3,722,722	79,834,847	-
Less accumulated depreciation	(14,785,960)	(264,886,561)	(45,080,802)
Total noncurrent assets	21,854,930	1,470,903,402	40,706,701
Total assets	53,912,666	1,609,337,593	71,316,164

*Continued*

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>	<b>Parking Facilities Fund</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 15,639,220	\$ 14,249,051	\$ 4,801,386
Arbitrage rebate payable	13,616	4,010,770	620,204
Accrued salaries and employee payroll taxes	419,942	76,544	11,300
Accrued interest payable	6,854,401	3,423,054	337,520
Claims payable and other liabilities	-	-	-
Deferred contributions from other funds	-	-	-
Due to other funds	-	886,121	-
Unearned revenue	148,641	168,389	172,781
Bonds, notes and loans payable	8,130,629	-	680,000
Unamortized premium (discount)	916,893	-	30,381
Deferred refunding - bonds payable	(388,099)	-	(16,820)
Contracts payable	6,099,588	-	2,139,066
Deferred refunding - contracts payable	-	-	(42,158)
Total current liabilities	<u>37,834,831</u>	<u>22,813,929</u>	<u>8,733,660</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	420,550,479	243,425,000	5,095,000
Unamortized premium (discount)	15,284,595	-	526,479
Deferred refunding - bonds payable	(4,221,420)	-	-
Contracts and other notes payable	29,136,628	-	48,760,000
Deferred refunding - contracts payable	-	-	(126,087)
Escrow and other deposits payable			
from restricted assets	31,112,241	-	-
Earned vacation pay	<u>1,717,667</u>	<u>401,855</u>	<u>37,716</u>
Total noncurrent liabilities	<u>493,580,190</u>	<u>243,826,855</u>	<u>54,293,108</u>
Total liabilities	<u>531,415,021</u>	<u>266,640,784</u>	<u>63,026,768</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	545,035,276	57,085,737	39,835,062
Unrestricted	<u>70,797,598</u>	<u>(18,175,322)</u>	<u>(235,997)</u>
Total net assets	<u>\$ 615,832,874</u>	<u>\$ 38,910,415</u>	<u>\$ 39,599,065</u>

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

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007**

	<b>Enterprise Funds</b>		
	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 853,476	\$ 35,543,133	\$ 1,187,240
Arbitrage rebate payable	-	4,644,590	135,229
Accrued salaries and employee payroll taxes	52,604	560,390	77,235
Accrued interest payable	-	10,614,975	167,431
Claims payable and other liabilities	-	-	37,298,278
Deferred contributions from other funds	990,925	990,925	-
Due to other funds	1,947,599	2,833,720	103,759
Unearned revenue	-	489,811	-
Bonds, notes and loans payable	-	8,810,629	9,506,843
Unamortized premium (discount)	-	947,274	-
Deferred refunding - bonds payable	-	(404,919)	-
Contracts payable	-	8,238,654	-
Deferred refunding - contracts payable	-	(42,158)	-
Total current liabilities	<u>3,844,604</u>	<u>73,227,024</u>	<u>48,476,015</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	-	669,070,479	27,262,372
Unamortized premium (discount)	-	15,811,074	-
Deferred refunding - bonds payable	-	(4,221,420)	-
Contracts and other notes payable	-	77,896,628	-
Deferred refunding - contracts payable	-	(126,087)	-
Escrow and other deposits payable from restricted assets	3,915,272	35,027,513	-
Earned vacation pay	<u>208,432</u>	<u>2,365,670</u>	<u>218,778</u>
Total noncurrent liabilities	<u>4,123,704</u>	<u>795,823,857</u>	<u>27,481,150</u>
Total liabilities	<u>7,968,308</u>	<u>869,050,881</u>	<u>75,957,165</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,939,658	659,895,733	3,937,486
Unrestricted	<u>28,004,700</u>	<u>80,390,979</u>	<u>(8,578,487)</u>
Total net assets	<u>\$ 45,944,358</u>	<u>740,286,712</u>	<u>\$ (4,641,001)</u>

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

1,590,976

Net assets of business-type activities \$ 741,877,688

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>
<b>Operating revenues</b>		
User charges	\$ 98,038,382	\$ 20,330,658
Charges for services - internal	-	-
Other	7,758,065	250,000
Total operating revenues	<u>105,796,447</u>	<u>20,580,658</u>
<b>Operating expenses</b>		
Administration	3,558,453	-
Other facility operating costs	-	20,417,489
Water supply and treatment	22,011,446	-
Sewer system and treatment	16,973,358	-
Warehousing, maintenance and construction	16,615,601	-
Other services	5,030,389	-
Non-departmental charges	6,749,908	-
Management contract charges	-	-
Claims	-	-
Premiums	-	-
Depreciation	21,909,403	1,937,239
Other	-	-
Total operating expenses	<u>92,848,558</u>	<u>22,354,728</u>
<b>Operating income (loss)</b>	<u>12,947,889</u>	<u>(1,774,070)</u>
<b>Nonoperating revenue (expense)</b>		
Interest on investments	13,596,599	4,685,506
Subsidy income - federal and state	-	-
Other revenues	961,620	463,536
Interest expense	(13,774,050)	(6,994,917)
Miscellaneous expense	(1,130,926)	(552,439)
Total nonoperating revenue (expense)	<u>(346,757)</u>	<u>(2,398,314)</u>
Income (loss) before contributions, transfers and special item	12,601,132	(4,172,384)
Capital contributions	46,441,189	-
Transfers in	960,545	2,927,224
Transfers out	(811,297)	(10,000)
Change in net assets	<u>59,191,569</u>	<u>(1,255,160)</u>
Total net assets - beginning of year	<u>556,641,305</u>	<u>40,165,575</u>
Total net assets - end of year	<u>\$ 615,832,874</u>	<u>\$ 38,910,415</u>

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

<b>Enterprise Funds</b>			
<b>Parking Facilities Fund</b>	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 6,001,072	\$ 15,222,984	\$ 139,593,096	\$ -
-	-	-	57,076,188
-	821,068	8,829,133	90,736
<u>6,001,072</u>	<u>16,044,052</u>	<u>148,422,229</u>	<u>57,166,924</u>
557,983	3,124,129	7,240,565	6,028,112
2,342,299	10,013,181	32,772,969	8,752,698
-	-	22,011,446	-
-	-	16,973,358	-
-	-	16,615,601	-
-	-	5,030,389	-
-	-	6,749,908	-
-	10,017,483	10,017,483	-
-	-	-	32,072,612
-	-	-	1,105,368
1,405,613	1,925,270	27,177,525	8,818,188
-	261,630	261,630	246,069
<u>4,305,895</u>	<u>25,341,693</u>	<u>144,850,874</u>	<u>57,023,047</u>
1,695,177	(9,297,641)	3,571,355	143,877
822,334	1,353,251	20,457,690	1,232,440
-	4,831,102	4,831,102	-
-	-	1,425,156	-
(2,316,840)	-	(23,085,807)	(874,546)
(23,480)	-	(1,706,845)	-
<u>(1,517,986)</u>	<u>6,184,353</u>	<u>1,921,296</u>	<u>357,894</u>
177,191	(3,113,288)	5,492,651	501,771
2,962,964	85,964	49,490,117	-
180,746	10,828,730	14,897,245	3,825,517
(133,326)	(540,439)	(1,495,062)	(1,908,976)
<u>3,187,575</u>	<u>7,260,967</u>	<u>68,384,951</u>	<u>2,418,312</u>
36,411,490	38,683,391		(7,059,313)
<u>\$ 39,599,065</u>	<u>\$ 45,944,358</u>		<u>\$ (4,641,001)</u>

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

(1,026,204)

Change in net assets of business-type activities

\$ 67,358,747

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 102,029,277	\$ 20,952,883
Payments to employees	(23,545,248)	(5,432,559)
Payments to suppliers and service providers	(48,877,564)	(20,042,859)
Internal activity - payments from (to) other funds	-	(125,000)
Claims paid	-	-
Premiums paid	-	-
Other payments	997,330	(88,903)
Net cash provided by (used in) operating activities	<u>30,603,795</u>	<u>(4,736,438)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Insurance deposits	-	-
Operating subsidies and transfers from other funds	960,545	2,927,224
Operating subsidies and transfers to other funds	(811,297)	(10,000)
Operating grants received	-	-
Negative cash balance implicitly financed	-	-
Net cash provided by noncapital financing activities	<u>149,248</u>	<u>2,917,224</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase and construction of capital assets	(82,026,060)	(68,635,247)
Capital grants and other capital contributions	2,213,850	-
Proceeds from capital debt	272,735,137	-
Principal paid on capital debt	(10,737,720)	-
Interest paid on capital debt	(13,946,604)	(10,199,822)
Escrow deposits	661,323	-
Net cash provided by (used in) capital and related financing activities	<u>168,899,926</u>	<u>(78,835,069)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	12,521,848	7,098,493
Net cash provided by investing activities	<u>12,521,848</u>	<u>7,098,493</u>
Net increase (decrease) in cash and cash equivalents	212,174,817	(73,555,790)
Cash and cash equivalents - beginning of year	116,571,103	168,869,076
Cash and cash equivalents - end of year	<u>\$ 328,745,920</u>	<u>\$ 95,313,286</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 12,947,889	\$ (1,774,070)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	21,909,403	1,937,239
Miscellaneous nonoperating expense	54,118	(88,903)
Change in assets and liabilities:		
Operating receivables	(3,875,328)	-
Sales tax receivable	(2,222,405)	(811,673)
Inventories	35,679	-
Other receivables and assets	(40,483)	203,836
Due from other governmental agencies	943,212	-
Accounts payable and other accrued liabilities	483,209	(4,288,555)
Due to/from other funds	-	(125,000)
Escrow and other deposits	-	-
Earned vacation pay and other payroll liabilities	368,501	42,299
Deferred revenue	-	168,389
Total adjustments	<u>17,655,906</u>	<u>(2,962,368)</u>
Net cash provided by (used in) operating activities	<u>\$ 30,603,795</u>	<u>\$ (4,736,438)</u>
<b>Noncash investing, capital, and financing activities:</b>		
Capital contributions from annexations and mergers	\$ 43,514,510	\$ -
Acquisition and construction of capital assets	<u>\$ 3,890,462</u>	<u>\$ 1,894,559</u>

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



<b>Enterprise Funds</b>			
<b>Parking Facilities Fund</b>	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 5,765,587	\$ 15,826,100	\$ 144,573,847	\$ 57,075,849
(557,859)	(3,090,862)	(32,626,528)	(3,216,752)
(2,694,142)	(19,928,121)	(91,542,686)	(11,233,530)
125,000	-	-	-
-	-	-	(30,289,799)
-	-	-	(1,105,368)
(23,480)	(224,353)	660,594	(479,160)
<u>2,615,106</u>	<u>(7,417,236)</u>	<u>21,065,227</u>	<u>10,751,240</u>
-	-	-	(100,000)
180,746	13,189,744	17,258,259	3,825,517
(133,326)	(420,693)	(1,375,316)	(3,435,976)
-	2,181,019	2,181,019	-
-	-	-	(97,020)
<u>47,420</u>	<u>14,950,070</u>	<u>18,063,962</u>	<u>192,521</u>
(25,120,582)	(2,761,685)	(178,543,574)	(13,051,427)
2,962,964	2,638,742	7,815,556	-
-	-	272,735,137	20,634,215
(2,298,643)	-	(13,036,363)	(10,740,000)
(2,639,726)	-	(26,786,152)	(1,117,702)
-	1,344,156	2,005,479	-
<u>(27,095,987)</u>	<u>1,221,213</u>	<u>64,190,083</u>	<u>(4,274,914)</u>
1,310,922	1,297,228	22,228,491	1,332,214
<u>1,310,922</u>	<u>1,297,228</u>	<u>22,228,491</u>	<u>1,332,214</u>
(23,122,539)	10,051,275	125,547,763	8,001,061
35,064,142	22,844,616	343,348,937	28,807,755
<u>\$ 11,941,603</u>	<u>\$ 32,895,891</u>	<u>\$ 468,896,700</u>	<u>\$ 36,808,816</u>
\$ 1,695,177	\$ (9,297,641)	\$ 3,571,355	\$ 143,877
1,405,613	1,925,270	27,177,525	8,818,188
(23,480)	-	(58,265)	-
(131,535)	(180,675)	(4,187,538)	(339)
(327,415)	(64,553)	(3,426,046)	(376,260)
-	22,521	58,200	(19,464)
-	-	163,353	-
-	-	943,212	-
(31,048)	143,776	(3,692,618)	2,120,857
125,000	-	-	-
-	800	800	-
6,744	33,266	450,810	64,381
(103,950)	-	64,439	-
<u>919,929</u>	<u>1,880,405</u>	<u>17,493,872</u>	<u>10,607,363</u>
<u>\$ 2,615,106</u>	<u>\$ (7,417,236)</u>	<u>\$ 21,065,227</u>	<u>\$ 10,751,240</u>
\$ -	\$ -	\$ 43,514,510	\$ -
<u>\$ 1,957,938</u>	<u>\$ (200,098)</u>	<u>\$ 7,542,861</u>	<u>\$ (394,747)</u>

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2007**

	<b>Pension Trust Funds</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,177,436	\$ 11,707
Accrued interest receivable	16,090	-
Total assets	<u>28,193,526</u>	<u>\$ 11,707</u>
<b>LIABILITIES</b>		
Due to other agencies	-	\$ 11,707
Total liabilities	<u>-</u>	<u>\$ 11,707</u>
<b>NET ASSETS</b>		
Held in trust for:		
Employees' retirement benefits	<u>\$ 28,193,526</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, 2007**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 4,585,237
Investment earnings:	
Interest	1,192,846
Net increase in fair value of investments	2,031,822
Total investment earnings	3,224,668
Less investment expense	(33,000)
Net investment earnings	3,191,668
Total additions	7,776,905
<b>DEDUCTIONS</b>	
Benefits	2,898,944
Withdrawals and forfeitures	7,399
Total deductions	2,906,343
Change in net assets	4,870,562
Net assets - beginning of the year	23,322,964
Net assets - end of the year	\$ 28,193,526

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

### ***Note 1. Summary of Significant Accounting Policies***

#### ***A. Reporting entity***

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

The accounting policies of the City of Raleigh conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented. The accompanying financial statements present the government and its component unit, a legally separate entity for which the City is financially accountable.

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

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

#### ***B. Government-wide and fund financial statements***

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations 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 City on a cost reimbursement basis.

***Fiduciary funds*** - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund 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 2007-08 fiscal year and are not shown as receivables at June 30, 2007.

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 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 \$30,222,994. Of this amount, \$7,137,187 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, 2007 is as follows:

General Fund		General Capital Projects Funds	
<u>Designations</u>	<u>Amount</u>	<u>Designations</u>	<u>Amount</u>
Debt service	\$ 13,222,775	Various capital projects	\$ 7,461,074
Law enforcement projects	1,165,561	Appropriated for	
Appropriated for subsequent year	14,621,796	subsequent year	\$ 130,215,642
Other	1,250,348		
	<u>\$ 30,260,480</u>	Special Revenue Funds	
		Appropriated for	
		subsequent year	\$ 8,447,071

## 9. 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, 2007. 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, 2007, the effect of such amendments, less eliminating transfers, was as follows:

	Original <u>Budget</u>	Total <u>Amendments</u>	Budget <u>June 30, 2007</u>
General Fund	\$ 325,772,947	\$ 15,119,181	\$ 340,892,128
Special Revenue Funds	72,810,742	14,911,242	87,721,984
General Capital Projects Funds	354,268,032	35,202,529	389,470,561
Enterprise Funds	903,158,488	102,131,406	1,005,289,894
Internal Service Funds	13,410,401	301,295	13,711,696

The appropriated budget is prepared by fund, function, and department. The City Manager is authorized to transfer budget amounts within a fund up to \$50,000. Transfers greater than \$50,000, all transfers between funds, and all amendments increasing total budgeted expenditures require City Council approval.

### ***B. Deficit net assets***

The print services fund (an internal service fund) had deficit net assets of \$24,953 at June 30, 2007. 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 \$22,292,765 at June 30, 2007. 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 \$24.6 million for claims incurred but not reported at June 30, 2007. The City is reviewing several options to address the overall deficit condition, including re-evaluating the level of funding.

## ***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, 2007, the City's bank balance was \$9,734,905 and the carrying amount of the City's deposits was \$3,979,229, net of a cash overdraft of \$4,069,609 which is included in accounts payable. Of the bank balance, \$141,128 was covered by federal depository insurance and \$9,593,777 was covered by collateral held under the Pooling Method.

**Investments.** At June 30, 2007, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1	1- 3 Years	3 - 5 Years
		Year		
U. S. Government				
Treasuries	\$ 188,625,013	\$ 98,809,715	\$ 83,500,069	\$ 6,315,229
Ginnie Mae	4,657	2,302	2,355	-
Federal Home Loan Bank	81,184,894	62,674,765	16,281,279	2,228,850
Freddie Mac	72,078,895	52,670,015	17,378,720	2,030,160
Fannie Mae	125,810,203	94,835,057	25,033,199	5,941,947
Federal Farm Credit Bank	25,561,420	21,485,641	2,434,651	1,641,128
HUD	598,897	-	-	598,897
Commercial paper	7,957,384	7,957,384	-	-
NCCMT - Cash Portfolio	62,516,679	N/A	N/A	N/A
	<u>\$ 564,338,042</u>	<u>\$ 338,434,879</u>	<u>\$ 144,630,273</u>	<u>\$ 18,756,211</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, 2007. 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 14.39%, 12.77%, and 22.29% respectively of the City's total investments.

A summary of cash and investments at June 30, 2007 is as follows:

Petty Cash and Change Funds	\$ 14,760
Medical and Dental Trust Funds	4,128,126
BB&T - Supplemental Pension Funds	23,992,222
Deposits (includes CDs and money market accounts)	244,897,300
Investments	564,338,042
	<u>\$ 837,370,450</u>

### ***B. Capital assets***

Capital asset activity for the year ended June 30, 2007 was as follows (stated in thousands):

	Balance June 30, 2006	Additions	Transfers	Deletions	Balance June 30, 2007
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 111,537	\$ 4,169	\$ -	\$ -	\$ 115,706
Construction in progress	23,554	13,074	(18,061)	-	18,567
Total capital assets, not being depreciated	<u>135,091</u>	<u>17,243</u>	<u>(18,061)</u>	<u>-</u>	<u>134,273</u>
Capital assets, being depreciated:					
Buildings and machinery	88,628	2,158	421	-	91,207
Streets and sidewalks	560,341	21,448	15,903	-	597,692
Equipment	80,872	9,876	-	2,691	88,057
Furniture and fixtures	2,043	28	-	-	2,071
Improvements - general and parks	135,762	5,228	1,737	5	142,722
Total capital assets being depreciated	<u>867,646</u>	<u>38,738</u>	<u>18,061</u>	<u>2,696</u>	<u>921,749</u>
Less accumulated depreciation for:					
Buildings and machinery	34,937	2,150	-	-	37,087
Streets and sidewalks	234,951	22,223	-	-	257,174
Equipment	55,900	8,128	-	2,691	61,337
Furniture and fixtures	1,057	314	-	-	1,371
Improvements - general and parks	53,162	6,423	-	5	59,580
Total accumulated depreciation	<u>380,007</u>	<u>39,238</u>	<u>-</u>	<u>2,696</u>	<u>416,549</u>
Total capital assets being depreciated, net	<u>487,639</u>	<u>(500)</u>	<u>18,061</u>	<u>-</u>	<u>505,200</u>
Governmental activities capital assets, net	<u>\$ 622,730</u>	<u>\$ 16,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,473</u>

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

General government	\$ 535
Community development	88
Public works	24,843
Public safety	1,627
Solid waste services	38
Leisure services	5,378
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>6,729</u>
Total depreciation expense - governmental activities	<u>\$ 39,238</u>

Annexations and contributions: The amount reported previously as additions for street and sidewalks includes \$13,201,139 from annexations during fiscal year 2006-07.

	Balance June 30, 2006	Additions	Transfers	Deletions	Balance June 30, 2007
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 61,396	\$ 3,238	\$ -	\$ -	\$ 64,634
Construction in progress	<u>133,402</u>	<u>150,303</u>	<u>(28,773)</u>	<u>-</u>	<u>254,932</u>
Total capital assets, not being depreciated	<u>194,798</u>	<u>153,541</u>	<u>(28,773)</u>	<u>-</u>	<u>319,566</u>
Capital assets, being depreciated:					
Buildings and machinery	109,597	1,198	102	-	110,897
Water and sewer systems	685,163	63,648	8,070	-	756,881
Parking decks	57,861	29	-	-	57,890
Buses	19,230	25	-	-	19,255
Equipment	32,022	5,588	180	1,629	36,161
Furniture and fixtures	463	-	-	-	463
Improvements	<u>41,818</u>	<u>17,596</u>	<u>20,421</u>	<u>-</u>	<u>79,835</u>
Total capital assets being depreciated	<u>946,154</u>	<u>88,084</u>	<u>28,773</u>	<u>1,629</u>	<u>1,061,382</u>
Less accumulated depreciation for:					
Buildings and machinery	31,982	2,554	-	-	34,536
Water and sewer systems	161,593	15,969	-	-	177,562
Parking decks	12,132	1,361	-	-	13,493
Buses	9,430	1,444	-	-	10,874
Equipment	18,168	4,186	-	1,629	20,725
Furniture and fixtures	420	17	-	-	437
Improvements	<u>12,795</u>	<u>3,735</u>	<u>-</u>	<u>-</u>	<u>16,530</u>
Total accumulated depreciation	<u>246,520</u>	<u>29,266</u>	<u>-</u>	<u>1,629</u>	<u>274,157</u>
Total capital assets being depreciated, net	<u>699,634</u>	<u>58,818</u>	<u>28,773</u>	<u>-</u>	<u>787,225</u>
Business-type activities capital assets, net	<u>\$ 894,432</u>	<u>\$ 212,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,106,791</u>

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

Water/Sewer	\$	21,909
Convention center		1,937
Parking		1,406
Mass Transit		1,779
Stormwater		146
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets		2,089
Total depreciation expense - business-type activities	\$	<u>29,266</u>

Annexations and mergers: The amount reported above as additions for water and sewer systems includes \$14,936,242 added from annexations and \$25,217,645 from system mergers (Zebulon \$16,475,521; Wendell \$8,742,124) during fiscal year 2006-07. The mergers also added \$3,360,623 in land and construction in progress.

### *Commitments - construction projects*

At June 30, 2007, the City has \$220,859,985 in project obligations for business-type activities for construction projects in progress as follows: \$121,922,554 water and sewer projects, \$85,249,311 new convention center project, and \$13,688,120 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 \$22,935,732 in general government project obligations at June 30, 2007. 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, 2007.

### *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:

	General	NonMajor Governmental
Amounts arising from cash:		
Police informant account	\$ 132,002	\$ -
Cemetery cash account	8,040	-
Cafeteria plan cash	59,586	-
Deferred vehicle taxes	742,060	-
Grants, program income	-	394,509
Amphitheater rent	-	490,000
	<u>\$ 941,688</u>	<u>\$ 884,509</u>
Amounts not arising from cash:		
Assessments receivable	\$ 325,469	\$ 1,408,192
Taxes receivable	1,950,827	-
Loans receivable	43,686	47,031,870
	<u>\$ 2,319,982</u>	<u>\$ 48,440,062</u>
Total	<u>\$ 3,261,670</u>	<u>\$ 49,324,571</u>

***D. Interfund receivables, payables, and transfers***

The composition of interfund balances as June 30, 2007, is as follows:

Due to general fund from:	
Nonmajor governmental funds	\$ 378,330
Convention center fund	11,120
Nonmajor enterprise funds	1,947,599
Internal service funds	103,759
Total due to general fund	<u>\$ 2,440,808</u>
Due to parking fund from:	
Convention center fund	<u>\$ 875,000</u>
Due to nonmajor enterprise funds from:	
General fund	<u>\$ 103,830</u>
Due to internal service funds from:	
Nonmajor governmental funds	<u>\$ 1,527,000</u>
Total interfund balances	<u>\$ 4,946,638</u>

The balance of \$2,440,808 due to the general fund includes \$103,759 of negative internal service fund (print shop) cash reclassified as due to the general fund and a corresponding reduction in general fund cash and a due from other funds. This general fund balance also includes \$1,815,465 in excess operating subsidy advanced to the mass transit fund during FY 2006-07. The balance of \$875,000 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 \$1,527,000 due to internal funds represents City matching funds advanced from the governmental equipment replacement fund to the grants fund for an equipment acquisition grant.

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, 2007 is as follows:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 5,921,236
Water and sewer fund	325,367
Parking fund	133,326
Nonmajor enterprise funds	339,816
Internal service funds	908,976
Total transfers to general fund	<u>\$ 7,628,721</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 14,746,283
Water and sewer fund	42,930
Nonmajor enterprise funds	80,877
Total transfers to nonmajor governmental funds	<u>\$ 14,870,090</u>
Transfers to water and sewer fund from:	
Nonmajor governmental funds	<u>\$ 960,545</u>
Transfers to convention center fund from:	
General fund	\$ 202,748
Nonmajor governmental funds	2,724,476
Total transfers to convention center fund	<u>\$ 2,927,224</u>
Transfers to parking fund from:	
General fund	\$ 1,000
Nonmajor governmental funds	50,000
Convention center fund	10,000
Nonmajor enterprise funds	119,746
Total transfers to parking fund	<u>\$ 180,746</u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 10,048,184
Nonmajor governmental funds	780,546
Total transfers to nonmajor enterprise funds	<u>\$ 10,828,730</u>
Transfers to internal service funds from:	
General fund	\$ 2,382,517
Water and sewer fund	443,000
Internal service fund	1,000,000
Total transfers to internal service funds	<u>\$ 3,825,517</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, 2007, \$536,000 was transferred from general capital projects funds to the general fund. These transfers were made to support specific related operating activities. Also during FY 2006-07, \$1,750,090 was transferred from general capital projects to various enterprise funds to support related capital projects in those funds.



### ***E. Operating leases***

During FY 2006-07 total rental payments on noncancelable operating leases was \$3,307,010. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2007:

<u>Fiscal Year Ending June 30</u>	
2008	\$ 2,533,580
2009	1,787,771
2010	1,139,317
2011	301,239
2012	208,031
	<u>\$ 5,969,938</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, 2007 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, 2007</u>
<u>Governmental Activities</u>					
Housing-Series 1994B-Taxable	7.8% to 8.0%	9/1/1994	3/1/2011	\$ 2,900,000	\$ 1,025,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	1,035,000
Public Improvement Refunding - Series 1997	5.0%	10/1/1997	4/1/2012	22,255,000	4,840,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	2,570,000
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	3,055,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	14,400,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	8,200,000
Public Improvement, Series 2002A	3.0% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,500,000
Public Improvement, Series 2002B	3.0% to 4.5%	12/1/2002	2/1/2021	43,000,000	38,100,000
Public Improvement, Series 2002C	4.0%	12/1/2002	2/1/2013	14,905,000	4,985,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	13,650,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	15,068,892
Housing, Series, 2004B	3.13% to 4.38%	3/1/2004	4/1/2017	7,000,000	5,905,000
Housing Refunding, Series 2004B	3.13% to 4.0%	3/1/2004	4/1/2012	2,355,000	1,500,000
Street Improvement, Series 2005A	3.5% to 5.0%	8/1/2005	2/1/2023	10,600,000	10,300,000
Public Improvement, Series 2005B	3.5% to 5.0%	8/1/2005	2/1/2023	50,585,000	49,085,000
Housing Series 2007 Taxable	4.95% to 5.4%	3/1/2007	3/1/2027	7,000,000	7,000,000
Total Governmental Activities					<u>\$ 183,218,892</u>

General obligation bonds outstanding at June 30, 2007 (continued):

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2007</u>
<u>Business-type Activities</u>					
Water and Sewer:					
Sanitary Sewer Refunding - Series 1997	5.0%	10/1/1997	4/1/2012	\$ 16,325,000	\$ 3,545,000
Sanitary Sewer Refunding - Series 2002C	4.0%	12/1/2002	2/1/2013	3,055,000	1,025,000
Water Refunding, Series 2004A					
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	5,377,769
	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	3,193,339
Water and Sewer Total					13,141,108
Parking Facilities:					
Parking Facilities Refunding-Series 1997	5.0%	10/1/1997	4/1/2012	3,230,000	705,000
Parking Facilities, Series 1997	4.7% to 5.0%	10/1/1997	4/1/2016	8,670,000	5,070,000
Parking Facilities Total					5,775,000
Total Business-type Activities					\$ 18,916,108

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>
2008	\$ 13,189,371	\$ 7,725,573	\$ 3,510,629	\$ 774,719
2009	13,264,750	7,224,912	2,815,249	635,006
2010	12,411,943	6,723,880	2,118,057	528,751
2011	12,616,008	6,208,662	2,098,992	434,529
2012	12,625,072	5,697,702	1,934,928	341,170
2013-2017	60,076,748	20,816,300	6,438,253	583,994
2018-2022	53,500,000	7,972,413	-	-
2023-2027	5,535,000	442,788	-	-
	<u>\$ 183,218,892</u>	<u>\$ 62,812,230</u>	<u>\$ 18,916,108</u>	<u>\$ 3,298,169</u>

***Status of bond authorizations***

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2007:

<u>October 7, 2003</u>	
Parks and recreation	\$ 27,665,000
<u>October 11, 2005</u>	
Housing	20,000,000
Street improvement	60,000,000
	80,000,000
Total	<u>\$ 107,665,000</u>

## *Defeased debt*

During FY 2006-07, the City issued \$59,210,000 of water and sewer revenue refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for \$55,010,000 of 1999, 2001, and 2004 series, water and sewer revenue bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,225,935. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$2,371,580 and resulted in an economic gain of \$1,662,167.

In prior years, the City has also defeased various other bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2007, the amount of defeased debt outstanding was \$69,910,000.

## **2. Revenue bonds**

The City also issues revenue bonds to fund various water and sewer utility capital projects, including \$241,175,000 issued in FY 2006-07. The bonds are repaid from utility user charges. Revenue bonds outstanding at year end are \$415,540,000. The bonds have stated interest rates between 2.5% and 5.25% and are payable serially over the next 30 years. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2008	\$ 5,300,000	\$ 19,907,186
2009	5,500,000	19,707,854
2010	6,735,000	19,471,266
2011	7,475,000	19,197,954
2012	8,260,000	18,848,023
2013-2017	60,660,000	87,156,087
2018-2022	84,270,000	69,788,480
2023-2027	85,120,000	49,932,390
2028-2032	89,935,000	28,516,250
2033-2037	62,285,000	7,775,500
	<u>\$ 415,540,000</u>	<u>\$ 340,300,990</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, 2007.

### 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 \$656,207,765. 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 \$571,317,982. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2007 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

Issue	Balance June 30, 2007	Agreement Expiration	Fees Paid FY 2007	Interest Rate June 30, 2007
2004A	\$ 55,000,000	February 1, 2004	\$ 103,733	3.73 %
2004C	\$ 8,620,000	September 1, 2009	\$ 22,733	3.74 %
2005B	\$ 188,425,000	January 16, 2015	\$ 390,431	3.73 %

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	510,000	212,790	-	9,837,830
2013-2017	2,530,000	833,066	23,095,000	48,212,747
2018-2022	2,525,000	454,528	46,165,000	40,316,595
2023-2027	1,015,000	90,928	58,010,000	29,268,874
2028-2032	-	-	77,615,000	15,461,193
2033-2034	-	-	38,540,000	1,930,700
	<u>\$ 8,620,000</u>	<u>\$ 2,593,940</u>	<u>\$ 243,425,000</u>	<u>\$ 184,379,259</u>

### *Installment financing agreements*

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.0% to 5.25% (downtown improvement projects), and 3.0% to 4.25% (parks projects). Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
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	1,843,554	730,336
2013-2017	8,076,251	2,344,933
2018-2022	4,335,000	900,775
2023-2026	1,545,000	150,637
	<u>\$ 23,058,944</u>	<u>\$ 7,877,605</u>

The City has previously entered into installment financing agreements to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.6% to 5.85% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), and 3.0% to 5.0% (construction of a utilities operation center). During FY 2006-07 the City entered into a new master installment financing agreement to finance various equipment acquisition projects, including \$19,000,000 for water and sewer automatic meter reading equipment. This five year financing agreement carries a fixed interest rate of 4.16%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2008	\$ 5,894,451	\$ 1,286,840
2009	5,889,451	1,059,377
2010	5,889,451	831,983
2011	5,324,451	605,116
2012	4,763,050	383,980
2013-2017	4,565,254	684,500
2018-2022	1,643,050	157,183
2023-2026	450,000	23,940
	<u>\$ 34,419,158</u>	<u>\$ 5,032,919</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
2008	\$ 2,035,000	\$ 2,318,869
2009	2,085,000	2,235,494
2010	2,140,000	2,149,118
2011	2,205,000	2,048,885
2012	2,285,000	1,946,875
2013-2017	9,380,000	8,471,373
2018-2022	10,365,000	6,239,540
2023-2027	8,275,000	3,897,725
2028-2032	7,005,000	2,124,125
2033-2035	5,020,000	458,550
	<u>\$ 50,795,000</u>	<u>\$ 31,890,554</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, 2007 is \$168,245.

The City has previously issued certificates of participation to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. The debt issues carry fixed interest rates ranging from 2.5% to 5.0%. As previously noted, the City entered into a new master installment financing agreement during FY 2006-07 to finance various acquisition projects, including \$20,634,215 for rolling stock and a 800 megahertz radio system. This five year financing agreement carries a fixed interest rate of 4.16%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 7,392,463	\$ 1,173,687	\$ 2,114,380	\$ 354,421
2009	7,392,463	846,322	2,114,380	261,810
2010	7,388,413	531,107	2,113,430	172,048
2011	3,034,663	252,484	1,092,180	90,869
2012	3,034,663	115,722	1,092,180	41,648
	<u>\$ 28,242,665</u>	<u>\$ 2,919,322</u>	<u>\$ 8,526,550</u>	<u>\$ 920,796</u>

Other City obligations include installment purchase agreements for various land and building acquisitions, and capital construction projects. These agreements and notes bear interest at rates from 2.6% to 9.0%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 59,432	\$ 29,374	\$ 303,441	\$ 5,724
2009	37,313	31,301	199,375	-
2010	36,805	31,808	199,375	-
2011	37,804	30,809	199,375	-
2012	42,764	25,850	-	-
2013-2017	136,577	29,238	-	-
	<u>\$ 350,695</u>	<u>\$ 178,380</u>	<u>\$ 901,566</u>	<u>\$ 5,724</u>

#### ***Reimbursement contracts***

Outstanding principal balances for reimbursement contracts at June 30, 2007 are \$19,558 for business-type activities.

#### ***Earned vacation pay***

At June 30, 2007, earned vacation pay consists of \$15,208,616 for governmental activities and \$2,365,669 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 \$4,475,846 reported as landfill postclosure liability as of June 30, 2007, represents the amount it would cost to perform remaining postclosure care in 2007. 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 February 28, 2007.

#### ***Subsequent debt issuances and bond referendum***

In September 2007, the City issued \$28,930,000 in certificates of participation to finance a solid waste transfer station (\$7,885,000) and on-going construction of an underground parking garage (\$14,765,000) and Fayetteville Street improvements (\$6,280,000).

In October 2007, voters approved an \$88.6 million general obligation bond referendum for parks and greenways improvements.

#### 4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 189,326,509	\$ 7,000,000	\$ 13,107,617	\$ 183,218,892	\$ 13,189,371
Unamortized premiums - GO bonds	1,764,993	-	120,706	1,644,287	120,706
Deferred refundings - GO bonds	(1,131,491)	-	(113,149)	(1,018,342)	(113,149)
Installment financing agreements	56,713,368	15,184,362	11,625,427	60,272,303	9,743,565
Unamortized premiums on IFA	543,186	-	158,249	384,937	21,386
Earned vacation pay	14,625,138	8,204,139	7,620,661	15,208,616	7,620,661
Landfill postclosure	4,543,811	131,771	199,736	4,475,846	-
Total governmental activities	<u>\$ 266,385,514</u>	<u>\$ 30,520,272</u>	<u>\$ 32,719,247</u>	<u>\$ 264,186,539</u>	<u>\$ 30,582,540</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 22,998,491	\$ -	\$ 4,082,383	\$ 18,916,108	\$ 3,510,629
Unamortized discount - GO bonds	(244,677)	-	(244,677)	-	-
Unamortized premium - GO bonds	233,304	-	23,330	209,974	23,330
Deferred refundings - GO bonds	(845,414)	-	(165,269)	(680,145)	(165,269)
Revenue bonds	175,380,000	300,385,000	60,225,000	415,540,000	5,300,000
Unamortized premium - Rev. bonds	6,557,656	11,559,184	2,125,326	15,991,514	916,893
Deferred refundings - Rev. bonds	(1,959,908)	(3,137,082)	(1,150,796)	(3,946,194)	(388,099)
Installment financing agreements	318,986,054	25,258,401	6,177,180	338,067,275	10,347,272
Unamortized premiums - IFA	642,010	-	85,150	556,860	30,381
Deferred refundings - IFA	(210,403)	-	(42,158)	(168,245)	(42,158)
Reimbursement contracts	135,444	-	115,886	19,558	5,762
Earned vacation pay	1,919,829	1,462,445	1,016,605	2,365,669	1,016,605
Total business-type activities	<u>\$ 523,592,386</u>	<u>\$ 335,527,948</u>	<u>\$ 72,247,960</u>	<u>\$ 786,872,374</u>	<u>\$ 20,555,346</u>

The current year additions to the governmental activities installment notes include noncash related financing activities in the amount of \$11,048.

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 \$218,778 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, 2007, arbitrage liabilities are reported as follows: water and sewer fund \$13,616, convention center fund \$4,010,770, parking facilities fund \$620,204, and internal service equipment funds \$135,229.



## 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 3.73% at June 30, 2007, 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 FY 2006-07, the City made interest rate swap payments of \$106,309. At June 30, 2007, the swap had a negative fair value of \$251,951. 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, 2007, 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 34.

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2008	\$ <u>7,440,000</u>	\$ <u>1,248,388</u>	\$ <u>207,419</u>	\$ <u>1,455,807</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, 2007, the swap had a negative fair value to the City of \$4,591,259. 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, 2007, 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, 2007, Citibank NA, the counterparty, was rated "Aaa" 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 36.

Using rates as of June 30, 2007, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2005B variable rate certificates, were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2008	\$ -	\$ 7,028,253	\$ 1,187,078	\$ 8,215,331
2009	-	7,028,253	1,187,078	8,215,331
2010	-	7,028,253	1,187,078	8,215,331
2011	-	7,028,253	1,187,078	8,215,331
2012	-	7,028,253	1,187,078	8,215,331
2013-2017	23,095,000	34,305,183	5,794,173	40,099,356
2018-2022	46,165,000	27,835,871	4,653,023	32,488,894
2023-2027	58,010,000	17,683,557	3,056,382	20,739,939
2028-2032	50,995,000	6,614,969	1,117,274	7,732,243
2033-2034	10,160,000	572,742	96,737	669,479
Total	<u>\$ 188,425,000</u>	<u>\$ 122,153,587</u>	<u>\$ 20,652,979</u>	<u>\$ 142,806,566</u>

*\*Computed using 4.36% less floating rate paid to the City (3.73% at June 30, 2007) 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, 2007 the swaps had a combined positive fair value of \$857,783.

### ***G. Restricted assets***

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

		Unspent
<u>Governmental</u>	Deposits	Debt Proceeds
General fund	\$ -	\$ 232,185
Nonmajor governmental funds	-	50,467,866
Total governmental	-	50,700,051
<u>Enterprise</u>		
Water and sewer fund	31,112,244	233,023,946
Convention center fund	-	95,138,827
Parking facilities fund	-	8,416,418
Nonmajor enterprise funds	3,915,272	-
Total enterprise	35,027,516	336,579,191
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	6,859,501
Public utilities equipment replacement fund	-	3,236,535
Total internal service fund	-	10,096,036
Total	\$ 35,027,516	\$ 397,375,278

### ***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 \$37,298,278 reported for these two internal service funds at June 30, 2007, 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 2006-07 and 2005-06 are as follows:

	<u>2007</u>	<u>2006</u>
Insurance claims payable, beginning of year	\$ 35,515,465	\$ 23,276,362
Current year claims and changes in estimates	32,072,612	41,595,523
Claim payments	(30,289,799)	(29,356,420)
Insurance claims payable, end of year	<u>\$ 37,298,278</u>	<u>\$ 35,515,465</u>

Insurance claims payable at June 30, 2007 which are due within one year are estimated to be \$26,443,007.

As previously noted, the risk management fund has deficit net assets at June 30, 2007 of \$22,292,765. 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, 2007. The City is reviewing several options to address the deficit condition, including re-evaluating the level of funding.

## ***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 FY 2006-07 obligation was \$646,525. 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. The case is probably at least one year away from resolution.

### ***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 \$83,956 to the council during the fiscal year ended June 30, 2007. 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, 2007 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, 2007 the balance of the trust maintained by the County was \$8,798,122, which is not available to the City except for current and future projects jointly determined by the City and the County. During FY 2006-07, 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 \$11,650,370 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, 2007. 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, 2007. 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% and 4.78%, 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, 2007, 2006, and 2005 were \$7,584,174, \$7,308,127, and \$6,657,987, 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, 2007 were \$2,957,390 which consisted of \$1,899,309 from the City and \$1,058,081 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, 2006, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	118
Current active employees	<u>702</u>
Total	<u>820</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 \$1,852,505 or 5.02% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

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

Employer annual required contribution	\$ 1,498,641
Interest paid on pension obligation	(117,175)
Adjustment to annual required contribution	110,619
Annual pension cost	<u>1,492,085</u>
Employer contributions made for current fiscal year	<u>1,852,505</u>
Increase in net pension obligation	(360,420)
Net pension obligation beginning of fiscal year	<u>(1,616,204)</u>
Net Pension obligation end of fiscal year	<u><u>\$ (1,976,624)</u></u>

Annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2006 was 20 years.

The trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
June 30, 2005	\$ 1,501,517	65.83%	\$ (1,520,711)
June 30, 2006	\$ 1,657,669	105.76%	\$ (1,616,204)
June 30, 2007	\$ 1,492,086	124.16%	\$ (1,976,624)

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% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.0%) into the 401a plan. During FY 2006-07, the City contributed \$2,557,987 to the plan.

The FY 2006-07 combining financial statements for the City's pension trust funds are as follows:

**COMBINING STATEMENT OF NET ASSETS**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total June 30, 2007</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,992,222	\$ 4,185,214	\$ 28,177,436
Accrued interest receivable	-	16,090	16,090
Total assets	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' retirement benefits	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 2,732,732	\$ 1,852,505	\$ 4,585,237
Interest	1,039,820	153,026	1,192,846
Net increase in fair value of investments	2,025,005	6,817	2,031,822
Less investment expense	(33,000)	-	(33,000)
Total additions	<u>5,764,557</u>	<u>2,012,348</u>	<u>7,776,905</u>
<b>DEDUCTIONS</b>			
Benefits	849,966	2,048,978	2,898,944
Withdrawals and forfeitures	7,399	-	7,399
Total deductions	<u>857,365</u>	<u>2,048,978</u>	<u>2,906,343</u>
Change in net assets restricted for:			
Employees' retirement benefits	4,907,192	(36,630)	4,870,562
Net assets, beginning of year	19,085,030	4,237,934	23,322,964
Net assets, end of year	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>

#### ***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 \$100 per month. 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, 2007, there were 699 City retirees receiving health care benefits, 267 of which also have dependent coverage. The City pays all of the cost of coverage for the retirees. Those who select to have dependent health care coverage pay for this at the City's group rate for employees; however effective for all employees hired on or after July 1, 2007, retirees will have to pay the entire cost for dependent coverage. In addition, 199 City retirees are currently enrolled in the City medicare supplement plan. There are 1,140 City retirees who have life insurance benefits.

For the fiscal year ended June 30, 2007, the City paid \$3,367,636 for retiree health care coverage, \$208,438 for medicare supplement coverage, and \$118,657 for retiree life insurance coverage. Medical and life insurance claims paid on retirees for the fiscal year ended June 30, 2007 were \$6,167,502 and \$11,822, respectively.

## REQUIRED SUPPLEMENTARY INFORMATION

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
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
2006*	3,341,952	18,104,374	14,762,422	18.5	36,919,192	39.9

**Note:**

\*Information presented as of December 31 actuarial valuation date.

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

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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
2007	1,498,641	123.6

***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, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increase	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A



## 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. Other Schedules - Debt





## NONMAJOR GOVERNMENTAL FUNDS

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2007**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,798,497	\$ 98,249,406	\$ 144,047,903
Assessments receivable, net of allowance for uncollectibles of \$74,115	-	1,408,192	1,408,192
Due from other governmental agencies	4,312,757	1,186,042	5,498,799
Accrued interest receivable	221,837	727,363	949,200
Sales tax receivable	109,854	984,697	1,094,551
Loans receivable	47,031,870	-	47,031,870
Cash and cash equivalents/investments - restricted deposits and bond proceeds	3,435,644	47,032,222	50,467,866
<b>Total assets</b>	<b>\$ 100,910,459</b>	<b>\$ 149,587,922</b>	<b>\$ 250,498,381</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 719,204	\$ 5,192,597	\$ 5,911,801
Accrued salaries and employee payroll taxes	40,579	-	40,579
Loan servicing escrow	843,644	-	843,644
Reimbursable facility fees	-	4,520,889	4,520,889
Other liabilities	-	299,528	299,528
Due to other funds	1,905,330	-	1,905,330
Deferred revenue	47,031,870	1,408,192	48,440,062
Unearned revenue	394,509	490,000	884,509
<b>Total liabilities</b>	<b>50,935,136</b>	<b>11,911,206</b>	<b>62,846,342</b>
<b>Fund balances:</b>			
Reserved for new convention center project	38,071,994	-	38,071,994
Reserved for wireless 911	2,033,295	-	2,033,295
<b>Unreserved:</b>			
Designated for subsequent year's appropriation	8,447,071	130,215,642	138,662,713
Designated for specific purposes	-	7,461,074	7,461,074
Undesignated	1,422,963	-	1,422,963
<b>Total fund balances</b>	<b>49,975,323</b>	<b>137,676,716</b>	<b>187,652,039</b>
<b>Total liabilities and fund balances</b>	<b>\$ 100,910,459</b>	<b>\$ 149,587,922</b>	<b>\$ 250,498,381</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2007**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Combining Eliminations</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 28,817,036	\$ 1,530,361	\$ -	\$ 30,347,397
Developer participation	-	739,811	-	739,811
Assessments	-	830,703	-	830,703
Interest on investments	2,000,734	7,381,947	-	9,382,681
Facility fees	-	5,604,911	-	5,604,911
Rents	350,712	-	-	350,712
Program income	4,481,404	-	-	4,481,404
Miscellaneous other	366,142	1,017,475	-	1,383,617
Total revenues	<u>36,016,028</u>	<u>17,105,208</u>	<u>-</u>	<u>53,121,236</u>
<b>EXPENDITURES</b>				
General government	246,127	-	-	246,127
Community development services	9,426,645	-	-	9,426,645
Public works	1,270,616	593,632	-	1,864,248
Public safety	928,998	-	-	928,998
Solid waste services	4,884	-	-	4,884
Leisure services	250,934	-	-	250,934
Economic development programs	4,455,909	-	-	4,455,909
Capital outlay	555,404	39,332,611	-	39,888,015
Total expenditures	<u>17,139,517</u>	<u>39,926,243</u>	<u>-</u>	<u>57,065,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,876,511</u>	<u>(22,821,035)</u>	<u>-</u>	<u>(3,944,524)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,267,367	17,977,023	(4,374,300)	14,870,090
Transfers out	(12,469,013)	(2,342,090)	4,374,300	(10,436,803)
Bonds issued	7,000,000	-	-	7,000,000
Total other financing sources (uses)	<u>(4,201,646)</u>	<u>15,634,933</u>	<u>-</u>	<u>11,433,287</u>
Net change in fund balances	14,674,865	(7,186,102)	-	7,488,763
Fund balance - beginning of year	35,300,458	144,862,818	-	180,163,276
Fund balance - ending of year	<u>\$ 49,975,323</u>	<u>\$ 137,676,716</u>	<u>\$ -</u>	<u>\$ 187,652,039</u>



## **SPECIAL REVENUE FUNDS**

The primary purpose of the *Special Revenue Funds* is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Revenue sources accounted for through the City's special revenue funds include Powell Bill funds, housing development and bond funds, new convention center financing funds, wireless 911 funds, and various grant revenues.



## 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, 2007**

	<b>Grants Fund</b>	<b>Housing Development Fund</b>	<b>Housing Bond Fund</b>	<b>Community Development Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 596,850	\$ 2,771,347	\$ 2,863,020	\$ 247,508
Due from other governmental agencies	1,976,662	-	-	206,335
Accrued interest receivable	-	13,892	2,582	-
Sales tax receivable	74,055	10,840	7,106	15,105
Loans receivable	-	2,249,972	26,381,349	18,400,549
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	-	3,435,644	-
Total assets	<u>\$ 2,647,567</u>	<u>\$ 5,046,051</u>	<u>\$ 32,689,701</u>	<u>\$ 18,869,497</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 331,440	\$ 13,281	\$ 96,720	\$ 137,920
Accrued salaries and employee payroll taxes	16,288	24,291	-	-
Loan servicing escrow	-	338,859	173,757	331,028
Due to other funds	1,905,330	-	-	-
Deferred revenue	-	2,249,972	26,381,349	18,400,549
Unearned revenue	394,509	-	-	-
Total liabilities	<u>2,647,567</u>	<u>2,626,403</u>	<u>26,651,826</u>	<u>18,869,497</u>
Fund balances:				
Reserved for new convention center project	-	-	-	-
Reserved for wireless 911	-	-	-	-
Unreserved:				
Designated for subsequent year's appropriation	-	2,221,576	4,817,358	-
Undesignated	-	198,072	1,220,517	-
Total fund balances	<u>-</u>	<u>2,419,648</u>	<u>6,037,875</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,647,567</u>	<u>\$ 5,046,051</u>	<u>\$ 32,689,701</u>	<u>\$ 18,869,497</u>



<b>Powell Bill Fund</b>	<b>Disaster Recovery Fund</b>	<b>New Convention Center Financing Fund</b>	<b>Wireless 911 Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 4,318	\$ 1,405,389	\$ 35,750,190	\$ 2,159,875	\$ 45,798,497
-	-	2,129,760	-	4,312,757
56	-	192,044	13,263	221,837
-	2,748	-	-	109,854
-	-	-	-	47,031,870
-	-	-	-	3,435,644
<u>\$ 4,374</u>	<u>\$ 1,408,137</u>	<u>\$ 38,071,994</u>	<u>\$ 2,173,138</u>	<u>\$ 100,910,459</u>
\$ -	\$ -	\$ -	\$ 139,843	\$ 719,204
-	-	-	-	40,579
-	-	-	-	843,644
-	-	-	-	1,905,330
-	-	-	-	47,031,870
-	-	-	-	394,509
-	-	-	139,843	50,935,136
-	-	38,071,994	-	38,071,994
-	-	-	2,033,295	2,033,295
-	1,408,137	-	-	8,447,071
4,374	-	-	-	1,422,963
<u>4,374</u>	<u>1,408,137</u>	<u>38,071,994</u>	<u>2,033,295</u>	<u>49,975,323</u>
<u>\$ 4,374</u>	<u>\$ 1,408,137</u>	<u>\$ 38,071,994</u>	<u>\$ 2,173,138</u>	<u>\$ 100,910,459</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2007**

	<b>Grants Fund</b>	<b>Housing Development Fund</b>	<b>Housing Bond Fund</b>	<b>Community Development Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 2,662,467	\$ -	\$ -	\$ 4,310,816
Interest on investments	-	114,962	112,038	-
Rents	-	350,712	-	-
Program income	-	93,288	1,316,910	3,071,206
Miscellaneous other	95,614	189,927	14,807	-
Total revenues	<u>2,758,081</u>	<u>748,889</u>	<u>1,443,755</u>	<u>7,382,022</u>
<b>EXPENDITURES</b>				
Current:				
General government	245,677	-	-	-
Community development services	487,821	1,556,802	-	7,382,022
Public works	1,270,616	-	-	-
Public safety	928,998	-	-	-
Solid waste services	4,884	-	-	-
Leisure services	250,934	-	-	-
Economic development programs	-	-	4,455,909	-
Capital outlay	-	-	-	-
Total expenditures	<u>3,188,930</u>	<u>1,556,802</u>	<u>4,455,909</u>	<u>7,382,022</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(430,849)</u>	<u>(807,913)</u>	<u>(3,012,154)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	430,849	836,518	-	-
Transfers out	-	(62,716)	(400,000)	-
Bonds issued	-	-	7,000,000	-
Total other financing sources and uses	<u>430,849</u>	<u>773,802</u>	<u>6,600,000</u>	<u>-</u>
Net change in fund balances	-	(34,111)	3,587,846	-
Fund balances - beginning	-	2,453,759	2,450,029	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,419,648</u>	<u>\$ 6,037,875</u>	<u>\$ -</u>

<b>Powell Bill Fund</b>	<b>Disaster Recovery Fund</b>	<b>New Convention Center Financing Fund</b>	<b>Wireless 911 Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 9,288,777	\$ 3,273	\$ 11,650,370	\$ 901,333	\$ 28,817,036
10,318	-	1,648,967	114,449	2,000,734
-	-	-	-	350,712
-	-	-	-	4,481,404
-	65,794	-	-	366,142
<u>9,299,095</u>	<u>69,067</u>	<u>13,299,337</u>	<u>1,015,782</u>	<u>36,016,028</u>
-	450	-	-	246,127
-	-	-	-	9,426,645
-	-	-	-	1,270,616
-	-	-	-	928,998
-	-	-	-	4,884
-	-	-	-	250,934
-	-	-	-	4,455,909
-	-	-	555,404	555,404
<u>-</u>	<u>450</u>	<u>-</u>	<u>555,404</u>	<u>17,139,517</u>
<u>9,299,095</u>	<u>68,617</u>	<u>13,299,337</u>	<u>460,378</u>	<u>18,876,511</u>
-	-	-	-	1,267,367
(9,296,821)	-	(2,709,476)	-	(12,469,013)
-	-	-	-	7,000,000
<u>(9,296,821)</u>	<u>-</u>	<u>(2,709,476)</u>	<u>-</u>	<u>(4,201,646)</u>
2,274	68,617	10,589,861	460,378	14,674,865
<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>\$ 4,374</u>	<u>\$ 1,408,137</u>	<u>\$ 38,071,994</u>	<u>\$ 2,033,295</u>	<u>\$ 49,975,323</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
GRANTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
U.S. Department of Transportation	\$ 811,338	\$ 962,096	\$ 1,773,434	\$ 2,584,104	\$ (810,670)
Corporation for National and Community Service	-	320,881	320,881	320,881	-
U.S. Forest Service	4,641	3,741	8,382	8,400	(18)
U.S. Department of Justice	158,624	260,255	418,879	613,821	(194,942)
U.S. Environmental Protection Agency	71,847	224,513	296,360	1,400,000	(1,103,640)
U.S. Department of Agriculture	7,480	-	7,480	9,802	(2,322)
U.S. Department of Homeland Security	194,151	27,804	221,955	222,123	(168)
State of North Carolina	360,398	763,956	1,124,354	4,000,658	(2,876,304)
Wake County	143,799	99,221	243,020	508,580	(265,560)
	<u>1,752,278</u>	<u>2,662,467</u>	<u>4,414,745</u>	<u>9,668,369</u>	<u>(5,253,624)</u>
Miscellaneous other	<u>345,320</u>	<u>95,614</u>	<u>440,934</u>	<u>994,778</u>	<u>(553,844)</u>
Total revenues	<u>2,097,598</u>	<u>2,758,081</u>	<u>4,855,679</u>	<u>10,663,147</u>	<u>(5,807,468)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	<u>103,460</u>	<u>430,849</u>	<u>534,309</u>	<u>2,451,074</u>	<u>(1,916,765)</u>
Total revenues and other financing sources	<u>\$ 2,201,058</u>	<u>\$ 3,188,930</u>	<u>\$ 5,389,988</u>	<u>\$ 13,114,221</u>	<u>\$ (7,724,233)</u>
<b>EXPENDITURES</b>					
General government	\$ 109,047	\$ 245,677	\$ 354,724	\$ 1,466,280	\$ (1,111,556)
Community development services	-	487,821	487,821	487,299	522
Public works	1,258,236	1,270,616	2,528,852	4,405,886	(1,877,034)
Public safety	598,114	928,998	1,527,112	5,987,975	(4,460,863)
Solid waste services	16,358	4,884	21,242	25,702	(4,460)
Leisure services	219,303	250,934	470,237	741,079	(270,842)
Total expenditures	<u>\$ 2,201,058</u>	<u>\$ 3,188,930</u>	<u>\$ 5,389,988</u>	<u>\$ 13,114,221</u>	<u>\$ (7,724,233)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
HOUSING DEVELOPMENT FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 114,962	\$ 114,962	\$ 111,400	\$ 3,562
Rents	-	350,712	350,712	444,920	(94,208)
Program income	-	93,288	93,288	54,054	39,234
Miscellaneous other	-	189,927	189,927	-	189,927
Total revenues	-	748,889	748,889	610,374	138,515
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	-	836,518	836,518	836,518	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,585,407</u>	<u>\$ 1,585,407</u>	1,446,892	<u>\$ 138,515</u>
Fund balance appropriated				4,193,194	
				<u>\$ 5,640,086</u>	
<b>EXPENDITURES</b>					
Community development services	<u>\$ 2,002,479</u>	<u>\$ 1,556,802</u>	<u>\$ 3,559,281</u>	<u>\$ 5,577,370</u>	<u>\$ (2,018,089)</u>
<b>OTHER FINANCING USES</b>					
Transfer to general fund	-	62,716	62,716	62,716	-
Total expenditures and other financing uses	<u>\$ 2,002,479</u>	<u>\$ 1,619,518</u>	<u>\$ 3,621,997</u>	<u>\$ 5,640,086</u>	<u>\$ (2,018,089)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
HOUSING BOND FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 112,038	\$ 112,038	\$ -	\$ 112,038
Program income	-	1,316,910	1,316,910	-	1,316,910
Miscellaneous other	-	14,807	14,807	-	14,807
Total revenues	-	1,443,755	1,443,755	-	1,443,755
<b>OTHER FINANCING SOURCES</b>					
Bonds issued	812,266	7,000,000	7,812,266	10,615,035	(2,802,769)
Total revenues and other financing sources	<u>\$ 812,266</u>	<u>\$ 8,443,755</u>	<u>\$ 9,256,021</u>	10,615,035	<u>\$ (1,359,014)</u>
Fund balance appropriated				2,875,000	
				<u>\$ 13,490,035</u>	
<b>EXPENDITURES</b>					
Economic development programs	<u>\$ 2,591,588</u>	<u>\$ 4,455,909</u>	<u>\$ 7,047,497</u>	<u>\$ 13,090,035</u>	<u>\$ (6,042,538)</u>
<b>OTHER FINANCING USES</b>					
Transfer to general fund	-	400,000	400,000	400,000	-
Total expenditures and other financing uses	<u>\$ 2,591,588</u>	<u>\$ 4,855,909</u>	<u>\$ 7,447,497</u>	<u>\$ 13,490,035</u>	<u>\$ (6,042,538)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 COMMUNITY DEVELOPMENT FUND  
 For the Fiscal Year Ended June 30, 2007**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
US Department of HUD	\$ 4,058,660	\$ 4,163,958	\$ 8,222,618	\$ 14,711,734	\$ (6,489,116)
State of North Carolina	5,142	146,858	152,000	152,000	-
Program income	<u>1,046,050</u>	<u>3,071,206</u>	<u>4,117,256</u>	<u>3,616,869</u>	<u>500,387</u>
Total revenues	<u>\$ 5,109,852</u>	<u>\$ 7,382,022</u>	<u>\$ 12,491,874</u>	<u>\$ 18,480,603</u>	<u>\$ (5,988,729)</u>
<b>EXPENDITURES</b>					
Community development services	<u>\$ 5,109,852</u>	<u>\$ 7,382,022</u>	<u>\$ 12,491,874</u>	<u>\$ 18,480,603</u>	<u>\$ (5,988,729)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
POWELL BILL FUND  
For the Fiscal Year Ended June 30, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
State of North Carolina	\$ 9,288,777	\$ 9,382,520	\$ (93,743)
Interest on investments	10,318	-	10,318
Total revenues	<u>\$ 9,299,095</u>	<u>9,382,520</u>	<u>\$ (83,425)</u>
 Fund balance appropriated		 -	
		<u>\$ 9,382,520</u>	
 <b>OTHER FINANCING USES</b>			
Transfers to:			
General fund	\$ 4,922,520	\$ 4,922,520	\$ -
Street improvement fund	4,374,301	4,460,000	(85,699)
Total transfers out	<u>9,296,821</u>	<u>9,382,520</u>	<u>(85,699)</u>
Total other financing uses	<u>\$ 9,296,821</u>	<u>\$ 9,382,520</u>	<u>\$ (85,699)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 DISASTER RECOVERY FUND  
 For the Fiscal Year Ended June 30, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
Federal Emergency Management			
Agency	\$ 3,273	\$ -	\$ 3,273
Miscellaneous other	<u>65,794</u>	<u>-</u>	<u>65,794</u>
Total revenues	<u>\$ 69,067</u>	-	<u>\$ 69,067</u>
Fund balance appropriated		<u>1,151,767</u>	
		<u>\$ 1,151,767</u>	
<b>EXPENDITURES</b>			
General government	<u>\$ 450</u>	<u>\$ 1,151,767</u>	<u>\$ (1,151,317)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 NEW CONVENTION CENTER FINANCING FUND  
 For the Fiscal Year Ended June 30, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
Wake County	\$ 11,650,370	\$ 8,762,004	\$ 2,888,366
Interest on investments	<u>1,648,967</u>	<u>740,748</u>	<u>908,219</u>
 Total revenues	<u>\$ 13,299,337</u>	<u>9,502,752</u>	<u>\$ 3,796,585</u>
Fund balance appropriated		<u>16,400,000</u>	
		<u>\$ 25,902,752</u>	
 <b>OTHER FINANCING USES</b>			
Transfers to:			
Convention center complex operating fund	\$ 2,709,476	\$ 9,502,752	\$ (6,793,276)
New convention center capital projects fund	<u>-</u>	<u>16,400,000</u>	<u>(16,400,000)</u>
 Total other financing uses	<u>\$ 2,709,476</u>	<u>\$ 25,902,752</u>	<u>\$ (23,193,276)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 WIRELESS 911 FUND  
 For the Fiscal Year Ended June 30, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
State of North Carolina	\$ 901,333	\$ 560,000	\$ 341,333
Interest on investments	114,449	-	114,449
Total revenues	<u>\$ 1,015,782</u>	<u>\$ 560,000</u>	<u>\$ 455,782</u>
<b>EXPENDITURES</b>			
Emergency communications capital outlay	<u>\$ 555,404</u>	<u>\$ 560,000</u>	<u>\$ (4,596)</u>



## 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.



## 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, 2007**

	<b>Street Improvement Fund</b>	<b>Street Bond Fund</b>	<b>Sidewalk Fund</b>	<b>Park Improvement Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,694,875	\$ 16,285,259	\$ 4,189,196	\$ 15,653,303
Assessments receivable, net of allowance for uncollectibles of \$74,115	1,408,192	-	-	-
Due from other governmental agencies	771,509	150,000	-	-
Accrued interest receivable	143,303	163,696	21,660	78,202
Sales tax receivable	196,258	190,030	8,691	115,550
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	15,745,396	-	-
Total assets	<u>\$ 29,214,137</u>	<u>\$ 32,534,381</u>	<u>\$ 4,219,547</u>	<u>\$ 15,847,055</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,115,269	\$ 1,158,607	\$ 64,058	\$ 522,643
Reimbursable facility fees	-	-	-	-
Other liabilities	235,976	-	-	43,195
Deferred revenue	1,408,192	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>2,759,437</u>	<u>1,158,607</u>	<u>64,058</u>	<u>565,838</u>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	25,580,448	31,375,774	3,918,761	15,014,486
Designated for specific purposes	874,252	-	236,728	266,731
Undesignated	-	-	-	-
Total fund balances	<u>26,454,700</u>	<u>31,375,774</u>	<u>4,155,489</u>	<u>15,281,217</u>
Total liabilities and fund balances	<u>\$ 29,214,137</u>	<u>\$ 32,534,381</u>	<u>\$ 4,219,547</u>	<u>\$ 15,847,055</u>



<b>Facility Fees Fund</b>	<b>Park Bond Fund</b>	<b>Miscellaneous Capital Improvements Fund</b>	<b>Walnut Creek Amphitheater Projects Fund</b>	<b>Stormwater Projects Fund</b>	<b>Technology Capital Projects Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
\$ 5,797,188	\$ 9,635,082	\$ 13,343,877	\$ 758,209	\$ 376,266	\$ 5,516,151	\$ 98,249,406
-	-	-	-	-	-	1,408,192
-	20,000	-	-	244,533	-	1,186,042
39,710	143,271	108,628	3,728	2,231	22,934	727,363
30	49,006	354,058	23,064	2,189	45,821	984,697
-	18,442,369	12,844,457	-	-	-	47,032,222
<u>\$ 5,836,928</u>	<u>\$ 28,289,728</u>	<u>\$ 26,651,020</u>	<u>\$ 785,001</u>	<u>\$ 625,219</u>	<u>\$ 5,584,906</u>	<u>\$ 149,587,922</u>
\$ -	\$ 607,370	\$ 1,553,015	\$ -	\$ 2,282	\$ 169,353	\$ 5,192,597
4,520,889	-	-	-	-	-	4,520,889
12,566	348	7,443	-	-	-	299,528
-	-	-	-	-	-	1,408,192
-	-	-	490,000	-	-	490,000
<u>4,533,455</u>	<u>607,718</u>	<u>1,560,458</u>	<u>490,000</u>	<u>2,282</u>	<u>169,353</u>	<u>11,911,206</u>
1,303,473	26,762,425	21,881,618	261,320	622,937	3,494,400	130,215,642
-	919,585	3,208,944	33,681	-	1,921,153	7,461,074
-	-	-	-	-	-	-
<u>1,303,473</u>	<u>27,682,010</u>	<u>25,090,562</u>	<u>295,001</u>	<u>622,937</u>	<u>5,415,553</u>	<u>137,676,716</u>
<u>\$ 5,836,928</u>	<u>\$ 28,289,728</u>	<u>\$ 26,651,020</u>	<u>\$ 785,001</u>	<u>\$ 625,219</u>	<u>\$ 5,584,906</u>	<u>\$ 149,587,922</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Street Improvement Fund</b>	<b>Street Bond Fund</b>	<b>Sidewalk Fund</b>	<b>Park Improvement Fund</b>	<b>Facility Fees Fund</b>
<b>REVENUES</b>					
Intergovernmental	\$ 985,902	\$ -	\$ -	\$ 471,250	\$ -
Developer participation	239,811	-	-	500,000	-
Assessments	700,249	-	130,454	-	-
Interest on investments	1,285,861	1,800,796	196,532	690,957	345,769
Facility Fees	-	-	-	-	5,604,911
Miscellaneous other	139,853	13,443	115,765	101,381	-
Total revenues	<u>3,351,676</u>	<u>1,814,239</u>	<u>442,751</u>	<u>1,763,588</u>	<u>5,950,680</u>
<b>EXPENDITURES</b>					
Public works	593,632	-	-	-	-
Public improvements:					
Street paving/sidewalk projects	7,110,641	12,114,458	578,666	-	-
Parks and recreation projects	-	-	-	4,707,748	-
Walnut creek amphitheater projects	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Total expenditures	<u>7,704,273</u>	<u>12,114,458</u>	<u>578,666</u>	<u>4,707,748</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,352,597)</u>	<u>(10,300,219)</u>	<u>(135,915)</u>	<u>(2,944,160)</u>	<u>5,950,680</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	7,068,669	1,138,085	590,800	9,239,167	-
Transfers out	(1,830,684)	-	(30,490)	(15,000)	(5,062,000)
Total other financing sources and uses	<u>5,237,985</u>	<u>1,138,085</u>	<u>560,310</u>	<u>9,224,167</u>	<u>(5,062,000)</u>
Net change in fund balances	885,388	(9,162,134)	424,395	6,280,007	888,680
Fund balance - beginning of year	25,569,312	40,537,908	3,731,094	9,001,210	414,793
Fund balance - ending of year	<u>\$ 26,454,700</u>	<u>\$ 31,375,774</u>	<u>\$ 4,155,489</u>	<u>\$ 15,281,217</u>	<u>\$ 1,303,473</u>

<b>Park Bond Fund</b>	<b>Miscellaneous Capital Improvements Fund</b>	<b>Walnut Creek Amphitheater Projects Fund</b>	<b>Stormwater Projects Fund</b>	<b>Technology Capital Projects Fund</b>	<b>Combining Eliminations</b>	<b>Total Nonmajor Capital Projects Funds</b>
\$ -	\$ -	\$ -	\$ 73,209	\$ -	\$ -	\$ 1,530,361
-	-	-	-	-	-	739,811
-	-	-	-	-	-	830,703
1,483,804	1,322,890	22,111	19,253	213,974	-	7,381,947
-	-	-	-	-	-	5,604,911
40,350	264,719	341,964	-	-	-	1,017,475
<u>1,524,154</u>	<u>1,587,609</u>	<u>364,075</u>	<u>92,462</u>	<u>213,974</u>	<u>-</u>	<u>17,105,208</u>
-	-	-	-	-	-	593,632
-	-	-	-	-	-	19,803,765
3,291,863	-	-	-	-	-	7,999,611
-	-	176,172	-	-	-	176,172
-	-	-	328,192	-	-	328,192
-	9,783,013	-	-	-	-	9,783,013
-	-	-	-	1,241,858	-	1,241,858
<u>3,291,863</u>	<u>9,783,013</u>	<u>176,172</u>	<u>328,192</u>	<u>1,241,858</u>	<u>-</u>	<u>39,926,243</u>
<u>(1,767,709)</u>	<u>(8,195,404)</u>	<u>187,903</u>	<u>(235,730)</u>	<u>(1,027,884)</u>	<u>-</u>	<u>(22,821,035)</u>
-	6,333,000	-	80,877	2,000,000	(8,473,575)	17,977,023
(460,545)	(1,893,000)	-	(1,523,946)	-	8,473,575	(2,342,090)
(460,545)	4,440,000	-	(1,443,069)	2,000,000	-	15,634,933
(2,228,254)	(3,755,404)	187,903	(1,678,799)	972,116	-	(7,186,102)
29,910,264	28,845,966	107,098	2,301,736	4,443,437	-	144,862,818
<u>\$ 27,682,010</u>	<u>\$ 25,090,562</u>	<u>\$ 295,001</u>	<u>\$ 622,937</u>	<u>\$ 5,415,553</u>	<u>\$ -</u>	<u>\$ 137,676,716</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
STREET IMPROVEMENT FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 337,500	\$ 985,902	\$ 1,323,402	\$ 35,283,500	\$ (33,960,098)
Developer participation	268,136	239,811	507,947	2,756,633	(2,248,686)
Assessments	-	700,249	700,249	275,000	425,249
Interest on investments	-	1,285,861	1,285,861	-	1,285,861
Miscellaneous other	7,500	139,853	147,353	525,000	(377,647)
Total revenues	613,136	3,351,676	3,964,812	38,840,133	(34,875,321)
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	131,749	131,749	131,749	-
Powell bill fund	-	4,374,300	4,374,300	4,460,000	(85,700)
Sidewalk fund	-	30,490	30,490	30,490	-
Facility fees fund	-	2,469,200	2,469,200	2,469,200	-
Miscellaneous capital projects fund	-	20,000	20,000	20,000	-
Water capital projects fund	-	42,930	42,930	42,930	-
Total other financing sources	-	7,068,669	7,068,669	7,154,369	(85,700)
Total revenues and other financing sources	\$ 613,136	\$ 10,420,345	\$ 11,033,481	45,994,502	\$ (34,961,021)
Fund balance appropriated				53,031,029	
				<u>\$ 99,025,531</u>	
<b>EXPENDITURES</b>					
Street projects	\$ 28,231,452	\$ 7,110,641	\$ 35,342,093	\$ 96,601,215	\$ (61,259,122)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	36,000	36,000	36,000	-
Street bond fund	-	1,138,085	1,138,085	1,138,085	-
Mass transit fund	-	1,250,231	1,250,231	1,250,231	-
Total other financing uses	-	2,424,316	2,424,316	2,424,316	-
Total expenditures and other financing uses	\$ 28,231,452	\$ 9,534,957	\$ 37,766,409	\$ 99,025,531	\$ (61,259,122)

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
STREET BOND FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 412,206	\$ -	\$ 412,206	\$ 510,000	\$ (97,794)
Interest on investments	-	1,800,796	1,800,796	700,000	1,100,796
Miscellaneous other	-	13,443	13,443	43,489	(30,046)
Total revenues	412,206	1,814,239	2,226,445	1,253,489	972,956
<b>OTHER FINANCING SOURCES</b>					
Transfer from street improvement fund	-	1,138,085	1,138,085	1,138,085	-
Bonds issued	-	-	-	10,348,000	(10,348,000)
Total other financing sources	-	1,138,085	1,138,085	11,486,085	(10,348,000)
Total revenues and other financing sources	\$ 412,206	\$ 2,952,324	\$ 3,364,530	12,739,574	\$ (9,375,044)
Fund balance appropriated				90,777,298	
				<u>\$ 103,516,872</u>	
<b>EXPENDITURES</b>					
Street projects	<u>\$ 52,002,228</u>	<u>\$ 12,114,458</u>	<u>\$ 64,116,686</u>	<u>\$ 103,516,872</u>	<u>\$ (39,400,186)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
SIDEWALK FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ -	\$ -	\$ -	\$ 90,000	\$ (90,000)
Interest on investments	-	196,532	196,532	-	196,532
Sidewalk paving assessment	-	130,454	130,454	53,000	77,454
Fees in lieu various	-	115,765	115,765	126,000	(10,235)
Total revenues	-	442,751	442,751	269,000	173,751
<b>OTHER FINANCING SOURCES</b>					
Transfer from facility fees fund	-	590,800	590,800	590,800	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,033,551</u>	<u>\$ 1,033,551</u>	859,800	<u>\$ 173,751</u>
Fund balance appropriated				<u>3,766,591</u>	
				<u>\$ 4,626,391</u>	
<b>EXPENDITURES</b>					
Sidewalk projects	<u>\$ 208,473</u>	<u>\$ 578,666</u>	<u>\$ 787,139</u>	<u>\$ 4,595,901</u>	<u>\$ (3,808,762)</u>
<b>OTHER FINANCING USES</b>					
Transfer to street improvement fund	-	30,490	30,490	30,490	-
Total expenditures and other financing uses	<u>\$ 208,473</u>	<u>\$ 609,156</u>	<u>\$ 817,629</u>	<u>\$ 4,626,391</u>	<u>\$ (3,808,762)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
PARK IMPROVEMENT FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
Wake County	\$ -	\$ 471,250	\$ 471,250	\$ 3,037,500	\$ (2,566,250)
Developer participation	-	500,000	500,000	500,000	-
Interest on investments	-	690,957	690,957	280,000	410,957
Miscellaneous other	71,551	101,381	172,932	39,958	132,974
Total revenues	71,551	1,763,588	1,835,139	3,857,458	(2,022,319)
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	6,414,167	6,414,167	6,414,167	-
Facility fees fund	-	2,002,000	2,002,000	2,002,000	-
Miscellaneous capital projects fund	-	823,000	823,000	823,000	-
Total other financing sources	-	9,239,167	9,239,167	9,239,167	-
Total revenues and other financing sources	\$ 71,551	\$ 11,002,755	\$ 11,074,306	13,096,625	\$ (2,022,319)
Fund balance appropriated				20,322,741	
				<u>\$ 33,419,366</u>	
<b>EXPENDITURES</b>					
Park improvement projects	\$ 10,560,378	\$ 4,707,748	\$ 15,268,126	\$ 32,329,366	\$ (17,061,240)
<b>OTHER FINANCING USES</b>					
Transfers to:					
Park bond fund	1,075,000	-	1,075,000	1,075,000	-
New convention center capital projects fund	-	15,000	15,000	15,000	-
Total other financing uses	1,075,000	15,000	1,090,000	1,090,000	-
Total expenditures and other financing uses	\$ 11,635,378	\$ 4,722,748	\$ 16,358,126	\$ 33,419,366	\$ (17,061,240)

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
FACILITY FEES FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 345,769	\$ 345,769	\$ 133,000	\$ 212,769
Facility fees	-	5,604,911	5,604,911	4,929,000	675,911
Total revenues	<u>\$ -</u>	<u>\$ 5,950,680</u>	<u>\$ 5,950,680</u>	5,062,000	<u>\$ 888,680</u>
Fund balance appropriated				-	
				<u>\$ 5,062,000</u>	
<b>OTHER FINANCING USES</b>					
Transfers to:					
Street improvement fund	\$ -	\$ 2,469,200	\$ 2,469,200	\$ 2,469,200	\$ -
Sidewalk fund	-	590,800	590,800	590,800	-
Park improvement fund	-	2,002,000	2,002,000	2,002,000	-
Total other financing uses	<u>\$ -</u>	<u>\$ 5,062,000</u>	<u>\$ 5,062,000</u>	<u>\$ 5,062,000</u>	<u>\$ -</u>



**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
PARK BOND FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 441,483	\$ -	\$ 441,483	\$ 1,521,483	\$ (1,080,000)
Interest on investments	-	1,483,804	1,483,804	455,286	1,028,518
Miscellaneous income	16,950	40,350	57,300	-	57,300
Total revenues	<u>458,433</u>	<u>1,524,154</u>	<u>1,982,587</u>	<u>1,976,769</u>	<u>5,818</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from park improvement fund	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 508,433</u>	<u>\$ 1,524,154</u>	<u>\$ 2,032,587</u>	<u>2,026,769</u>	<u>\$ 5,818</u>
Fund balance appropriated				<u>46,531,573</u>	
				<u>\$ 48,558,342</u>	
<b>EXPENDITURES</b>					
Park projects	<u>\$ 17,856,472</u>	<u>\$ 3,291,863</u>	<u>\$ 21,148,335</u>	<u>\$ 48,069,712</u>	<u>\$ (26,921,377)</u>
<b>OTHER FINANCING USES</b>					
Transfer to water capital projects fund	-	460,545	460,545	460,545	-
Debt service:					
Bond issue cost	<u>21,759</u>	<u>-</u>	<u>21,759</u>	<u>28,085</u>	<u>(6,326)</u>
Total expenditures and other financing uses	<u>\$ 17,878,231</u>	<u>\$ 3,752,408</u>	<u>\$ 21,630,639</u>	<u>\$ 48,558,342</u>	<u>\$ (26,927,703)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
US Department of HUD	\$ -	\$ -	\$ -	\$ 173,968	\$ (173,968)
Interest on investments	-	1,322,890	1,322,890	350,000	972,890
Miscellaneous income	200,000	264,719	464,719	6,100,833	(5,636,114)
Total revenues	200,000	1,587,609	1,787,609	6,624,801	(4,837,192)
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	4,933,000	4,933,000	4,933,000	-
Stormwater projects fund	-	1,400,000	1,400,000	1,400,000	-
	-	6,333,000	6,333,000	6,333,000	-
Bonds issued	-	-	-	24,700,000	(24,700,000)
Total other financing sources	-	6,333,000	6,333,000	31,033,000	(24,700,000)
Total revenues and other financing sources	\$ 200,000	\$ 7,920,609	\$ 8,120,609	37,657,801	\$ (29,537,192)
Fund balance appropriated				51,044,240	
				<u>\$ 88,702,041</u>	
<b>EXPENDITURES</b>					
Debt issue costs	\$ 58,018	\$ -	\$ 58,018	\$ 58,018	\$ -
Miscellaneous capital projects	24,508,847	9,783,013	34,291,860	86,751,023	(52,459,163)
Total expenditures	24,566,865	9,783,013	34,349,878	86,809,041	(52,459,163)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	500,000	500,000	500,000	-
Street improvement fund	-	20,000	20,000	20,000	-
Park improvement fund	-	823,000	823,000	823,000	-
Water capital projects fund	-	500,000	500,000	500,000	-
Parking capital projects fund	-	50,000	50,000	50,000	-
Total other financing uses	-	1,893,000	1,893,000	1,893,000	-
Total expenditures and other financing uses	\$ 24,566,865	\$ 11,676,013	\$ 36,242,878	\$ 88,702,041	\$ (52,459,163)

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 WALNUT CREEK AMPHITHEATER PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Amphitheater rent	\$ -	\$ 341,964	\$ 341,964	\$ 334,000	\$ 7,964
Interest on investments	-	22,111	22,111	-	22,111
Total revenues	<u>\$ -</u>	<u>\$ 364,075</u>	<u>\$ 364,075</u>	<u>334,000</u>	<u>\$ 30,075</u>
Fund balance appropriated				<u>587,247</u>	
				<u>\$ 921,247</u>	
<b>EXPENDITURES</b>					
Amphitheater capital projects	<u>\$ 483,755</u>	<u>\$ 176,172</u>	<u>\$ 659,927</u>	<u>\$ 921,247</u>	<u>\$ (261,320)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
STORMWATER PROJECTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 171,324	\$ 73,209	\$ 244,533	\$ 443,334	\$ (198,801)
Interest on investments	-	19,253	19,253	-	19,253
Total revenues	<u>171,324</u>	<u>92,462</u>	<u>263,786</u>	<u>443,334</u>	<u>(179,548)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from stormwater utility capital projects fund	<u>-</u>	<u>80,877</u>	<u>80,877</u>	<u>80,877</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 171,324</u>	<u>\$ 173,339</u>	<u>\$ 344,663</u>	524,211	<u>\$ (179,548)</u>
Fund balance appropriated				<u>3,190,935</u>	
				<u>\$ 3,715,146</u>	
<b>EXPENDITURES</b>					
Stormwater projects	<u>\$ 1,023,758</u>	<u>\$ 328,192</u>	<u>\$ 1,351,950</u>	<u>\$ 2,191,200</u>	<u>\$ (839,250)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Miscellaneous capital improvements fund	-	1,400,000	1,400,000	1,400,000	-
Stormwater utility capital projects fund	<u>-</u>	<u>123,946</u>	<u>123,946</u>	<u>123,946</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>1,523,946</u>	<u>1,523,946</u>	<u>1,523,946</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 1,023,758</u>	<u>\$ 1,852,138</u>	<u>\$ 2,875,896</u>	<u>\$ 3,715,146</u>	<u>\$ (839,250)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 TECHNOLOGY CAPITAL PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 213,974	\$ 213,974	\$ -	\$ 213,974
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	-	2,000,000	2,000,000	2,000,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 2,213,974</u>	<u>\$ 2,213,974</u>	2,000,000	<u>\$ 213,974</u>
Fund balance appropriated				8,447,020	
				<u>\$ 10,447,020</u>	
<b>EXPENDITURES</b>					
Technology projects	<u>\$ 4,037,985</u>	<u>\$ 1,241,858</u>	<u>\$ 5,279,843</u>	<u>\$ 10,447,020</u>	<u>\$ (5,167,177)</u>



## ENTERPRISE FUNDS

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

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

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

## ENTERPRISE FUNDS

**WATER AND SEWER FUND (MAJOR FUND)** - The Water and Sewer Fund accounts for operating and capital costs associated with the City's water and Sewer operations. This fund combines the Water and Sewer Operating Fund, the Water Capital Projects Fund, the Sewer Capital Projects Fund, the Water and Sewer Revenue Bond Fund 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 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, 2007**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,877,046	\$ 26,103,573	\$ 28,980,619
Customer receivables, net of allowance for uncollectibles of \$301,464	-	1,077,759	1,077,759
Due from other governmental agencies	1,097,193	-	1,097,193
Accrued interest receivable	-	158,033	158,033
Sales tax receivable	158,203	43,579	201,782
Due from other funds	103,830	-	103,830
Inventories	438,520	-	438,520
Total current assets	4,674,792	27,382,944	32,057,736
Noncurrent assets:			
Restricted cash and cash equivalents	43,730	3,871,542	3,915,272
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	-	3,426,251	3,426,251
Buildings and machinery	3,798,718	-	3,798,718
Buses	19,254,240	-	19,254,240
Equipment	1,210,152	279,702	1,489,854
Furniture and fixtures	44,844	-	44,844
Improvements	1,087,255	2,635,467	3,722,722
Less accumulated depreciation	(14,427,231)	(358,729)	(14,785,960)
Total noncurrent assets	12,000,697	9,854,233	21,854,930
Total assets	16,675,489	37,237,177	53,912,666
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	643,607	209,869	853,476
Accrued salaries and employee payroll taxes	7,342	45,262	52,604
Deferred contributions from other funds	990,925	-	990,925
Due to other funds	1,947,599	-	1,947,599
Total current liabilities	3,589,473	255,131	3,844,604
Noncurrent liabilities:			
Escrow and other deposits payable from restricted assets	43,730	3,871,542	3,915,272
Earned vacation pay	34,935	173,497	208,432
Total noncurrent liabilities	78,665	4,045,039	4,123,704
Total liabilities	3,668,138	4,300,170	7,968,308
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,956,967	5,982,691	17,939,658
Unrestricted	1,050,384	26,954,316	28,004,700
Total net assets	\$ 13,007,351	\$ 32,937,007	\$ 45,944,358

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>OPERATING REVENUES</b>			
User charges	\$ 2,003,552	\$ 13,219,432	\$ 15,222,984
Other	783,791	37,277	821,068
Total operating revenues	<u>2,787,343</u>	<u>13,256,709</u>	<u>16,044,052</u>
<b>OPERATING EXPENSES</b>			
Administration	542,221	2,581,908	3,124,129
Other facility operating costs	7,586,783	2,426,398	10,013,181
Management contract charges	10,017,483	-	10,017,483
Depreciation	1,779,294	145,976	1,925,270
Other	-	261,630	261,630
Total operating expenses	<u>19,925,781</u>	<u>5,415,912</u>	<u>25,341,693</u>
Operating income (loss)	<u>(17,138,438)</u>	<u>7,840,797</u>	<u>(9,297,641)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	1,353,251	1,353,251
Subsidy income - federal and state	<u>4,831,102</u>	<u>-</u>	<u>4,831,102</u>
Total nonoperating revenue	<u>4,831,102</u>	<u>1,353,251</u>	<u>6,184,353</u>
Income (loss) before contributions and transfers	(12,307,336)	9,194,048	(3,113,288)
Capital contributions	85,964	-	85,964
Transfers in	10,704,784	123,946	10,828,730
Transfers out	<u>(119,746)</u>	<u>(420,693)</u>	<u>(540,439)</u>
Change in net assets	(1,636,334)	8,897,301	7,260,967
Total net assets - beginning of year	<u>14,643,685</u>	<u>24,039,706</u>	<u>38,683,391</u>
Total net assets - end of year	<u>\$ 13,007,351</u>	<u>\$ 32,937,007</u>	<u>\$ 45,944,358</u>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2007**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,787,343	\$ 13,038,757	\$ 15,826,100
Payments to employees	(531,634)	(2,559,228)	(3,090,862)
Payments to suppliers and service providers	(17,504,760)	(2,423,361)	(19,928,121)
Other payments	-	(224,353)	(224,353)
Net cash provided by (used in) operating activities	<u>(15,249,051)</u>	<u>7,831,815</u>	<u>(7,417,236)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers from other funds	13,065,798	123,946	13,189,744
Operating subsidies and transfers to other funds	-	(420,693)	(420,693)
Operating grants received	2,181,019	-	2,181,019
Net cash provided by noncapital financing activities	<u>15,246,817</u>	<u>(296,747)</u>	<u>14,950,070</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and construction of capital assets	(104,107)	(2,657,578)	(2,761,685)
Capital grants and other capital contributions	2,638,742	-	2,638,742
Escrow deposits	-	1,344,156	1,344,156
Net cash (used in) capital and related financing activities	<u>2,534,635</u>	<u>(1,313,422)</u>	<u>1,221,213</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	1,297,228	1,297,228
Net cash provided by investing activities	<u>-</u>	<u>1,297,228</u>	<u>1,297,228</u>
Net increase in cash and cash equivalents/investments	2,532,401	7,518,874	10,051,275
Cash and cash equivalents/investments - beginning of year	388,375	22,456,241	22,844,616
Cash and cash equivalents/investments - end of year	<u>\$ 2,920,776</u>	<u>\$ 29,975,115</u>	<u>\$ 32,895,891</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (17,138,438)	\$ 7,840,797	\$ (9,297,641)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	1,779,294	145,976	1,925,270
Change in assets and liabilities			
Operating receivables	-	(180,675)	(180,675)
Sales tax receivable	(44,573)	(19,980)	(64,553)
Inventories	22,521	-	22,521
Accounts payable and other accrued liabilities	120,759	23,017	143,776
Escrow and other deposits	800	-	800
Earned vacation pay and other payroll liabilities	10,586	22,680	33,266
Total adjustments	<u>1,889,387</u>	<u>(8,982)</u>	<u>1,880,405</u>
Net cash provided by (used in) operating activities	<u>\$ (15,249,051)</u>	<u>\$ 7,831,815</u>	<u>\$ (7,417,236)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ (200,098)</u>	<u>\$ (200,098)</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 three funds shown in basic financial statements and the two funds shown in the preceding combining financial statements. A reconciliation of the modified accrual basis to the full accrual basis (per generally accepted accounting principles) follows each schedule or group of schedules.

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS ) AND ACTUAL  
WATER AND SEWER OPERATING FUND  
For the Fiscal Year Ended June 30, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Water and sewer user charges	\$ 88,425,030	\$ 88,729,937	\$ (304,907)
Water and sewer services	1,718,717	1,497,646	221,071
Outside sewer connections	93,349	31,000	62,349
Water and sewer penalties	442,476	240,000	202,476
Water and sewer sales - municipalities	1,138,349	1,116,200	22,149
Capital facility charges	4,607,395	3,266,000	1,341,395
Water and sewer assessments	2,232,574	650,000	1,582,574
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	2,345,132	1,982,000	363,132
Miscellaneous other	2,846,269	683,943	2,162,326
Total operating revenues	<u>104,099,291</u>	<u>98,446,726</u>	<u>5,652,565</u>
<b>NONOPERATING REVENUES</b>			
Interest on investments	5,151,820	4,084,413	1,067,407
Other	950,786	606,045	344,741
Total nonoperating revenues	<u>6,102,606</u>	<u>4,690,458</u>	<u>1,412,148</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from water and sewer revenue bond fund	919,000	-	919,000
Bonds issued	25,516,315	7,717,641	17,798,674
Premium on bonds issued	1,389,526	-	1,389,526
Refunding bonds issued	59,210,000	59,210,000	-
Discount on refunding bonds issued	(1,617,749)	(1,617,749)	-
Capital related debt issue	797,500	797,500	-
Total other financing sources	<u>86,214,592</u>	<u>66,107,392</u>	<u>20,107,200</u>
Total revenues	<u>\$ 196,416,489</u>	<u>169,244,576</u>	<u>\$ 27,171,913</u>
Fund balance appropriated		<u>15,620,579</u>	
		<u>\$ 184,865,155</u>	
<b>EXPENDITURES</b>			
<b>Public utilities:</b>			
Administration	\$ 3,558,453	\$ 4,203,523	\$ (645,070)
Water plant	21,919,518	24,559,047	(2,639,529)
Waste treatment plant	17,424,429	19,946,050	(2,521,621)
Utilities construction	5,641,231	6,169,303	(528,072)
Utilities reuse	3,848,176	4,404,662	(556,486)
Meter	5,348,105	5,591,773	(243,668)
Warehouse	1,379,884	1,617,133	(237,249)
	<u>59,119,796</u>	<u>66,491,491</u>	<u>(7,371,695)</u>
<b>Special appropriations:</b>			
Reimbursement to general fund	9,992,503	9,992,503	-
Insurance and risk management charges	1,329,211	1,371,764	(42,553)
Other expenditures	696,539	1,823,336	(1,126,797)
	<u>12,018,253</u>	<u>13,187,603</u>	<u>(1,169,350)</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, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
<b>Debt service:</b>			
General obligations bonds:			
Principal	\$ 3,312,383	\$ 3,503,332	\$ (190,949)
Interest	625,867	625,867	-
Revenue bonds:			
Principal	5,215,000	5,215,000	-
Interest	12,765,411	14,802,302	(2,036,891)
Installment financing agreement	2,659,777	2,849,678	(189,901)
Other installment obligations	6,453	10,000	(3,547)
Other expenditures	<u>2,574,082</u>	<u>2,700,364</u>	<u>(126,282)</u>
	<u>27,158,973</u>	<u>29,706,543</u>	<u>(2,547,570)</u>
 <b>OTHER EXPENDITURES</b>			
Refunds and other	74,902	80,600	(5,698)
Capital outlay - installment note obligation	<u>797,500</u>	<u>797,500</u>	<u>-</u>
	<u>872,402</u>	<u>878,100</u>	<u>(5,698)</u>
Total expenditures	<u>99,169,424</u>	<u>110,263,737</u>	<u>(11,094,313)</u>
 <b>OTHER FINANCING USES</b>			
Transfers to:			
General fund	325,367	325,367	-
Water capital projects fund	2,850,000	2,850,000	-
Sewer capital projects fund	3,125,000	3,125,000	-
Water and sewer revenue bond fund	10,265,800	10,265,800	-
Public utilities equipment replacement fund	<u>443,000</u>	<u>443,000</u>	<u>-</u>
Total transfers	17,009,167	17,009,167	-
Payment to refunded bond escrow agent	<u>57,592,251</u>	<u>57,592,251</u>	<u>-</u>
Total other financing uses	<u>74,601,418</u>	<u>74,601,418</u>	<u>-</u>
 Total expenditures and other financing uses	<u>\$ 173,770,842</u>	<u>\$ 184,865,155</u>	<u>\$ (11,094,313)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 198,343	\$ 198,343	\$ 50,000	\$ 148,343
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Water and sewer operating fund	-	2,850,000	2,850,000	2,850,000	-
Water and sewer general obligation bond fund	-	49,455	49,455	49,455	-
Park bond fund	-	460,545	460,545	460,545	-
Miscellaneous capital projects fund	-	500,000	500,000	500,000	-
Total other financing sources	-	3,860,000	3,860,000	3,860,000	-
Total revenues and other financing sources	\$ -	\$ 4,058,343	\$ 4,058,343	3,910,000	\$ 148,343
Fund balance appropriated				10,974,142	
				<u>\$ 14,884,142</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 8,628,542	\$ 1,534,714	\$ 10,163,256	\$ 14,097,212	\$ (3,933,956)
<b>OTHER FINANCING USES</b>					
Transfers to:					
Water and sewer revenue bond fund	-	744,000	744,000	744,000	-
Street improvement fund	-	42,930	42,930	42,930	-
Total other financing uses	-	786,930	786,930	786,930	-
Total expenditures and other financing uses	\$ 8,628,542	\$ 2,321,644	\$ 10,950,186	\$ 14,884,142	\$ (3,933,956)



**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
SEWER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 151,333	\$ 151,333	\$ 50,000	\$ 101,333
Developer participation:					
Rogers Lane sewer	-	272,343	272,343	225,452	46,891
Telemetry upgrade	24,286	14,187	38,473	140,740	(102,267)
Tryon Road sewer	-	35,120	35,120	35,120	-
Total revenues	24,286	472,983	497,269	451,312	45,957
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Water and sewer operating fund	-	3,125,000	3,125,000	3,125,000	-
Water and sewer revenue bond fund	-	28,293	28,293	28,293	-
Total other financing sources	-	3,153,293	3,153,293	3,153,293	-
Total revenues and other financing sources	\$ 24,286	\$ 3,626,276	\$ 3,650,562	3,604,605	\$ 45,957
Fund balance appropriated				8,581,520	
				<u>\$ 12,186,125</u>	
<b>EXPENDITURES</b>					
Sewer capital projects	\$ 5,930,063	\$ 4,268,313	\$ 10,198,376	\$ 11,963,177	\$ (1,764,801)
<b>OTHER FINANCING USES</b>					
Transfer to water and sewer revenue bond fund	-	222,948	222,948	222,948	-
Total expenditures and other financing uses	\$ 5,930,063	\$ 4,491,261	\$ 10,421,324	\$ 12,186,125	\$ (1,764,801)

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER REVENUE BOND FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ -	\$ -	\$ -	\$ 919,000	\$ (919,000)
Interest on investments	-	8,108,719	8,108,719	400,000	7,708,719
Developer participation	2,823	-	2,823	19,500	(16,677)
Miscellaneous other	-	-	-	238,275	(238,275)
Total revenues	<u>2,823</u>	<u>8,108,719</u>	<u>8,111,542</u>	<u>1,576,775</u>	<u>6,534,767</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Water and sewer operating fund	-	10,265,800	10,265,800	10,265,800	-
Water general obligation bond fund	-	238,038	238,038	238,038	-
Water capital projects fund	-	744,000	744,000	744,000	-
Sewer capital projects fund	-	222,948	222,948	222,948	-
Bonds issued	61,634,408	215,658,685	277,293,093	320,275,826	(42,982,733)
Premium on revenue bonds	3,279,751	11,787,408	15,067,159	-	15,067,159
Loan proceeds	-	19,000,000	19,000,000	19,000,000	-
Total other financing sources	<u>64,914,159</u>	<u>257,916,879</u>	<u>322,831,038</u>	<u>350,746,612</u>	<u>(27,915,574)</u>
Total revenues and other financing sources	<u>\$ 64,916,982</u>	<u>\$ 266,025,598</u>	<u>\$ 330,942,580</u>	<u>352,323,387</u>	<u>\$ (21,380,807)</u>
Fund balance appropriated				<u>59,483,863</u>	
				<u>\$ 411,807,250</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 44,122,796	\$ 39,386,416	\$ 83,509,212	\$ 229,192,792	\$ (145,683,580)
Sewer capital projects	60,166,977	38,730,389	98,897,366	181,283,797	(82,386,431)
Bond issue costs	-	383,368	383,368	383,368	-
Total expenditures	<u>104,289,773</u>	<u>78,500,173</u>	<u>182,789,946</u>	<u>410,859,957</u>	<u>(228,070,011)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Water and sewer operating fund	-	919,000	919,000	919,000	-
Sewer capital projects fund	-	28,293	28,293	28,293	-
Total other financing uses	<u>-</u>	<u>947,293</u>	<u>947,293</u>	<u>947,293</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 104,289,773</u>	<u>\$ 79,447,466</u>	<u>\$ 183,737,239</u>	<u>\$ 411,807,250</u>	<u>\$ (228,070,011)</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, 2007**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
Fund balance appropriated				<u>\$ 2,940,823</u>	
<b>EXPENDITURES</b>					
Water and sewer capital projects	<u>\$ 784,079</u>	<u>\$ 1,536,491</u>	<u>\$ 2,320,570</u>	<u>\$ 2,653,330</u>	<u>\$ (332,760)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Water capital projects fund	-	49,455	49,455	49,455	-
Water and sewer revenue bond fund	<u>-</u>	<u>238,038</u>	<u>238,038</u>	<u>238,038</u>	<u>-</u>
	<u>-</u>	<u>287,493</u>	<u>287,493</u>	<u>287,493</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 784,079</u>	<u>\$ 1,823,984</u>	<u>\$ 2,608,063</u>	<u>\$ 2,940,823</u>	<u>\$ (332,760)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER FUNDS  
For the Fiscal Year Ended June 30, 2007**

**RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:**

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

Water and sewer operating fund	\$ 196,416,489
Water capital projects fund	4,058,343
Sewer capital projects fund	3,626,276
Water and sewer revenue bond fund	266,025,598

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

Water and sewer operating fund	(173,770,842)
Water capital projects fund	(2,321,644)
Sewer capital projects fund	(4,491,261)
Water and sewer revenue bond fund	(79,447,466)
Water and sewer general obligation bond fund	<u>(1,823,984)</u>

Excess of revenues and other financing sources under  
expenditures and other financing uses

208,271,509

Adjustments to full accrual basis:

Amortization of deferred costs	(84,884)
Bond and note proceeds	(272,968,566)
Bond and note principal payments	10,621,634
Capital contributions	43,941,568
Capital outlay	85,916,522
Capitalized interest	3,462,526
Depreciation	(21,909,403)
Interest expense accrual	(3,195,088)
Accrued interest income - arbitrage	(13,616)
Earned vacation pay expense	(179,949)
Other escrow expenditures	1,453,990
Revenue accruals from receivables	<u>3,875,326</u>

Change in net assets per statement of revenues, expenses and  
changes in net assets

\$ 59,191,569

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
CONVENTION CENTER COMPLEX OPERATING FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Actual</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
User charges			
Performing arts center	\$ 18,571,570	\$ 19,046,143	\$ (474,573)
Convention and civic center	122,278	220,550	(98,272)
Special events	979,248	1,217,250	(238,002)
Other fees and charges	657,562	609,664	47,898
Total user charges	20,330,658	21,093,607	(762,949)
Interest on investments	1,269,181	496,096	773,085
Total revenues	21,599,839	21,589,703	10,136
<b>OTHER FINANCING SOURCES</b>			
Transfers from:			
General fund	175,748	175,748	-
New convention center financing fund	2,709,476	3,062,806	(353,330)
Total other financing sources	2,885,224	3,238,554	(353,330)
Total revenues and other financing sources	<u>\$ 24,485,063</u>	24,828,257	<u>\$ (343,194)</u>
Fund balance appropriated		9,877,038	
		<u>\$ 34,705,295</u>	
<b>EXPENDITURES</b>			
Administration	\$ 1,996,492	\$ 2,400,170	\$ (403,678)
Civic and convention center	352,260	386,000	(33,740)
Performing arts center	17,698,982	18,593,168	(894,186)
Special events	1,072,976	1,384,819	(311,843)
New convention center	745,243	945,958	(200,715)
Total operating expenditures	21,865,953	23,710,115	(1,844,162)
<b>DEBT SERVICE</b>			
Interest	10,199,822	10,199,823	(1)
Other debt service costs	552,439	585,357	(32,918)
Total debt service	10,752,261	10,785,180	(32,919)
<b>OTHER FINANCING USES</b>			
Transfers to:			
Convention center and memorial auditorium projects fund	200,000	200,000	-
Parking facilities capital projects fund	10,000	10,000	-
Total expenditures and other financing uses	<u>\$ 32,828,214</u>	<u>\$ 34,705,295</u>	<u>\$ (1,877,081)</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, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 13,495	\$ 13,495	\$ -	\$ 13,495
Performing arts center donations	-	250,000	250,000	-	250,000
Total revenues	-	263,495	263,495	-	263,495
<b>OTHER FINANCING SOURCES</b>					
Transfer from convention center operating fund	-	200,000	200,000	200,000	-
Total revenues and other financing sources	\$ -	\$ 463,495	\$ 463,495	200,000	\$ 263,495
Fund balance appropriated				473,082	
				<u>\$ 673,082</u>	
<b>EXPENDITURES</b>					
Convention center and memorial auditorium projects	<u>\$ 180,018</u>	<u>\$ 51,510</u>	<u>\$ 231,528</u>	<u>\$ 673,082</u>	<u>\$ (441,554)</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, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ 7,984,067	\$ 5,953,782	\$ 13,937,849	\$ 13,000,000	\$ 937,849
Miscellaneous revenue	-	463,536	463,536	4,894,953	(4,431,417)
Total revenues	<u>7,984,067</u>	<u>6,417,318</u>	<u>14,401,385</u>	<u>17,894,953</u>	<u>(3,493,568)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	27,000	27,000	27,000	-
Park improvement fund	-	15,000	15,000	15,000	-
Water and sewer operating fund	105,590	-	105,590	105,590	-
Water capital projects fund	287,000	-	287,000	287,000	-
Sewer capital projects fund	268,260	-	268,260	268,260	-
New convention center financing fund	-	-	-	16,400,000	(16,400,000)
Certificates of participation issued	<u>206,270,588</u>	<u>-</u>	<u>206,270,588</u>	<u>210,000,000</u>	<u>(3,729,412)</u>
Total revenues and other financing sources	<u>\$ 214,915,505</u>	<u>\$ 6,459,318</u>	<u>\$ 221,374,823</u>	<u>\$ 244,997,803</u>	<u>\$ (23,622,980)</u>
<b>EXPENDITURES</b>					
New convention center project	<u>\$ 84,795,099</u>	<u>\$ 68,987,535</u>	<u>\$ 153,782,634</u>	<u>\$ 241,513,827</u>	<u>\$ (87,731,193)</u>
<b>OTHER FINANCING USES</b>					
Transfer to parking facilities capital projects fund	<u>1,502,313</u>	<u>-</u>	<u>1,502,313</u>	<u>3,483,976</u>	<u>(1,981,663)</u>
Total expenditures and other financing uses	<u>\$ 86,297,412</u>	<u>\$ 68,987,535</u>	<u>\$ 155,284,947</u>	<u>\$ 244,997,803</u>	<u>\$ (89,712,856)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
CONVENTION CENTER FUNDS  
For the Fiscal Year Ended June 30, 2007**

**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)	\$ 24,485,063
Total current year expenditures and other financing uses - modified accrual basis	
(Convention center complex operating fund)	(32,828,214)
Total current year revenues and other financing sources - modified accrual basis	
(Convention center and memorial auditorium projects fund)	463,495
Total current year expenditures and other financing uses - modified accrual basis	
(Convention center and memorial auditorium projects fund)	(51,510)
Total current year revenues and other financing sources - modified accrual basis	
(New convention center capital projects fund)	6,459,318
Total current year expenditures and other financing uses - modified accrual basis	
(New convention center capital projects fund)	<u>(68,987,535)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(70,459,383)
Adjustments to full accrual basis:	
Depreciation	(1,937,239)
Capital outlay	70,529,806
Accrued interest income - arbitrage	(2,550,952)
Capitalized interest	3,320,228
Amortization of deferred issue costs	(115,321)
Vacation expense	<u>(42,299)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	<u>\$ (1,255,160)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES OPERATING FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Actual</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Parking fees	\$ 6,001,072	\$ 5,832,052	\$ 169,020
Interest on investments	418,149	239,599	178,550
Total revenues	6,419,221	6,071,651	347,570
<b>OTHER FINANCING SOURCES</b>			
Transfer from mass transit	119,746	119,746	-
Certificates of participation issued	-	1,049,051	(1,049,051)
Total other financing sources	119,746	1,168,797	(1,049,051)
Total revenues and other financing sources	<u>\$ 6,538,967</u>	7,240,448	<u>\$ (701,481)</u>
Fund balance appropriated		2,586,737	
		<u>\$ 9,827,185</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 2,872,958</u>	<u>\$ 3,322,653</u>	<u>\$ (449,695)</u>
<b>DEBT SERVICE</b>			
Bond principal	770,000	770,000	-
Bond interest	316,400	316,400	-
Note principal	1,528,641	2,053,896	(525,255)
Note interest	2,323,328	2,397,410	(74,082)
Other debt service expenditures	23,480	200,000	(176,520)
Total debt service	4,961,849	5,737,706	(775,857)
<b>OTHER FINANCING USES</b>			
Transfer to parking facilities			
General fund	133,326	133,326	-
Parking facilities capital projects fund	633,500	633,500	-
Total expenditures and other financing uses	<u>\$ 8,601,633</u>	<u>\$ 9,827,185</u>	<u>\$ (1,225,552)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ 982,640	\$ 843,968	\$ 1,826,608	\$ 1,300,000	\$ 526,608
Developer participation	-	2,962,964	2,962,964	3,180,350	(217,386)
Miscellaneous income	-	-	-	488,119	(488,119)
Total revenues	982,640	3,806,932	4,789,572	4,968,469	(178,897)
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	1,000	1,000	1,000	-
Miscellaneous capital projects fund	-	50,000	50,000	50,000	-
Parking facilities operating fund	-	633,500	633,500	633,500	-
Convention center operating fund	-	10,000	10,000	10,000	-
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	39,414,000	(14,646,578)
Total other financing sources	26,019,735	694,500	26,714,235	43,342,476	(16,628,241)
Total revenues and other financing sources	\$ 27,002,375	\$ 4,501,432	\$ 31,503,807	48,310,945	\$ (16,807,138)
Fund balance appropriated				4,206,256	
				<u>\$ 52,517,201</u>	
<b>EXPENDITURES</b>					
Parking facilities capital projects	\$ 8,808,558	\$ 27,099,100	\$ 35,907,658	\$ 52,517,201	\$ (16,609,543)

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES FUNDS  
For the Fiscal Year Ended June 30, 2007**

**RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:**

Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities operating fund)	\$ 6,538,967
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities operating fund)	(8,601,633)
Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities capital projects fund)	4,501,432
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities capital projects fund)	<u>(27,099,100)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(24,660,334)
Adjustments to full accrual basis:	
Depreciation	(1,405,613)
Capital outlay	27,078,520
Accrued interest expense	14,734
Capitalized interest	354,435
Amortization of deferred refunding and deferred issue costs	(46,281)
Bond principal	770,000
Note principal	1,528,641
Accrued interest income - arbitrage	(439,784)
Vacation expense	<u>(6,743)</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u><u>\$ 3,187,575</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
MASS TRANSIT FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Farebox	\$ -	\$ 2,003,552	\$ 2,003,552	\$ 2,130,086	\$ (126,534)
Intergovernmental revenue:					
Federal Transit Administration	6,767,983	2,735,002	9,502,985	15,749,283	(6,246,298)
State of North Carolina	-	2,181,019	2,181,019	2,858,366	(677,347)
Miscellaneous other	-	783,791	783,791	616,740	167,051
Total revenues	<u>6,767,983</u>	<u>7,703,364</u>	<u>14,471,347</u>	<u>21,354,475</u>	<u>(6,883,128)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	10,048,184	10,048,184	11,863,649	(1,815,465)
Street improvement fund	<u>1,665,077</u>	<u>1,250,231</u>	<u>2,915,308</u>	<u>2,915,308</u>	<u>-</u>
Total other financing sources	<u>1,665,077</u>	<u>11,298,415</u>	<u>12,963,492</u>	<u>14,778,957</u>	<u>(1,815,465)</u>
Total revenues and other financing sources	<u>\$ 8,433,060</u>	<u>\$ 19,001,779</u>	<u>\$ 27,434,839</u>	36,133,432	<u>\$ (8,698,593)</u>
Fund balance appropriated				<u>440,328</u>	
				<u>\$ 36,573,760</u>	
<b>EXPENDITURES</b>					
Mass transit operating expenditures	\$ -	\$ 10,288,195	\$ 10,288,195	\$ 12,945,451	\$ (2,657,256)
ART program operating expenditures	-	4,657,365	4,657,365	4,086,386	570,979
Capital grant expenditures	<u>8,386,883</u>	<u>3,296,387</u>	<u>11,683,270</u>	<u>19,422,177</u>	<u>(7,738,907)</u>
Total expenditures	<u>8,386,883</u>	<u>18,241,947</u>	<u>26,628,830</u>	<u>36,454,014</u>	<u>(9,825,184)</u>
<b>OTHER FINANCING USES</b>					
Transfer to parking fund	-	119,746	119,746	119,746	-
Total expenditures and other financing uses	<u>\$ 8,386,883</u>	<u>\$ 18,361,693</u>	<u>\$ 26,748,576</u>	<u>\$ 36,573,760</u>	<u>\$ (9,825,184)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
MASS TRANSIT FUND  
For the Fiscal Year Ended June 30, 2007**

**RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:**

Total current year revenues and other financing sources - modified accrual basis	\$ 19,001,779
Total current year expenditures and other financing uses - modified accrual basis	<u>(18,361,693)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	640,086
Adjustments to full accrual basis:	
Capital outlay	104,107
Decrease in federal and state receivables - capital projects	(131,089)
Increase in due from other funds	132,134
Increase in deferred contributions from other funds	(593,631)
Depreciation	(1,779,294)
Vacation expense	<u>(8,647)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ (1,636,334)</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY OPERATING FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Actual Current Year</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
User charges	\$ 13,038,757	\$ 12,222,655	\$ 816,102
Interest on investments	480,916	315,141	165,775
Miscellaneous other	735	-	735
	<u>13,520,408</u>	<u>12,537,796</u>	<u>982,612</u>
Total revenues	<u>\$ 13,520,408</u>	<u>12,537,796</u>	<u>\$ 982,612</u>
Fund balance appropriated		257,255	
		<u>\$ 12,795,051</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 5,008,306</u>	<u>\$ 5,943,051</u>	<u>\$ (934,745)</u>
<b>OTHER FINANCING USES</b>			
Transfer to stormwater utility capital projects fund	<u>6,852,000</u>	<u>6,852,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 11,860,306</u>	<u>\$ 12,795,051</u>	<u>\$ (934,745)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2007**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 872,335	\$ 872,335	\$ 433,334	\$ 439,001
Intergovernmental:					
State of North Carolina	-	-	-	362,000	(362,000)
Miscellaneous other	13,043	36,542	49,585	80,900	(31,315)
Total revenues	13,043	908,877	921,920	876,234	45,686
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Stormwater capital projects fund	-	123,946	123,946	123,946	-
Stormwater utility operating fund	-	6,852,000	6,852,000	6,852,000	-
Total other financing sources	-	6,975,946	6,975,946	6,975,946	-
Total revenues and other financing sources	<u>\$ 13,043</u>	<u>\$ 7,884,823</u>	<u>\$ 7,897,866</u>	7,852,180	<u>\$ 45,686</u>
Fund balance appropriated				19,548,614	
				<u>\$ 27,400,794</u>	
<b>EXPENDITURES</b>					
Stormwater capital projects	<u>\$ 3,810,206</u>	<u>\$ 2,719,111</u>	<u>\$ 6,529,317</u>	<u>\$ 26,980,101</u>	<u>\$ (20,450,784)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	339,816	339,816	339,816	-
Stormwater capital project fund	-	80,877	80,877	80,877	-
Total other financing uses	-	420,693	420,693	420,693	-
Total expenditures and other financing uses	<u>\$ 3,810,206</u>	<u>\$ 3,139,804</u>	<u>\$ 6,950,010</u>	<u>\$ 27,400,794</u>	<u>\$ (20,450,784)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY FUNDS  
For the Fiscal Year Ended June 30, 2007**

**RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:**

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 13,520,408
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility operating fund)	(11,860,306)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	7,884,823
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	<u>(3,139,804)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	6,405,121
Adjustments to full accrual basis:	
Capital outlay	2,457,481
Depreciation	(145,976)
Revenue accruals from receivables	180,675
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 8,897,301</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.



## 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, 2007**

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employees' Health Benefits Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 11,410,124	\$ 4,128,126
Customer receivables, net of allowance	913	-	-
Accrued interest receivable	-	51,264	-
Sales tax receivable	124,817	1,901	-
Due from other funds	-	-	-
Inventories	24,054	-	-
Insurance deposit	-	435,000	-
Total current assets	<u>149,784</u>	<u>11,898,289</u>	<u>4,128,126</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	111,949	-	-
Less accumulated depreciation	<u>(109,867)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>2,082</u>	<u>-</u>	<u>-</u>
Total assets	<u>151,866</u>	<u>11,898,289</u>	<u>4,128,126</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	60,231	68,124	-
Arbitrage rebate payable	-	-	-
Accrued salaries and employee payroll taxes	1,915	26,152	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	34,096,778	3,201,500
Due to other funds	103,759	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>165,905</u>	<u>34,191,054</u>	<u>3,201,500</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Earned vacation pay	10,914	-	-
Total noncurrent liabilities	<u>10,914</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>176,819</u>	<u>34,191,054</u>	<u>3,201,500</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,082	-	-
Unrestricted	<u>(27,035)</u>	<u>(22,292,765)</u>	<u>926,626</u>
Total net assets	<u>\$ (24,953)</u>	<u>\$ (22,292,765)</u>	<u>\$ 926,626</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total June 30, 2007</b>
\$ 7,049,111	\$ 1,957,418	\$ 2,168,001	\$ 26,712,780
-	-	-	913
25,254	11,964	-	88,482
162,036	182,704	579,672	1,051,130
1,527,000	-	-	1,527,000
-	-	770,104	794,158
-	-	-	435,000
<u>8,763,401</u>	<u>2,152,086</u>	<u>3,517,777</u>	<u>30,609,463</u>
6,859,501	3,236,535	-	10,096,036
-	-	230,912	230,912
57,791,221	16,766,223	791,162	75,460,555
<u>(34,909,273)</u>	<u>(9,270,615)</u>	<u>(791,047)</u>	<u>(45,080,802)</u>
<u>29,741,449</u>	<u>10,732,143</u>	<u>231,027</u>	<u>40,706,701</u>
<u>38,504,850</u>	<u>12,884,229</u>	<u>3,748,804</u>	<u>71,316,164</u>
155,283	197,707	705,895	1,187,240
101,938	33,291	-	135,229
-	-	49,168	77,235
135,619	31,812	-	167,431
-	-	-	37,298,278
-	-	-	103,759
<u>7,392,463</u>	<u>2,114,380</u>	<u>-</u>	<u>9,506,843</u>
<u>7,785,303</u>	<u>2,377,190</u>	<u>755,063</u>	<u>48,476,015</u>
20,850,202	6,412,170	-	27,262,372
-	-	207,864	218,778
<u>20,850,202</u>	<u>6,412,170</u>	<u>207,864</u>	<u>27,481,150</u>
<u>28,635,505</u>	<u>8,789,360</u>	<u>962,927</u>	<u>75,957,165</u>
1,498,784	2,205,593	231,027	3,937,486
<u>8,370,561</u>	<u>1,889,276</u>	<u>2,554,850</u>	<u>(8,578,487)</u>
<u>\$ 9,869,345</u>	<u>\$ 4,094,869</u>	<u>\$ 2,785,877</u>	<u>\$ (4,641,001)</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2007**

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employees' Health Benefits Fund</b>
<b>OPERATING REVENUES</b>			
Charges for services - internal	\$ 770,373	\$ 6,496,525	\$ 26,921,076
Other charges	-	6,779	-
Total operating revenues	<u>770,373</u>	<u>6,503,304</u>	<u>26,921,076</u>
<b>OPERATING EXPENSES</b>			
Administration	110,814	781,189	2,266,854
Other facility operating costs	539,983	-	-
Claims	-	8,971,131	23,101,481
Premiums	-	1,105,368	-
Depreciation	8,198	-	-
Other	9,178	-	-
Total operating expenses	<u>668,173</u>	<u>10,857,688</u>	<u>25,368,335</u>
Operating income (loss)	<u>102,200</u>	<u>(4,354,384)</u>	<u>1,552,741</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	480,641	131,634
Interest expense	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>480,641</u>	<u>131,634</u>
Income (loss) before transfers	102,200	(3,873,743)	1,684,375
Transfers in	-	3,382,517	-
Transfers out	-	-	-
Change in net assets	102,200	(491,226)	1,684,375
Total net assets, beginning of year	<u>(127,153)</u>	<u>(21,801,539)</u>	<u>(757,749)</u>
Total net assets, end of year	<u>\$ (24,953)</u>	<u>\$ (22,292,765)</u>	<u>\$ 926,626</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total</b>
\$ 8,658,769	\$ 2,379,454	\$ 11,849,991	\$ 57,076,188
71,044	-	12,913	90,736
8,729,813	2,379,454	11,862,904	57,166,924
-	-	2,869,255	6,028,112
-	-	8,212,715	8,752,698
-	-	-	32,072,612
-	-	-	1,105,368
6,700,289	2,088,848	20,853	8,818,188
79,892	155,139	1,860	246,069
6,780,181	2,243,987	11,104,683	57,023,047
1,949,632	135,467	758,221	143,877
407,851	151,736	60,578	1,232,440
(703,617)	(170,929)	-	(874,546)
(295,766)	(19,193)	60,578	357,894
1,653,866	116,274	818,799	501,771
-	443,000	-	3,825,517
(908,976)	(1,000,000)	-	(1,908,976)
744,890	(440,726)	818,799	2,418,312
9,124,455	4,535,595	1,967,078	(7,059,313)
<u>\$ 9,869,345</u>	<u>\$ 4,094,869</u>	<u>\$ 2,785,877</u>	<u>\$ (4,641,001)</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employees' Health Benefits Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 770,034	\$ 6,496,525	\$ 26,921,076
Payments to employees	(110,674)	(274,957)	-
Payments to suppliers and service providers	(562,340)	(452,400)	(2,266,854)
Claims paid	-	(6,978,974)	(23,310,825)
Premiums paid	-	(1,105,368)	-
Other payments	-	6,779	-
Net cash provided by (used in) operating activities	<u>97,020</u>	<u>(2,308,395)</u>	<u>1,343,397</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Insurance deposits	-	(100,000)	-
Operating subsidies and transfers from other funds	-	3,382,517	-
Operating subsidies and transfers to other funds	-	-	-
Negative cash balance implicitly financed	(97,020)	-	-
Net cash provided by (used in) noncapital financing activities	<u>(97,020)</u>	<u>3,282,517</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	465,133	131,634
Net cash provided by investing activities	<u>-</u>	<u>465,133</u>	<u>131,634</u>
Net increase in cash and cash equivalents/investments	<u>-</u>	<u>1,439,255</u>	<u>1,475,031</u>
Cash and cash equivalents/investments			
Beginning of year	-	9,970,869	2,653,095
End of year	<u>\$ -</u>	<u>\$ 11,410,124</u>	<u>\$ 4,128,126</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 102,200	\$ (4,354,384)	\$ 1,552,741
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	(339)	-	-
Sales tax receivable	(43,000)	(256)	-
Inventories	(4,209)	-	-
Accounts payable and other accrued liabilities	34,075	2,020,093	(209,344)
Earned vacation pay and other payroll liabilities	95	26,152	-
Total adjustments	<u>(5,180)</u>	<u>2,045,989</u>	<u>(209,344)</u>
Net cash provided by (used in) operating activities	<u>\$ 97,020</u>	<u>\$ (2,308,395)</u>	<u>\$ 1,343,397</u>
Noncash investing, capital, and financing activities:			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total</b>
\$ 8,658,769	\$ 2,379,454	\$ 11,849,991	\$ 57,075,849
-	-	(2,831,121)	(3,216,752)
-	-	(7,951,936)	(11,233,530)
-	-	-	(30,289,799)
-	-	-	(1,105,368)
(48,166)	(229,941)	(207,832)	(479,160)
<u>8,610,603</u>	<u>2,149,513</u>	<u>859,102</u>	<u>10,751,240</u>
-	-	-	(100,000)
-	443,000	-	3,825,517
(2,435,976)	(1,000,000)	-	(3,435,976)
-	-	-	(97,020)
<u>(2,435,976)</u>	<u>(557,000)</u>	<u>-</u>	<u>192,521</u>
(8,987,174)	(4,016,007)	(48,246)	(13,051,427)
15,173,315	5,460,900	-	20,634,215
(8,185,912)	(2,554,088)	-	(10,740,000)
(882,215)	(235,487)	-	(1,117,702)
<u>(2,881,986)</u>	<u>(1,344,682)</u>	<u>(48,246)</u>	<u>(4,274,914)</u>
484,535	190,334	60,578	1,332,214
<u>484,535</u>	<u>190,334</u>	<u>60,578</u>	<u>1,332,214</u>
3,777,176	438,165	871,434	8,001,061
10,131,436	4,755,788	1,296,567	28,807,755
<u>\$ 13,908,612</u>	<u>\$ 5,193,953</u>	<u>\$ 2,168,001</u>	<u>\$ 36,808,816</u>
\$ 1,949,632	\$ 135,467	\$ 758,221	\$ 143,877
6,700,289	2,088,848	20,853	8,818,188
-	-	-	(339)
(39,318)	(74,802)	(218,884)	(376,260)
-	-	(15,255)	(19,464)
-	-	276,033	2,120,857
-	-	38,134	64,381
<u>6,660,971</u>	<u>2,014,046</u>	<u>100,881</u>	<u>10,607,363</u>
<u>\$ 8,610,603</u>	<u>\$ 2,149,513</u>	<u>\$ 859,102</u>	<u>\$ 10,751,240</u>
<u>\$ (469,306)</u>	<u>\$ 74,559</u>	<u>\$ -</u>	<u>\$ (394,747)</u>



## FIDUCIARY FUNDS

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

The City's fiduciary funds include 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 MEAC Tournament Steering Committee.



## 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:**

**MEAC FUND** - This fund accounts for the fundraising and promotional activities of the MEAC Basketball Tournament Steering Committee.

**COMBINING STATEMENT OF NET ASSETS**  
**PENSION TRUST FUNDS**  
**June 30, 2007**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total June 30, 2007</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,992,222	\$ 4,185,214	\$ 28,177,436
Accrued interest receivable	-	16,090	16,090
Total assets	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' retirement benefits	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>

**COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
For the Fiscal Year Ended June 30, 2007**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 2,732,732	\$ 1,852,505	\$ 4,585,237
Interest	1,039,820	153,026	1,192,846
Net increase (decrease) in the fair value of investments	2,025,005	6,817	2,031,822
Less investment expense	(33,000)	-	(33,000)
Total additions	<u>5,764,557</u>	<u>2,012,348</u>	<u>7,776,905</u>
<b>DEDUCTIONS</b>			
Benefits	849,966	2,048,978	2,898,944
Withdrawals and forfeitures	7,399	-	7,399
Total deductions	<u>857,365</u>	<u>2,048,978</u>	<u>2,906,343</u>
Change in net assets restricted for:			
Employees' retirement benefits	4,907,192	(36,630)	4,870,562
Net assets, beginning of year	19,085,030	4,237,934	23,322,964
Net assets, end of year	<u>\$ 23,992,222</u>	<u>\$ 4,201,304</u>	<u>\$ 28,193,526</u>

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2007

	<u>MEAC Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 11,707</u>
Total assets	<u><u>\$ 11,707</u></u>
<b>Liabilities</b>	
Due to other agencies	<u>\$ 11,707</u>
Total liabilities	<u><u>\$ 11,707</u></u>



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

**For the Fiscal Year Ended June 30, 2007**

	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
<b><u>MEAC FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 168,259</u>	<u>\$ 955,779</u>	<u>\$ 1,112,331</u>	<u>\$ 11,707</u>
<b>LIABILITIES</b>				
Due to other agencies	<u>\$ 168,259</u>	<u>\$ 955,779</u>	<u>\$ 1,112,331</u>	<u>\$ 11,707</u>



## OTHER SCHEDULES

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

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2007**

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
2008	\$ 2,830,629	\$ 495,620	\$ -	\$ -	\$ 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	1,364,928	183,620	-	-	570,000	157,550
2013-2017	3,768,253	295,594	-	-	2,670,000	288,400
2018-2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
<b>Total General Obligation Bonded Debt</b>	<b>13,141,108</b>	<b>1,926,220</b>	<b>-</b>	<b>-</b>	<b>5,775,000</b>	<b>1,371,950</b>
<b>Revenue Bonds:</b>						
2008	5,300,000	19,907,186	-	-	-	-
2009	5,500,000	19,707,854	-	-	-	-
2010	6,735,000	19,471,266	-	-	-	-
2011	7,475,000	19,197,954	-	-	-	-
2012	8,260,000	18,848,023	-	-	-	-
2013-2017	60,660,000	87,186,087	-	-	-	-
2018-2022	84,270,000	69,788,480	-	-	-	-
2023-2027	85,120,000	49,932,390	-	-	-	-
2028-2032	89,935,000	28,516,250	-	-	-	-
2033-2037	62,285,000	7,775,500	-	-	-	-
<b>Total Revenue Bonded Debt</b>	<b>415,540,000</b>	<b>340,330,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long-Term Obligations:</b>						
<b>Installment Financing Agreement:</b>						
2008	5,894,451	1,286,840	-	9,837,830	2,035,000	2,318,869
2009	5,889,451	1,059,377	-	9,860,650	2,085,000	2,235,494
2010	5,889,451	831,983	-	9,815,010	2,140,000	2,149,118
2011	5,324,451	605,116	-	9,837,830	2,205,000	2,048,885
2012	4,763,050	383,980	-	9,837,830	2,285,000	1,946,875
2013-2017	4,565,254	684,500	23,095,000	48,212,747	9,380,000	8,471,373
2018-2022	1,643,050	157,183	46,165,000	40,316,595	10,365,000	6,239,540
2023-2027	450,000	23,940	58,010,000	29,268,874	8,275,000	3,897,725
2028-2032	-	-	77,615,000	15,461,193	7,005,000	2,124,125
2033-2037	-	-	38,540,000	1,930,700	5,020,000	458,550
	<b>34,419,158</b>	<b>5,032,919</b>	<b>243,425,000</b>	<b>184,379,259</b>	<b>50,795,000</b>	<b>31,890,554</b>

Other Enterprise		General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ 13,189,371	\$ 7,725,573	\$ -	\$ -	\$ 16,700,000	\$ 8,500,293
-	-	13,264,750	7,224,912	-	-	16,079,999	7,859,918
-	-	12,411,943	6,723,880	-	-	14,530,000	7,252,631
-	-	12,616,008	6,208,662	-	-	14,715,000	6,643,191
-	-	12,625,072	5,697,702	-	-	14,560,000	6,038,872
-	-	60,076,748	20,816,300	-	-	66,515,001	21,400,294
-	-	53,500,000	7,972,413	-	-	53,500,000	7,972,413
-	-	5,535,000	442,788	-	-	5,535,000	442,788
-	-	183,218,892	62,812,230	-	-	202,135,000	66,110,400
-	-	-	-	-	-	5,300,000	19,907,186
-	-	-	-	-	-	5,500,000	19,707,854
-	-	-	-	-	-	6,735,000	19,471,266
-	-	-	-	-	-	7,475,000	19,197,954
-	-	-	-	-	-	8,260,000	18,848,023
-	-	-	-	-	-	60,660,000	87,186,087
-	-	-	-	-	-	84,270,000	69,788,480
-	-	-	-	-	-	85,120,000	49,932,390
-	-	-	-	-	-	89,935,000	28,516,250
-	-	-	-	-	-	62,285,000	7,775,500
-	-	-	-	-	-	415,540,000	340,330,990
-	-	2,291,670	1,325,472	9,506,843	1,528,108	19,727,964	16,297,119
-	-	2,346,587	1,236,530	9,506,843	1,108,132	19,827,881	15,500,183
-	-	2,323,466	1,146,475	9,501,843	703,155	19,854,760	14,645,741
-	-	2,337,416	1,045,074	4,126,843	343,353	13,993,710	13,880,258
-	-	2,353,554	943,126	4,126,843	157,370	13,528,447	13,269,181
-	-	10,606,251	3,177,999	-	-	47,646,505	60,546,619
-	-	6,860,000	1,355,303	-	-	65,033,050	48,068,621
-	-	2,560,000	241,565	-	-	69,295,000	33,432,104
-	-	-	-	-	-	84,620,000	17,585,318
-	-	-	-	-	-	43,560,000	2,389,250
-	-	31,678,944	10,471,544	36,769,215	3,840,118	397,087,317	235,614,394

Continued

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2007**

Maturities on all long-term obligations are:

	<b>Enterprise</b>					
	<b>Water and Sewer</b>		<b>Convention Center</b>		<b>Parking Facilities</b>	
<u>Other Long-Term Obligations:</u>						
<i>Continued:</i>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Other Installment Obligations:						
2008	\$ 199,375	\$ -	\$ -	\$ -	\$ 104,066	\$ 5,724
2009	199,375	-	-	-	-	-
2010	199,375	-	-	-	-	-
2011	199,375	-	-	-	-	-
2012	-	-	-	-	-	-
2013-2017	-	-	-	-	-	-
	<u>797,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,066</u>	<u>5,724</u>
Other:						
Reimbursement Contracts (1)	19,558	-	-	-	-	-
Earned Vacation Pay (2)	1,717,667	-	401,855	-	37,716	-
Landfill Postclosure Costs (2)	-	-	-	-	-	-
	<u>1,737,225</u>	<u>-</u>	<u>401,855</u>	<u>-</u>	<u>37,716</u>	<u>-</u>
Total Other Long-Term Obligations	<u>36,953,883</u>	<u>5,032,919</u>	<u>243,826,855</u>	<u>184,379,259</u>	<u>50,936,782</u>	<u>31,896,278</u>
Total Long-Term Obligations	<u>\$ 465,634,991</u>	<u>\$ 347,290,129</u>	<u>\$ 243,826,855</u>	<u>\$ 184,379,259</u>	<u>\$ 56,711,782</u>	<u>\$ 33,268,228</u>

**Notes:**

- (1) Interest to be paid in future periods not determinable in advance on reimbursement contracts.  
(2) Interest not applicable on earned vacation pay or landfill closure costs.

Other Enterprise		General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ 59,432	\$ 29,374	\$ -	\$ -	\$ 362,873	\$ 35,098
-	-	37,313	31,301	-	-	236,688	31,301
-	-	36,805	31,808	-	-	236,180	31,808
-	-	37,804	30,809	-	-	237,179	30,809
-	-	42,764	25,850	-	-	42,764	25,850
-	-	136,577	29,238	-	-	136,577	29,238
-	-	350,695	178,380	-	-	1,252,261	184,104
-	-	-	-	-	-	19,558	-
208,432	-	14,989,837	-	218,778	-	17,574,285	-
-	-	4,475,846	-	-	-	4,475,846	-
208,432	-	19,465,683	-	218,778	-	22,069,689	-
208,432	-	51,495,322	10,649,924	36,987,993	3,840,118	420,409,267	235,798,498
\$ 208,432	\$ -	\$ 234,714,214	\$ 73,462,154	\$ 36,987,993	\$ 3,840,118	\$ 1,038,084,267	\$ 642,239,888

**SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS**  
**For the Fiscal Year Ended June 30, 2007**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2006</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Housing, Series 1994B Taxable	7.80 - 8.00	09/01/94	\$ 1,275,000	\$ -
Housing, Series 1996	5.40 - 5.75	06/01/96	1,150,000	-
Public Improvement Refunding, Series 1997	5.00	10/01/97	7,375,000	-
Housing, Series 1997	6.70	10/01/97	2,720,000	-
G. O. Refunding, Series 1998	4.00 - 4.20	12/01/98	3,795,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/01/98	15,350,000	-
Public Improvement, Series 2002	4.00 - 5.00	06/01/02	8,500,000	-
Public Improvement, Series 2002A	3.00 - 4.50	12/01/02	2,600,000	-
Public Improvement, Series 2002B	3.00 - 4.50	12/01/02	39,325,000	-
Public Improvement Refunding, Series 2002C	4.00	12/01/02	6,995,000	-
Public Improvement, Series 2004	2.00 - 4.00	03/01/04	14,100,000	-
Public Improvement Refunding, Series 2004A	2.00 - 4.00	03/01/04	16,901,509	-
Housing, Series 2004B	3.125 - 4.375	03/01/04	6,280,000	-
Housing Refunding, Series 2004B	3.125 - 4.00	03/01/04	1,775,000	-
Street Improvement, Series 2005A	3.50 - 5.00	08/01/05	10,600,000	-
Public Improvement, Series 2005B	3.50 - 5.00	08/01/05	50,585,000	-
Housing, Series 2007 Taxable	4.95 - 5.40	03/01/07	-	7,000,000
Total General Obligation Bonded Debt			<u>189,326,509</u>	<u>7,000,000</u>
<u>OTHER GENERAL GOVERNMENTAL</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			34,417,553	-
Other Installment Obligations			1,040,553	11,048
Earned Vacation Pay			14,439,278	8,057,506
Landfill Closure and Postclosure Costs			<u>4,543,811</u>	<u>131,771</u>
Total Other General Governmental Long-Term Obligations			<u>54,441,195</u>	<u>8,200,325</u>
Total General Governmental Long-Term Obligations			<u>\$ 243,767,704</u>	<u>\$ 15,200,325</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 2006-07		Principal Balance June 30, 2007	Due Fiscal 2007-2008		
Principal	Interest		Principal	Interest	Total
\$ 250,000	\$ 100,850	\$ 1,025,000	\$ 325,000	\$ 81,350	\$ 406,350
115,000	64,342	1,035,000	115,000	58,132	173,132
2,535,000	368,750	4,840,000	1,915,000	242,000	2,157,000
150,000	182,240	2,570,000	150,000	172,190	322,190
740,000	152,850	3,055,000	855,000	123,250	978,250
950,000	666,000	14,400,000	950,000	625,150	1,575,150
300,000	390,950	8,200,000	300,000	378,950	678,950
100,000	105,500	2,500,000	100,000	102,500	202,500
1,225,000	1,600,438	38,100,000	1,225,000	1,563,688	2,788,688
2,010,000	279,800	4,985,000	1,960,000	199,400	2,159,400
450,000	502,500	13,650,000	450,000	493,500	943,500
1,832,617	524,295	15,068,892	1,794,371	487,642	2,282,013
375,000	249,920	5,905,000	180,000	238,201	418,201
275,000	60,926	1,500,000	720,000	52,332	772,332
300,000	453,438	10,300,000	300,000	441,438	741,438
1,500,000	2,164,300	49,085,000	1,500,000	2,104,300	3,604,300
-	-	7,000,000	350,000	361,550	711,550
13,107,617	7,867,099	183,218,892	13,189,371	7,725,573	20,914,944
2,738,609	1,410,481	31,678,944	2,291,670	1,325,472	3,617,142
700,906	46,112	350,695	59,432	29,374	88,806
7,506,947	-	14,989,837	- (1)	-	-
199,736	-	4,475,846	-	-	-
11,146,198	1,456,593	51,495,322	2,351,102	1,354,846	3,705,948
\$ 24,253,815	\$ 9,323,692	\$ 234,714,214	\$ 15,540,473	\$ 9,080,419	\$ 24,620,892

**SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS**  
**For the Fiscal Year Ended June 30, 2007**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2006</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Sanitary Sewer Refunding, Series 1997	5.00	10/01/97	\$ 5,405,000	\$ -
Sanitary Sewer Refunding, Series 2002C	4.00	12/01/02	1,435,000	-
Water Refunding, Series 2004A	2.00 - 4.00	03/01/04	6,031,791	-
Sanitary Sewer Refunding, Series 2004A	2.00 - 4.00	03/01/04	3,581,700	-
Total Water and Sewer General Obligation Debt			<u>16,453,491</u>	<u>-</u>
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 1996	5.25	12/01/96	1,205,000	-
Water/Sewer, Series 1999	4.00 - 4.75	01/01/99	8,960,000	-
Water/Sewer, Series 2001	3.80 - 5.25	01/01/01	14,700,000	-
Water/Sewer, Series 2004	3.00 - 5.00	05/04/04	108,980,000	-
Water/Sewer Refunding, Series 2005	2.50 - 5.00	05/05/05	41,535,000	-
Water/Sewer, Series 2006A	3.50 - 5.00	10/10/06	-	241,175,000
Water/Sewer Refunding, Series 2006B	3.40 - 4.25	10/10/06	-	59,210,000
Total Water and Sewer Revenue Debt			<u>175,380,000</u>	<u>300,385,000</u>
<u>OTHER WATER AND SEWER</u>				
<u>LONG TERM OBLIGATIONS</u>				
Installment Financing Agreement			17,513,609	19,000,000
Other Installment Obligations			-	797,500
Reimbursement Contracts - Water and Sewer Lines			135,444	-
Earned Vacation Pay			1,349,166	1,114,171
Total Other Water and Sewer Long-Term Obligations			<u>18,998,219</u>	<u>20,911,671</u>
<b>Total Water and Sewer Long-Term Obligations</b>			<u>210,831,710</u>	<u>321,296,671</u>
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding 1997	5.00	10/01/97	1,075,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/01/97	5,470,000	-
Total Parking Facilities General Obligation Bonded Debt			<u>6,545,000</u>	<u>-</u>
<u>OTHER PARKING FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			52,225,000	-
Other Installment Obligations			202,707	-
Earned Vacation Pay			30,972	30,166
Total Other Parking Facilities Long-Term Obligations			<u>52,458,679</u>	<u>30,166</u>
<b>Total Parking Facilities Long-Term Obligations</b>			<u>59,003,679</u>	<u>30,166</u>
<u>CONVENTION CENTER FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			243,425,000	-
Earned Vacation Pay			359,556	151,131
<b>Total Convention Center Facilities Long-Term Obligations</b>			<u>243,784,556</u>	<u>151,131</u>
<u>OTHER ENTERPRISE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			26,289	29,570
Stormwater Earned Vacation Pay			153,847	137,407
<b>Total Other Enterprise Long-Term Obligations</b>			<u>180,136</u>	<u>166,977</u>
<b>Total Enterprise Long-Term Obligations</b>			<u>\$ 513,800,081</u>	<u>\$ 321,644,945</u>

**Note:**

- (1) Includes defeasance of bonds from sale of refunding bonds on October 10, 2006.
- (2) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.

Payments During Fiscal 2006-2007		Principal Balance June 30, 2007	Due Fiscal 2007-2008		
Principal	Interest		Principal	Interest	Total
\$ 1,860,000	\$ 270,250	\$ 3,545,000	\$ 1,410,000	\$ 177,250	\$ 1,587,250
410,000	57,400	1,025,000	400,000	41,000	441,000
654,022	187,110	5,377,769	640,373	174,030	814,403
388,361	111,107	3,193,339	380,256	103,340	483,596
<u>3,312,383</u>	<u>625,867</u>	<u>13,141,108</u>	<u>2,830,629</u>	<u>495,620</u>	<u>3,326,249</u>
1,205,000	63,263	-	-	-	-
7,485,000 (1)	251,539 (1)	1,475,000	725,000	61,781	786,781
11,880,000 (1)	409,375 (1)	2,820,000	665,000	113,731	778,731
39,355,000 (1)	4,413,188 (1)	69,625,000	2,450,000	3,417,413	5,867,413
-	2,028,988	41,535,000	1,255,000	2,028,988	3,283,988
-	4,662,476	241,175,000	-	11,904,200	11,904,200
300,000	936,582	58,910,000	205,000	2,381,073	2,586,073
<u>60,225,000</u>	<u>12,765,411</u>	<u>415,540,000</u>	<u>5,300,000</u>	<u>19,907,186</u>	<u>25,207,186</u>
2,094,451	565,326	34,419,158	5,894,451	1,286,840	7,181,291
-	-	797,500	199,375	-	199,375
115,886	691	19,558	5,762	461	6,223
745,670	-	1,717,667	- (2)	-	-
<u>2,956,007</u>	<u>566,017</u>	<u>36,953,883</u>	<u>6,099,588</u>	<u>1,287,301</u>	<u>7,386,889</u>
<u>66,493,390</u>	<u>13,957,295</u>	<u>465,634,991</u>	<u>14,230,217</u>	<u>21,690,107</u>	<u>35,920,324</u>
370,000	53,750	705,000	280,000	35,250	315,250
400,000	262,650	5,070,000	400,000	243,850	643,850
<u>770,000</u>	<u>316,400</u>	<u>5,775,000</u>	<u>680,000</u>	<u>279,100</u>	<u>959,100</u>
1,430,000	2,312,179	50,795,000	2,035,000	2,318,869	4,353,869
98,641	11,149	104,066	104,066	5,724	109,790
23,422	-	37,716	- (2)	-	-
<u>1,552,063</u>	<u>2,323,328</u>	<u>50,936,782</u>	<u>2,139,066</u>	<u>2,324,593</u>	<u>4,463,659</u>
<u>2,322,063</u>	<u>2,639,728</u>	<u>56,711,782</u>	<u>2,819,066</u>	<u>2,603,693</u>	<u>5,422,759</u>
-	10,199,822	243,425,000	-	9,837,830	9,837,830
108,832	-	401,855	- (2)	-	-
<u>108,832</u>	<u>10,199,822</u>	<u>243,826,855</u>	<u>-</u>	<u>9,837,830</u>	<u>9,837,830</u>
20,924	-	34,935	- (2)	-	-
117,757	-	173,497	- (2)	-	-
<u>138,681</u>	<u>-</u>	<u>208,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 69,062,966</u>	<u>\$ 26,796,845</u>	<u>\$ 766,382,060</u>	<u>\$ 17,049,283</u>	<u>\$ 34,131,630</u>	<u>\$ 51,180,913</u>

**SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS**  
**For the Fiscal Year Ended June 30, 2007**

<b>Description</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Principal Balance June 30, 2006</b>	<b>Issued During Year</b>
<u>EQUIPMENT INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>INSTALLMENT FINANCING AGREEMENTS</u>				
Equipment Acquisition Project, Series 2003	2.50 - 5.00	04/01/03	\$ 5,360,000	\$ -
Equipment Acquisition Project, Series 2005C	3.00 - 5.00	10/26/05	21,515,000	-
Equipment Acquisition Project, Schedule 1A	4.16	06/28/07	-	16,134,215
Equipment Acquisition Project, Schedule 1C	4.16	06/28/07	-	4,500,000
Total Installment Financing Agreements			<u>26,875,000</u>	<u>20,634,215</u>
<u>OTHER INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			10,819	6,112
Earned Vacation Pay - Vehicle Fleet Services			175,040	140,521
Total Other Internal Service Long-Term Obligations			<u>185,859</u>	<u>146,633</u>
Total Internal Service Long-Term Obligations			<u>\$ 27,060,859</u>	<u>\$ 20,780,848</u>

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

		Principal Balance June 30, 2007	Due Fiscal 2007-2008		
Principal	Interest		Principal	Interest	Total
\$ 5,360,000	\$ 241,875	\$ -	\$ -	\$ -	\$ -
5,380,000	875,825	16,135,000	5,380,000	669,725	6,049,725
-	-	16,134,215	3,226,843	671,183	3,898,026
-	-	4,500,000	900,000	187,200	1,087,200
10,740,000	1,117,700	36,769,215	9,506,843	1,528,108	11,034,951
6,017	-	10,914	- (1)	-	-
107,697	-	207,864	- (1)	-	-
113,714	-	218,778	-	-	-
<u>\$ 10,853,714</u>	<u>\$ 1,117,700</u>	<u>\$ 36,987,993</u>	<u>\$ 9,506,843</u>	<u>\$ 1,528,108</u>	<u>\$ 11,034,951</u>





## STATISTICAL SECTION

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





## STATISTICAL SCHEDULES

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

	<b>Fiscal Year</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Governmental activities			
Invested in capital assets, net of related debt	\$ 434,696	\$ 449,699	\$ 463,753
Restricted	44,397	46,376	65,539
Unrestricted	143,001	128,885	123,379
Total governmental activities net assets	<u>622,094</u>	<u>624,960</u>	<u>652,671</u>
Business-type activities			
Invested in capital assets, net of related debt	404,642	417,486	435,295
Restricted	-	-	-
Unrestricted	84,119	88,157	68,243
Total business-type activities net assets	<u>488,761</u>	<u>505,643</u>	<u>503,538</u>
Total government			
Invested in capital assets, net of related debt	839,338	867,185	899,048
Restricted	44,397	46,376	65,539
Unrestricted	227,120	217,042	191,622
Total government net assets	<u><u>\$ 1,110,855</u></u>	<u><u>\$ 1,130,603</u></u>	<u><u>\$ 1,156,209</u></u>

**Note:**

The City began to report government-wide accrual information with the implementation of GASB Statement 34 in fiscal year 2002.

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

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Governmental activities			
Invested in capital assets, net of related debt	\$ 440,349	\$ 455,991	\$ 462,286
Restricted	76,234	96,224	120,362
Unrestricted	131,575	131,896	156,309
Total governmental activities net assets	<u>648,158</u>	<u>684,111</u>	<u>738,957</u>
Business-type activities			
Invested in capital assets, net of related debt	514,326	584,402	662,101
Restricted	-	-	-
Unrestricted	75,199	90,117	79,776
Total business-type activities net assets	<u>589,525</u>	<u>674,519</u>	<u>741,877</u>
Total government			
Invested in capital assets, net of related debt	954,675	1,040,393	1,124,387
Restricted	76,234	96,224	120,362
Unrestricted	206,774	222,013	236,085
Total government net assets	<u><u>\$1,237,683</u></u>	<u><u>\$ 1,358,630</u></u>	<u><u>\$ 1,480,834</u></u>

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

	<b>Fiscal Year</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Expenses</b>						
Governmental activities:						
General government	\$ 22,964	\$ 27,607	\$ 32,495	\$ 30,698	\$ 46,666	\$ 37,624
Community development services	51,837	53,025	17,110	19,269	33,174	15,084
Public works (1)	-	-	39,038	43,768	44,786	50,141
Public safety	86,161	90,291	95,588	104,268	110,965	118,436
Solid waste services	17,962	19,424	19,394	21,706	17,494	17,996
Leisure services	39,270	48,567	53,482	36,640	39,645	42,690
Economic development programs	2,315	3,592	3,265	2,644	4,003	4,456
Interest on long-term debt	6,751	6,445	7,827	9,354	9,936	10,035
Total governmental activities expenses	<u>227,260</u>	<u>248,951</u>	<u>268,199</u>	<u>268,347</u>	<u>306,669</u>	<u>296,462</u>
Business-type activities:						
Water and sewer	60,174	64,825	71,685	75,710	86,099	108,461
Convention center (2)	-	-	-	22,593	26,337	29,880
Mass transit	12,132	13,636	14,877	16,621	18,376	19,923
Parking facilities	2,451	2,771	2,674	4,723	6,395	6,641
Stormwater (3)	-	2,654	3,032	3,328	4,512	5,359
Total business-type activities	<u>74,757</u>	<u>83,886</u>	<u>92,268</u>	<u>122,975</u>	<u>141,719</u>	<u>170,264</u>
Total government expenses	<u>\$ 302,017</u>	<u>\$ 332,837</u>	<u>\$ 360,467</u>	<u>\$ 391,322</u>	<u>\$ 448,388</u>	<u>\$ 466,726</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 591	\$ 548	\$ 459	\$ 1,491	\$ 947	\$ 864
Community development services	9,488	9,073	9,469	10,825	22,488	12,805
Public works	-	-	858	2,045	1,638	663
Public safety	1,727	1,897	2,225	2,470	2,905	3,081
Solid waste services	2,357	6,272	9,645	9,705	12,521	13,347
Leisure services	12,493	13,716	21,384	8,579	7,695	7,732
Economic development programs	835	1,003	1,131	977	965	1,324
Operating grants and contributions	15,247	25,221	24,139	25,193	27,593	28,725
Capital grants and contributions	28,728	21,336	18,618	61,891	40,263	22,666
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>	<u>91,207</u>
Business-type activities:						
Charges for services:						
Water and sewer	61,791	58,550	66,926	77,877	98,207	106,758
Convention center	-	-	-	13,555	13,374	20,794
Mass transit	2,160	2,046	2,115	2,241	2,423	2,787
Parking facilities	2,167	2,334	2,906	4,029	5,203	6,001
Stormwater	-	4	3,251	11,516	12,480	13,257
Operating grants and contributions	3,263	3,449	4,525	4,408	4,501	4,831
Capital grants and contributions	19,250	16,237	8,798	22,685	67,099	49,740
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>	<u>204,168</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>	<u>\$ 295,375</u>
Net (expense)/revenue						
Governmental activities	\$ (155,793)	\$ (169,885)	\$ (180,271)	\$ (145,171)	\$ (189,654)	\$ (205,255)
Business-type activities	13,874	(1,266)	(3,747)	13,336	61,568	33,904
Total government net expense	<u>\$ (141,919)</u>	<u>\$ (171,151)</u>	<u>\$ (184,018)</u>	<u>\$ (131,835)</u>	<u>\$ (128,086)</u>	<u>\$ (171,351)</u>
<b>General Revenues and Change in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	\$ 101,980	\$ 107,540	\$ 113,312	\$ 120,835	\$ 125,131	\$ 144,428
Local sales tax	39,865	42,938	52,156	55,954	61,496	67,178
Franchise tax	7,191	14,967	15,033	15,717	16,747	18,326
Other taxes	7,262	4,905	5,959	5,929	6,037	6,730
Privilege license tax	8,325	9,348	9,861	12,151	14,166	14,800
Unrestricted grants and contributions	994	1,000	986	973	680	680
Investment earnings	7,513	4,749	3,855	5,827	10,883	16,131
Miscellaneous	1,479	1,597	802	1,331	2,243	4,673
Transfers	(9,280)	(15,985)	(621)	(16,968)	(11,776)	(12,845)
Total governmental activities	<u>165,329</u>	<u>171,059</u>	<u>201,343</u>	<u>201,749</u>	<u>225,607</u>	<u>260,101</u>

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

	<b>Fiscal Year</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Business-type activities:						
Investment earnings	\$ 4,103	\$ 2,161	\$ 1,021	\$ 7,089	\$ 11,650	\$ 20,609
Transfers	9,280	15,986	621	16,968	11,776	12,845
Special item, loss on capital asset impairment	-	-	-	(12,498)	-	-
Total business-type activities	<u>13,383</u>	<u>18,147</u>	<u>1,642</u>	<u>11,559</u>	<u>23,426</u>	<u>33,454</u>
Total government general revenues	<u>\$ 178,712</u>	<u>\$ 189,206</u>	<u>\$ 202,985</u>	<u>\$ 213,308</u>	<u>\$ 249,033</u>	<u>\$ 293,555</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 9,537	\$ 1,174	\$ 21,072	\$ 56,578	\$ 35,953	\$ 54,846
Business-type activities	<u>27,257</u>	<u>16,881</u>	<u>(2,105)</u>	<u>24,895</u>	<u>84,994</u>	<u>67,358</u>
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>	<u>\$ 122,204</u>

**Notes:**

The City began to report government-wide accrual information with the implementation of 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)**

	<b>Fiscal Year</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
General fund				
Reserved	\$ 17,619	\$ 16,157	\$ 16,427	\$ 20,019
Unreserved	75,140	70,982	72,508	74,930
Total general fund	<u>\$ 92,759</u>	<u>\$ 87,139</u>	<u>\$ 88,935</u>	<u>\$ 94,949</u>
All other governmental funds				
Reserved	\$ 219	\$ 952	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	41,167	33,333	31,010	24,667
Capital projects funds	76,055	112,737	108,476	86,037
Total all other governmental funds	<u>\$117,441</u>	<u>\$147,022</u>	<u>\$139,486</u>	<u>\$110,704</u>

<b>Fiscal Year</b>					
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$ 17,839	\$ 23,096	\$ 30,153	\$ 39,246	\$ 35,607	\$ 42,321
75,453	65,881	76,792	74,379	78,774	84,164
<u>\$ 93,292</u>	<u>\$ 88,977</u>	<u>\$106,945</u>	<u>\$113,625</u>	<u>\$ 114,381</u>	<u>\$126,485</u>
\$ -	\$ -	\$ 10,323	\$ 19,001	\$ 29,055	\$ 40,105
19,899	12,522	14,964	11,491	6,245	9,870
69,343	90,839	125,505	93,354	144,863	137,677
<u>\$ 89,242</u>	<u>\$103,361</u>	<u>\$150,792</u>	<u>\$123,846</u>	<u>\$ 180,163</u>	<u>\$187,652</u>

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

	Fiscal Year				
	1998	1999	2000	2001	2002
<b>Revenues</b>					
Ad valorem taxes	\$ 81,725	\$ 83,734	\$ 88,301	\$ 96,360	\$ 102,134
Intergovernmental	36,268	35,433	47,111	42,861	30,314
Developer participation	284	284	2,038	279	650
Assessments	-	-	-	403	371
Local sales tax	36,521	39,304	40,599	42,522	39,865
Licenses	6,994	6,902	7,188	7,924	8,325
Interest on investments	11,627	11,555	13,292	14,598	6,932
Inspections	4,450	6,465	6,862	7,750	7,114
Highway maintenance refunds	555	719	797	748	1,048
Facility fees	3,370	4,291	4,194	5,717	3,427
Other fees and charges	17,225	16,589	18,318	18,031	18,422
Rents	194	257	313	336	344
Program income	-	-	-	-	2,293
Other revenues	6,067	11,319	19,870	9,806	5,125
Miscellaneous	-	-	-	-	-
Total revenues	<u>205,280</u>	<u>216,852</u>	<u>248,883</u>	<u>247,335</u>	<u>226,364</u>
<b>Expenditures</b>					
General government	35,403	39,472	24,566	27,199	28,528
Community development services	24,419	26,312	43,927	39,993	37,531
Public works	-	-	-	-	-
Public safety	48,247	51,791	70,353	78,845	84,400
Solid waste services	11,905	13,052	14,824	16,547	17,337
Leisure services	21,237	22,593	27,339	29,339	31,979
Economic development programs	2,547	3,875	2,924	3,130	2,315
Other expenditures	3,341	7,721	1,207	600	186
Capital outlay	32,944	37,991	48,299	55,889	45,233
Debt service					
Principal	6,379	7,890	11,494	9,996	16,115
Interest	5,844	5,980	6,805	6,275	-
Capital leases, including interest	2,861	2,569	-	-	-
Other debt service charges	32	136	-	59	169
Total expenditures	<u>195,159</u>	<u>219,382</u>	<u>251,738</u>	<u>267,872</u>	<u>263,793</u>
Less: Administrative costs charged to water and sewer	<u>(5,094)</u>	<u>(5,260)</u>	<u>(5,580)</u>	<u>(6,414)</u>	<u>(7,060)</u>
Total expenditures	<u>190,065</u>	<u>214,122</u>	<u>246,158</u>	<u>261,458</u>	<u>256,733</u>
<b>Other financing sources (uses)</b>					
Transfers in	18,662	25,483	27,145	29,534	29,472
Transfers out	(24,594)	(31,363)	(35,565)	(38,077)	(34,479)
Proceeds from borrowing	3,942	27,323	769	8	9,804
Proceeds from refunding	22,255	6,740	-	-	-
Payments to escrow agent	(22,255)	(6,740)	-	-	-
Sale of capital assets	-	-	-	-	2,452
Total other financing sources (uses)	<u>(1,990)</u>	<u>21,443</u>	<u>(7,651)</u>	<u>(8,535)</u>	<u>7,249</u>
Net change in fund balances	<u>\$ 13,225</u>	<u>\$ 24,173</u>	<u>\$ (4,926)</u>	<u>\$ (22,658)</u>	<u>\$ (23,120)</u>
Debt service as a percentage of noncapital expenditures (1)	8.44%	8.55%	10.19%	8.60%	8.28%

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

1998-2001 - capital outlay expenditure line item as per above

2002-2007 - capital outlay as per reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities



	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Ad valorem taxes	\$ 107,415	\$ 113,563	\$ 120,849	\$ 125,036	\$ 144,015
Intergovernmental	46,177	44,654	45,819	49,819	55,235
Developer participation	305	15	138	1,685	740
Assessments	494	444	726	1,371	831
Local sales tax	42,938	52,156	55,954	61,496	67,179
Licenses	9,347	9,861	12,152	14,166	14,800
Interest on investments	4,417	3,742	5,599	10,041	15,094
Inspections	8,274	10,123	11,275	12,476	12,109
Highway maintenance refunds	627	998	1,548	1,157	1,377
Facility fees	3,586	4,360	3,733	4,118	5,605
Other fees and charges	21,866	34,397	22,168	25,466	26,629
Rents	238	319	312	389	351
Program income	2,397	3,339	2,688	2,748	4,481
Other revenues	1,947	2,286	3,474	2,491	2,889
Miscellaneous	4,639	2,153	2,235	2,113	1,384
Total revenues	<u>254,667</u>	<u>282,410</u>	<u>288,670</u>	<u>314,572</u>	<u>352,717</u>
<b>Expenditures</b>					
General government	30,547	33,007	35,056	35,584	33,202
Community development services	40,791	19,626	21,644	24,373	25,340
Public works	-	19,758	20,302	19,187	21,326
Public safety	91,498	95,662	102,760	110,337	118,848
Solid waste services	19,852	18,280	22,297	17,476	18,860
Leisure services	41,683	45,672	31,716	33,983	36,577
Economic development programs	3,593	3,265	2,643	4,003	4,456
Other expenditures	72	12	2	88	-
Capital outlay	37,948	59,388	26,984	46,277	39,899
Debt service					
Principal	10,889	12,233	13,811	14,674	16,547
Interest	5,680	6,580	7,419	8,288	9,486
Capital leases, including interest	-	-	-	-	-
Other debt service charges	265	457	222	665	275
Total expenditures	<u>282,818</u>	<u>313,940</u>	<u>284,856</u>	<u>314,935</u>	<u>324,816</u>
Less: Administrative costs charged to water and sewer	<u>(8,902)</u>	<u>(9,416)</u>	<u>(10,663)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>273,916</u>	<u>304,524</u>	<u>274,193</u>	<u>314,935</u>	<u>324,816</u>
<b>Other financing sources (uses)</b>					
Transfers in	16,102	27,801	16,380	16,932	22,499
Transfers out	(32,967)	(25,918)	(32,428)	(30,707)	(37,818)
Proceeds from borrowing	45,919	78,849	21,212	71,211	7,011
Proceeds from refunding	15,380	20,226	-	-	-
Payments to escrow agent	(15,380)	(20,085)	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>29,054</u>	<u>80,873</u>	<u>5,164</u>	<u>57,436</u>	<u>(8,308)</u>
Net change in fund balances	<u>\$ 9,805</u>	<u>\$ 58,759</u>	<u>\$ 19,641</u>	<u>\$ 57,073</u>	<u>\$ 19,593</u>
Debt service as a percentage of noncapital expenditures	7.53%	8.04%	9.57%	9.10%	9.84%

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Personal Property</b>	<b>Corporate Excess</b>	<b>Total Taxable Assessed Value</b>	<b>Property Tax Rate (Per \$100 Assessed Value)</b>
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
2007	27,737,471	5,161,031	714,511	33,613,013	0.4350

**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**

<b>Fiscal Year</b>	<b>City Rate</b>	<b>Wake County Rate</b>	<b>Total</b>
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
2007	0.4350	0.6340	1.0690

***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	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Progress Energy	\$ 325,807	1	0.97%	\$ 217,297	1	1.42%
CVM Holdings	173,086	2	0.51%	104,778	4	0.68%
Bellsouth	149,245	3	0.44%	131,609	2	0.86%
UDRT of NC	125,875	4	0.37%	70,684	5	0.46%
First Citizens	116,848	5	0.35%			
NHM Owner -1 LLC	112,410	6	0.33%			
Triangle Town Ceter LLC	108,950	7	0.32%			
Parker Raleigh Development	106,297	8	0.32%			
Summit Properties	81,575	9	0.24%			
Prudential Insurance	78,842	10	0.23%			
Highwoods Realty				120,274	3	0.78%
100 Block Associates				61,247	6	0.40%
North Hills, Inc.				59,538	7	0.39%
Phoenix Limited Partnership				43,178	8	0.28%
News and Observer Publishing Co				40,311	9	0.26%
Branch Banking & Trust				36,339	10	0.24%
Totals	<u>\$ 1,378,935</u>		<u>4.10%</u>	<u>\$ 885,255</u>		<u>5.78%</u>

**Note:**

Above taxable assessed valuations are as of January 1, 2006 and 1997 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2007 and 1998 respectively.

**Source:**

Wake County website, Statistics and Reports and 1998 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
1998	\$ 82,602	\$ 80,681	97.67%	\$ 1,715	\$ 82,396	99.75%
1999	84,576	82,600	97.66%	1,752	84,352	99.74%
2000	89,412	87,245	97.58%	1,927	89,172	99.73%
2001	98,016	95,868	97.81%	1,937	97,805	99.78%
2002	103,396	101,218	97.89%	1,915	103,133	99.75%
2003	109,099	106,645	97.75%	2,255	108,900	99.82%
2004	113,861	111,949	98.32%	1,798	113,747	99.90%
2005	121,770	119,880	98.45%	1,801	121,681	99.93%
2006	127,767	125,745	98.42%	1,843	127,588	99.86%
2007	146,117	142,895	97.79%	-	142,895 (1)	97.79%

**Note:**

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 142,895
Prior year collections in current year	2,484
Penalties collected	493
Rebates and waived taxes	(1,857)
	<u>\$ 144,015</u>

Ad valorem taxes collected per general fund financial statements

**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			
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
2007	183,219	60,272	18,916	415,540	338,067	1,016,014	3.02%	2,760.95

**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 131 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page 140 for population data.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**  
(amounts expressed in thousands, except per capita amounts)

<b>Fiscal Year</b>	<b>General Bonded Debt</b>		<b>Net Bonded Debt</b>		<b>Percentage Actual Taxable Value of Property</b>		<b>Per Capita Bonded Debt</b>	
	<b>(1)</b>		<b>(2)</b>		<b>(3)</b>		<b>Gross</b>	<b>Net</b>
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
2007		202,135		194,600	0.60%		549	529

**Notes:**

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

- (1) Total includes all general obligation bonded debt.
- (2) Represents gross bonded debt less allowable statutory deductions.
- (3) See Assessed Value of Taxable Property schedule on page 131 for property value data.
- (4) See Demographic and Economic Statistics schedule on page 140 for population data.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of June 30, 2007**  
(amounts expressed in thousands)

	<b>Bonded Debt</b>	<b>Percentage Applicable to City</b>	<b>City's Share of Debt</b>
Direct Debt - City of Raleigh (1)	\$ 243,491	100.00%	\$ 243,491
Overlapping Debt: (2)			
Wake County Debt (3)	<u>1,505,200</u>	42.63% (4)	<u>641,667</u>
Total Direct and Overlapping Debt	<u>\$ 1,748,691</u>		<u>\$ 885,158</u>

**Notes:**

- (1) This total includes all governmental activities debt.
- (2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.
- (3) This total includes \$1,376,401,421 of Wake County School Bonds.
- (4) Percentage of direct and overlapping debt is based on June 30, 2007 assessed valuation of the City of Raleigh (\$33,613,013,062) as compared to the June 30, 2007 assessed valuation of Wake County (\$78,844,604,531).



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

<b>Fiscal Year Ended June 30</b>	<b>Debt Limit</b>	<b>Less: Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</b>
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%
2007	2,689,041	700,623	1,988,418	26.05%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 33,613,013
Debt limit (8% of assessed value)	2,689,041
Debt applicable to limit:	
General Obligation bonds	202,135
GO bonds authorized not issued	107,665
Other outstanding debt	398,359
Less: Statutory deductions	
Bonded debt included in gross debt incurred for water	(5,378)
Uncollected special assessments levied for local improvements for which gross debt incurred to the extent to be applied to the payment of such gross debt	(2,158)
Total net debt applicable to limit	<u>700,623</u>
Legal debt margin	<u>\$ 1,988,418</u>

**PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Gross Revenues	15% of PY Unrestricted Net Assets	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios		
					Principal	Interest	Total	Net Coverage	With 15% (5)	Required Coverage
(1)		(5)	(2)							
<u>Parity Debt Service Coverage (3)</u>										
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
2007	114,131,631	11,026,707	72,070,084	42,061,547	5,465,000	12,900,522	18,365,522	2.29	2.89	1.20
<u>All Water and Sewer Debt Service Coverage (4)</u>										
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
2007	114,131,631		72,070,084	42,061,547	10,051,834	13,877,155	23,928,989	1.76		1.00

**Notes:**

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999, January 1, 2001, May 4, 2004, and October 10, 2006.
- (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 Amending Trust Agreement dated April 15, 2004. The first amendment provides that 15% of Water and Sewer unrestricted net assets as of the last day of the preceding fiscal year be added to gross revenues in computing the net revenue available for debt service. The required coverage for parity indebtedness was also decreased to 1.20% from 1.25%.

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment ADM</b>	<b>Unemployment Rate %</b>
	(1)	(2)	(2)	(3)	(4)
1998	273,011	8,333,661	30,525	89,074	1.6
1999	280,132	8,979,351	32,054	92,566	1.5
2000	286,834	9,332,718	32,537	94,295	1.6
2001	294,843	9,729,229	32,998	97,348	3.1
2002	311,053	10,044,835	33,293	101,967	5.5
2003	316,979	10,659,053	33,627	107,448	5.2
2004	328,880	11,345,702	34,498	112,158	4.0
2005	342,194	12,190,319	35,624	117,986	4.3
2006	353,604	Unavailable	Unavailable	120,381	3.5
2007	367,995	Unavailable	Unavailable	124,474	3.9

**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 2006 and 2007 are unavailable.
- (3) North Carolina Department of Public Instruction, Statistical Research and Data Center.  
ADM = Average daily membership - (final ADM). Includes fourteen charter schools.
- (4) North Carolina Employment Security Commission.  
Estimated percentage of unemployment in Wake County.

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

<b>Employer</b>	<b>2007</b>			<b>1998</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
State of North Carolina	39,103	1	19.91%	23,230	1	14.52%
Wake County Public School System	15,000	2	7.64%	9,209	2	5.76%
North Carolina State University	7,219	3	3.67%	6,123	3	3.83%
Wake Med Health and Hospitals	7,100	4	3.61%	4,000	4	2.50%
City of Raleigh	4,376	5	2.23%	2,439	7	1.52%
Rex Healthcare	4,300	6	2.19%	2,945	5	1.84%
Wake County	3,500	7	1.78%	2,694	6	1.68%
Progress Energy Inc.	3,238	8	1.65%	2,406	8	1.50%
Waste Industries, Inc.	2,000	9	1.02%			
First Citizens Bancshares Inc.	1,500	10	0.76%			
United Parcel Service				1,425	9	0.89%
Dorothea Dix Hospital				1,288	10	0.80%
Total	<u>87,336</u>		<u>44.46%</u>	<u>55,759</u>		<u>34.84%</u>

**Note:**

Progress Energy - 1998 - 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Policy &amp; Management Services</b>										
General Government	41	42	43	43	44	46	54	57	62	70
Personnel	20	20	20	20	20	20	21	21	22	23
Administrative Services	15	16	17	17	17	17	18	17	17	17
Finance	77	80	82	89	92	97	100	103	113	122
Information Services	45	52	55	55	56	61	62	61	63	69
<b>Community Development Services</b>										
Central Engineering	71	79	83	83	86	73	75	67	115	118
Transportation	158	160	161	162	164	166	171	182	142	170
Vehicle Fleet Services	55	55	54	54	54	54	55	58	60	62
Stormwater Utility (1)	NA	NA	NA	NA	NA	25	26	35	37	42
Planning	34	34	34	35	38	39	39	41	41	46
Inspections	111	119	140	139	147	139	139	148	154	153
Community Services	17	18	20	19	19	19	19	21	19	19
Community Development	20	21	21	19	20	20	21	21	21	23
<b>Public Safety</b>										
Police	686	711	757	777	789	792	812	835	851	888
Fire	398	431	460	460	493	494	507	522	523	553
Emergency Communications	52	59	63	67	71	74	74	76	78	94
<b>Solid Waste Services</b>										
	228	228	227	239	256	260	260	189	199	240
<b>Public Utilities</b>										
	262	275	283	310	355	366	377	377	438	547
<b>Leisure Services</b>										
Convention Center	46	49	52	63	70	70	71	71	71	72
Parks & Recreation	288	288	295	301	311	313	320	339	355	391
<b>Total</b>	<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>	<u>3,719</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**

<b>Function</b>	<b>Fiscal Year</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Community Development Services				
Inspections:				
Permits issued (all trade types)	Unavailable	41,665	41,068	49,010
Construction - inspections requested	109,063	132,743	143,447	162,855
Community Development:				
New housing units constructed	5	-	-	7
Homeownership loans provided	35	33	55	67
Rehabilitation loans provided	117	100	105	21
Public Works				
Asphalt failures repaired	8,900	4,235	6,017	5,128
Drainage structures repaired/maintained	841	347	910	1,796
Police				
Physical arrests	77,191	86,886	82,480	84,373
Traffic accidents investigated	16,822	16,418	16,812	17,169
Fire				
Emergency responses	8,273	9,239	9,542	10,671
Fire calls answered	10,447	11,246	12,278	10,993
Emergency Communications				
911 calls processed (2)	494,928	533,361	566,230	632,700
Solid Waste				
Refuse collected (tons)	61,206	59,534	66,760	71,344
Recyclables collected (tons)	13,982	13,856	14,406	14,003
Water				
Number of consumers	92,868	97,703	102,848	122,793
Average daily consumption (millions of gallons per day)	37.92	41.56	43.10	44.50
Maximum daily flow (millions of gallons per day)	60.98	68.87	64.91	54.59
Wastewater				
Average daily sewage treatment (millions of gallons per day)	40.33	37.05	37.58	36.20
Maximum daily flow (millions of gallons per day)	76.18	54.92	81.61	57.26
Leisure Services				
Convention center events	243	232	343	389
Event attendance	389,800	383,076	515,028	528,883
Parks and recreation programs	5,040	5,802	5,925	5,485
Registrants	134,005	140,061	144,087	153,013
Attendance at parks & recreation facilities (millions)	2.445	2.469	2.698	2.739

**Notes:**

(1) Estimates shown for 2007 Data.

(1a) Change in reporting measure.

(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.

<b>Fiscal Year</b>					
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
60,027	59,401	60,027	63,000	47,862	69,200 (1)
188,679	121,034	160,000	162,000	132,539	170,000 (1)
11	2	32	17	28	34 (1)
60	8	61	38	51	85 (1)
34	19	42	47	29	45 (1)
5,015	7,597	7,228	7,222	7,300	7,000 (1)
2,248	740	931	1,000	1,030	Unavailable (1)
89,786	89,534	99,684	118,098	87,929	94,830 (1)
16,540	16,787	17,344	18,005	18,551	19,114 (1)
12,387	13,500	15,159	17,244	21,249	22,000 (1a)
9,887	10,500	11,383	8,530	1,539	1,400 (1a)
685,779	623,738	497,119	464,728	483,921	503,695 (1)
74,617	73,837	77,301	80,400	83,600	83,750 (1)
13,770	14,069	14,428	15,719	16,872	18,559 (1)
121,533	126,285	131,312	137,330	158,007	169,324
47.15	42.43	54.00	47.69	48.80	50.20
63.30	60.70	67.40	68.00	69.20	70.00 (1)
35.61	45.68	44.01	46.45	45.24	44.80
57.00	73.41	68.00	72.18	98.05	75.00 (1)
426	480	518	571	570	634 (1)
549,304	582,896	593,693	661,968	559,989	654,152 (1)
5,666	7,485	7,195	6,977	8,302	9,765 (1)
157,000	149,205	125,771	134,798	134,850	138,000 (1)
2.800	3.328	3.019	3.127	3.400	3.400 (1)

## CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1998	1999	2000	2001
<b>Public safety</b>				
Police stations	3	3	3	3
Fire stations	20	21	23	23
<b>Highways and streets</b>				
Streets (miles)	947	969	989	1,028
Streetlights	22,424	23,056	23,654	24,619
Signalized intersections	447	461	461	470
<b>Leisure services</b>				
Number of major parks	56	56	59	59
Parks acreage	6,155	6,778	7,541	7,310
Aquatic facilities	8	8	8	8
Community centers (staffed and unstaffed)	51	54	58	59
<b>Water</b>				
Water mains (miles)	1,037	1,064	1,089	1,102
<b>Sewers</b>				
Sanitary sewers (miles)	1,036	1,349	1,378	1,392

***Note:***

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

***Source:***

Various city departments.



<b>Fiscal Year</b>					
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
5 24	7 26	7 26	7 26	7 27	7 27
1,068 29,345 473	1,089 29,875 485	1,118 30,628 489	1,161 31,976 493	1,194 32,737 499	1,235 33,600 510
58 7,437 8 58	66 7,979 8 66	70 8,010 8 32	71 8,101 8 32	72 8,672 8 34	72 8,818 8 33
1,320	1,356	1,380	1,415	2,050	2,050
1,424	1,447	1,468	1,501	2,000	2,000

**ANALYSIS OF CURRENT TAX LEVY  
CITY - WIDE LEVY  
For the Fiscal Year Ended June 30, 2007**

	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	\$ 32,378,952,768	\$ .4350	\$ 140,717,155	\$ 132,018,085	\$ 8,699,070
Registered motor vehicles taxed at prior year's rate	1,124,704,015	.3950	4,404,129	-	4,404,129
	<u>33,503,656,783</u>		<u>145,121,284</u>	<u>132,018,085</u>	<u>13,103,199</u>
Discoveries:					
Prior years' taxes	<u>109,356,279</u>	(1)	<u>401,287</u>	<u>394,877</u>	<u>6,410</u>
Total property valuation	<u><u>\$ 33,613,013,062</u></u>				
Deferred and waived			427,736	427,736	-
Penalty			167,084	167,084	-
Rebates			<u>(1,238,163)</u>	<u>(972,793)</u>	<u>(265,370)</u>
Net levy			144,879,228	132,034,989	12,844,239
Uncollected taxes at June 30,2007			<u>(3,222,211)</u>	<u>(1,406,128)</u>	<u>(1,816,083)</u>
Current year's taxes collected			<u><u>\$ 141,657,017</u></u>	<u><u>\$ 130,628,861</u></u>	<u><u>\$ 11,028,156</u></u>
Current levy collection percentage			<u><u>97.78%</u></u>	<u><u>98.94%</u></u>	<u><u>85.86%</u></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, 2007**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Receivable June 30, 2006</b>	<b>Additions</b>	<b>Collections and Other Reductions</b>	<b>Taxes Receivable June 30, 2007</b>
				(1)
1998 & Prior	\$ 1,285,853	\$ -	\$ 8,522	\$ 1,277,331
1999	230,446	-	5,520	224,926
2000	247,793	-	8,031	239,762
2001	229,740	-	19,337	210,403
2002	280,161	-	17,010	263,151
2003	284,586	-	86,195	198,391
2004	295,696	-	181,861	113,835
2005	402,722	-	314,320	88,402
2006	2,022,073	-	1,843,324	178,749
2007	-	146,117,391	142,895,180	3,222,211
<b>TOTALS</b>	<b>\$ 5,279,070</b>	<b>\$ 146,117,391</b>	<b>\$ 145,379,300</b>	<b>\$ 6,017,161</b>
			(2)	

**Notes:**

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$2,456,065).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 145,379,300
Penalties collected	493,180
Rebates and waived taxes	(1,857,630)
Ad valorem taxes collected per general fund financial statements	<u>\$ 144,014,850</u>





SINGLE AUDIT SECTION

## **SINGLE AUDIT SECTION**

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





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

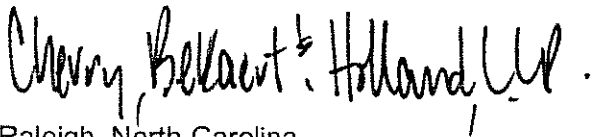
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We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

## Compliance and Other Matters

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

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

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

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

Raleigh, North Carolina  
December 3, 2007





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, 2007. 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; 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, 2007.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

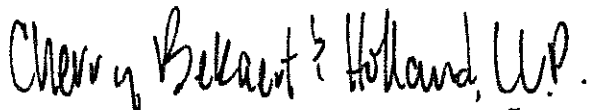
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

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

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

Raleigh, North Carolina  
December 3, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON 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, 2007. 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, 2007.

**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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

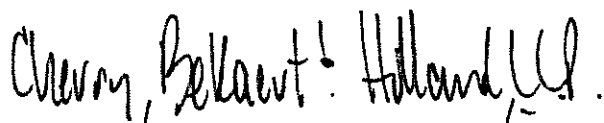
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

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

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

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

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

Raleigh, North Carolina  
December 3, 2007

## **SINGLE AUDIT SCHEDULES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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-90-2319	\$ 69,193	\$ 35,584	\$ -	\$ 35,584
Planning Assistance - Section 9	20.507	NC-90-2393	127,846	59,203	55,705	114,908
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,439,184	-	2,439,184
Capital Assistance - Section 9	20.507	NC-90-0341	2,402,640	1,987,767	16,271	2,004,038
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	3,128,841	20,448	3,149,289
Capital Assistance - Section 9	20.507	NC-90-0367	2,378,880	1,687,711	343,584	2,031,295
Capital Assistance - Section 9	20.507	NC-90-0393	3,298,570	-	2,257,426	2,257,426
Capital Assistance - Section 9	20.507	NC-04-0004	3,404,174	-	-	-
Capital Assistance - Section 3	20.507	NC-03-0059	400,000	-	-	-
Capital Assistance - Section 3	20.507	NC-03-0061	147,339	-	-	-
JARQ Operating Assistance	20.507	NC-37X011	100,780	-	96,260	96,260
			18,385,918	9,338,290	2,789,694	12,127,984
Passed-Through N.C. Department of Transportation:						
Federal Transit Administration						
Planning Assistance - Section 8	20.505	PTD 06-08-009	85,096	85,096	-	85,096
Planning Assistance - Section 8	20.505	PTD 07-08-009	90,976	-	90,976	90,976
			176,072	85,096	90,976	176,072
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	WBS39225.1.21	1,197,474	789,987	-	789,987
Section 104(f) Technical Assistance	20.205	WBS39225.1.4	916,326	-	815,390	815,390
			2,113,800	789,987	815,390	1,605,377
Total U.S. Department of Transportation			20,675,790	10,213,373	3,696,060	13,909,433
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program						
	94.011	05SFSNC005	261,898	261,898	-	261,898
	94.011	05SFSNC006	261,898	-	261,898	261,898
			523,796	261,898	261,898	523,796
Retired Senior Volunteers Program						
	94.002	05SESNC002	58,197	58,197	-	58,197
	94.002	05SESNC003	58,983	-	58,983	58,983
			117,180	58,197	58,983	117,180
Total Corporation for National Service			640,976	320,095	320,881	640,976
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant Program						
	14.218	B96MC370009	2,416,000	2,415,951	49	2,416,000
	14.218	B02MC370009	2,420,000	2,419,955	45	2,420,000
	14.218	B03MC370009	2,814,000	2,081,967	524,252	2,606,219
	14.218	B04MC370009	2,813,000	2,775,039	37,961	2,813,000
	14.218	B05MC370009	2,684,205	604,449	1,449,574	2,054,023
	14.218	B06MC370009	2,429,249	-	76,625	76,625
			15,576,454	10,297,361	2,088,506	12,385,867
HOME Grant Program						
	14.239	M01MC370206	1,191,000	1,006,122	184,878	1,191,000
	14.239	M02MC370206	1,188,000	651,252	536,748	1,188,000
	14.239	M03MC370206	1,448,995	505,418	943,577	1,448,995
	14.239	M04MC370206	1,690,822	735,464	249,712	985,176
	14.239	M05MC370206	1,459,705	44,585	323,862	368,447
	14.239	M06MC370206	1,338,340	-	(163,323)	(163,323)
			8,316,862	2,942,841	2,075,454	5,018,295

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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)						
EDI Special Project - Fayetteville Street		B04SPNC0572	\$ 173,968	\$ -	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			24,067,284	13,240,202	4,163,960	17,404,162
U.S. DEPARTMENT OF JUSTICE						
Direct Programs:						
Cops Secure Our Schools	16.710	05CKWX0571	10,000	6,219	2,090	8,309
Cops Secure Our Schools	16.710	05CKWX0571	22,087	-	-	-
			32,087	6,219	2,090	8,309
LLE Block Grant Program	16.592	04LBBX1033	119,224	80,293	21,580	101,873
Weed & Seed Program	16.595	01WSQX0092	175,000	72,113	93,773	165,886
Weed & Seed Program	16.595	01WSQX0092	225,000	-	142,813	142,813
			400,000	72,113	236,586	308,699
2007 Bullet Proof Vest Grant		N/A	62,510	-	-	-
Total U.S. Department of Justice			613,821	158,625	260,256	418,881
ENVIRONMENTAL PROTECTION AGENCY						
Direct Programs:						
Brownfields Assessment Grant	66.818	BF964167040	400,000	45,714	216,554	262,268
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	26,133	7,960	34,093
Total Environmental Protection Agency			1,400,000	71,847	224,514	296,361
U.S. DEPARTMENT OF AGRICULTURE						
Direct Programs:						
Solid Waste Services WHIP Grant	10.914	72453232162	9,802	7,480	-	7,480
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborhoods"	10.664	F06017	8,400	4,641	3,741	8,382
Total U.S. Department of Agriculture			18,202	12,121	3,741	15,862
U.S.DEPARTMENT OF HOMELAND SECURITY						
Direct Programs:						
Assistance to Firefighters	97.044	EMW2005FG07718	222,123	194,151	27,804	221,955
Passed-Through N.C. Department of Crime Control and Public Safety:						
Public Assistance - Hurricane Katrina	97.036	3222-EM-NC	257,593	257,593	3,273	260,866
Total Dept.of Homeland Security			479,716	451,744	31,077	482,821
Total Expenditures of Federal Awards			\$ 47,895,789	\$ 24,468,007	\$ 8,700,489	\$ 33,168,496

*Continued*

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 03-09-319	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	6,977	-	6,977
Public Transportation Planning Assistance		PTD 06-09-007	10,189	7,401	(256)	7,145
Public Transportation Planning Assistance		PTD 07-09-393	15,981	-	7,219	7,219
Public Transportation Planning Assistance		PTD 06-08-009	10,637	10,637	-	10,637
Public Transportation Planning Assistance		PTD 07-08-009	11,372	-	11,372	11,372
Public Transportation Capital Assistance		PTD 98-09-007	146,457	129,628	-	129,628
Public Transportation Capital Assistance		PTD 99-09-004	166,817	166,698	-	166,698
Public Transportation Capital Assistance		PTD 00-09-007	640,829	639,491	-	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	314,780	2,058	316,838
Public Transportation Capital Assistance		NC-04-0004	425,589	-	-	-
Public Transportation Capital Assistance		NC-03-0059	50,000	-	-	-
Public Transportation Capital Assistance		NC-03-0061	18,427	-	-	-
Public Transportation Maintenance Assistance						
Program - Operating		07SM013	2,181,019	-	2,181,019	2,181,019
Bicycle Plan Update		WBS37309.1.1	90,000	-	-	-
Traffic Signal Upgrade		WBS35247.5.6	337,500	337,500	-	337,500
City-wide Traffic Signal Upgrade		C-4923	21,000,000	-	985,902	985,902
Morgan Street Two Way Traffic		B-2655	110,000	-	-	-
Falls of Neuse Widening		U-4901	13,836,000	-	-	-
Duraleigh Road at U.S. 70		9.8052058	150,000	150,000	-	150,000
Western Boulevard Landscaping		E-2973-E	100,000	100,000	-	100,000
House Creek Greenway - Phase I		E-4929	200,000	20,000	-	20,000
House Creek Greenway - Phase 2		E-4979	400,000	-	-	-
Stonybrook Drive Bridge Design	-		443,334	171,324	73,209	244,533
GHSP Research Speed and Traffic	-		94,711	66,322	17,653	83,975
GHSP Research Speed and Traffic	-		54,595	-	49,960	49,960
GHSP School Zone Speed Enforcement	-		18,439	-	-	-
Neuse River Greenway Grant	E-4829		500,000	71,909	224,204	296,113
Powell Bill	WBS32570		9,288,777	-	9,288,777	9,288,777
Total N. C. Department of Transportation			50,803,808	2,297,573	12,841,117	15,138,690
<u>N.C. HOUSING FINANCE AGENCY</u>						
Job Training Grant	-		152,000	5,141	146,859	152,000
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
Summit House	-		24,187	19,706	-	19,706
Fire Equipment Grant	-		192,857	-	68,481	68,481
USAR Base Equipment	-		600,000	-	290,015	290,015
TRAC Initiative	-		67,405	40,020	27,024	67,044
Gang Violence Intervention	-		4,500	-	4,500	4,500
800 MGHZ Radio Grant	-		2,000,000	-	-	-
Gang/Gun Suppression	-		71,368	-	55,715	55,715
Total N. C. Department of Crime Control and Public Safety			2,960,317	59,726	445,735	505,461
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Section 319(h) Fletcher Park Retention Pond	EW06010		328,000	-	-	-
Section 319(h) VFS Facility - Bio retention	EW06012		34,000	-	-	-
PARTF - Honeycutt Park	2004-380		250,000	250,000	-	250,000
LWCF - Honeycutt Park	37-01006		171,483	171,483	-	171,483
PARTF - Walnut Creek Interpretive Center	2006-487		500,000	-	-	-
Soil Erosion Engineering Program	L04002		2,244	903	-	903
Waste Reduction and Recycle	H062006		14,455	7,990	4,769	12,759
Clean Water Trust Fund - Reuse Water Line	N/A		919,000	-	-	-
Total N. C. Department of Environment and Natural Resources			2,219,182	430,376	4,769	435,145



**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	\$ 3,301	\$ 15,860
Total Expenditures of State Awards			\$ 56,151,167	\$ 2,805,375	\$ 13,441,781	\$ 16,247,156
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Open Space Program			\$ 200,000	\$ 138,800	\$ 81	\$ 138,881
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	13,751	14,775
Barwell Road Park Walking Trail			20,000	-	17,879	17,879
Barwell Road Park Cardio Center			1,600	-	-	-
JAG - Criminal Nuisance Abatement			168,215	-	42,450	42,450
JAG - Violent Crime Supression			99,765	-	24,810	24,810
			528,580	144,824	112,971	257,795
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Alternate Fuel Grant			21,420	13,503	-	13,503
Total Expenditures of Other Awards			\$ 550,000	\$ 158,327	\$ 112,971	\$ 271,298
Total Expenditures - All Awards			\$ 104,596,956	\$ 27,431,709	\$ 22,255,241	\$ 49,686,950

**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, 2007. 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, 2007 is \$-0-.

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY07.



X   yes           no

CITY OF RALEIGH, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2007

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**I – Summary of Auditors' Results (continued)**

**State Awards**

Internal control over major state programs:

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

Noncompliance material to state awards? \_\_\_\_\_ yes      X   no

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

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

Identification of major state programs:

Names of State Program or Cluster

Powell Bill

State Maintenance Assistance for Urban and Small Urban Program

**II – Financial Statement Findings**

*None.*

**III – Federal Award Findings and Questioned Costs**

*None.*

**IV – State Award Findings and Questioned Costs**

*None.*

CITY OF RALEIGH, NORTH CAROLINA  
**SUMMARY OF PRIOR YEAR FINDINGS**  
Year Ended June 30, 2007

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**Finding 06-01**

Status: Corrected

**Finding 06-02**

Status: Corrected



**Credits:**

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

Printing – *Joseph C. Woodard Company*



## **Office of the City Manager**

City of Raleigh  
Post Office Box 590  
Raleigh, North Carolina 27602  
919-890-3070

## **Office of the Chief Financial Officer**

City of Raleigh  
Post Office Box 590  
Raleigh, North Carolina 27602  
919-890-3215

[www.raleighnc.gov](http://www.raleighnc.gov)

