

# CR

CITY OF RALEIGH



## Comprehensive Annual Financial Report

City of Raleigh, North Carolina

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**City of Raleigh, North Carolina**  
**Comprehensive Annual Financial Report**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004



Prepared By  
The Finance Department  
Perry E. James, III, Chief Financial Officer

**INTRODUCTORY SECTION**

Principal Officials . . . . . i  
 Organization Chart . . . . . ii  
 Letter of Transmittal . . . . . iii  
 Certificate of Achievement for Excellence in Financial Reporting . . . . . xi

**FINANCIAL SECTION**

**Independent Auditor’s Report on the Basic Financial Statements and Supplementary Information**

**Management’s Discussion and Analysis**

**Basic Financial Statements**

Government-Wide Financial Statements:  
     Statement of Net Assets . . . . . 1  
     Statement of Activities . . . . . 2  
 Fund Financial Statements:  
     Balance Sheet – Governmental Funds . . . . . 4  
     Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets . . . . . 6  
     Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. . . . . 7  
     Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
         of Governmental Funds to the Statement of Activities . . . . . 9  
     Statement of Revenues, Expenditures, and Changes in Fund Balances –  
         Budget and Actual – General Fund . . . . . 10  
     Statement of Net Assets – Proprietary Funds . . . . . 12  
     Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds . . . . . 14  
     Statement of Cash Flows – Proprietary Funds . . . . . 15  
     Statement of Fiduciary Net Assets – Fiduciary Funds . . . . . 17  
     Statement of Changes in Fiduciary Net Assets – Fiduciary Funds . . . . . 18  
 Notes to the Financial Statements . . . . . 19

**Required Supplementary Information**

Law Enforcement Officers’ Special Separation Allowance - Schedule of Funding Progress . . . . . 45  
 Law Enforcement Officers’ Special Separation Allowance - Schedule of Employer Contributions . . . . . 46

**Combining and Individual Fund Statements and Schedules**

Combining Balance Sheet – Nonmajor Governmental Funds . . . . . 47  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
     Nonmajor Governmental Funds . . . . . 48

**Special Revenue Funds**

Combining Balance Sheet – Nonmajor Special Revenue Funds . . . . . 49  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
     Nonmajor Special Revenue Funds . . . . . 51  
 Schedule of Revenues and Expenditures Compared with Budget:  
     Grants Fund . . . . . 53  
     Sales Tax Fund . . . . . 54  
     Housing Development Fund . . . . . 55  
     Housing Bond Fund (major fund) . . . . . 56  
     Community Development Fund (major fund) . . . . . 57  
     Powell Bill Fund . . . . . 58  
     Disaster Recovery Fund . . . . . 59  
     New Convention Center Financing Fund . . . . . 60

**General Capital Projects Funds**

Combining Balance Sheet – Nonmajor Capital Projects Funds .....61  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances –  
     Nonmajor Capital Projects Funds ..... 63  
 Schedule of Revenues and Expenditures Compared with Budget:  
     Street Improvement Fund .....65  
     Street Bond Fund .....66  
     Sidewalk Fund .....67  
     Park Improvement Fund .....68  
     Facility Fees Fund .....69  
     Park Bond Fund .....70  
     Miscellaneous Capital Improvements Fund .....71  
     Convention Center and Memorial Auditorium Projects Fund .....72  
     Stormwater Projects Fund .....73  
     Technology Capital Projects Fund .....74  
     New Convention Center Complex Fund (Major Fund) .....75

**Enterprise Funds**

Combining Statement of Net Assets – Nonmajor Enterprise Funds .....76  
 Combining Statement of Revenues, Expenses, and Changes in Net Assets –  
     Nonmajor Enterprise Funds .....77  
 Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....78  
 Schedule of Revenues and Expenditures - Budget (Modified Accrual Basis) and Actual:  
     Mass Transit Fund .....79  
     Water and Sewer Operating Fund .....81  
     Water Capital Projects Fund .....83  
     Sewer Capital Projects Fund .....84  
     Water and Sewer Revenue Bond Fund .....85  
     Water and Sewer General Obligation Bond Fund .....86  
     Parking Facilities Operating Fund .....88  
     Parking Facilities Capital Projects Fund .....89  
     Stormwater Utility Operating Fund .....91  
     Stormwater Utility Capital Projects Fund .....92

**Internal Service Funds**

Combining Statement of Net Assets .....94  
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....96  
 Combining Statement of Cash Flows .....98

**Fiduciary Funds**

Combining Statement of Net Assets – Pension Trust Funds .....100  
 Combining Statement of Changes in Plan Net Assets – Pension Trust Funds .....101  
 Combining Statement of Assets and Liabilities - Agency Funds .....102  
 Combining Statement of Changes in Assets and Liabilities – Agency Funds .....103

**Capital Assets Used in the Operation of Governmental Funds**

Schedule by Source .....104  
 Schedule by Function and Activity .....105  
 Schedule of Changes by Function and Activity .....107

**Other Schedules**

Schedule of Long-Term Obligation Maturities and Debt Service Requirements. ....108  
 Schedule of General Governmental Long -Term Obligations .....112  
 Schedule of Enterprise Long-Term Obligations .....114  
 Schedule of Internal Service Long-Term Obligations .....116

**STATISTICAL SECTION**

General Governmental Expenditures by Function – Last Ten Years .....118  
 General Governmental Revenues by Source – Last Ten Years .....120  
 Property Tax Levies and Collections - Last Ten Fiscal Years .....122  
 Assessed Value of All Taxable Property - Last Ten Fiscal Years .....123  
 Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years .....124  
 Comparison of City of Raleigh and Wake County Assessed Values - Last Ten Fiscal Years .....125  
 Analysis of Current Tax Levy .....126  
 Schedule of Ad Valorem Taxes Receivable .....127  
 Ratio of Net General Obligation Bonded Debt to Assessed Value  
     and Net Bonded Debt Per Capita - Last Ten Fiscal Years .....128  
 Statement of Legal Debt Margin .....130  
 Schedule of Direct and Overlapping Debt .....131  
 Ratio of Annual General Debt Service Expenditures for General Bonded  
     Debt to Total General Expenditures - Last Ten Fiscal Years .....132  
 Schedule of Revenue Bond Coverage – Water and Sewer Revenue Bonds .....133  
 Schedule of Assessments Receivable - Last Ten Fiscal Years .....134  
 Insurance Coverage .....135  
 Demographic Characteristics - Last Ten Fiscal Years .....137  
 Property Value, Construction and Bank Deposits - Last Ten Fiscal Years .....138  
 Principal Taxpayers .....139  
 Miscellaneous Statistics .....140

**SINGLE AUDIT SECTION**

**Independent Auditors’ Reports**

Schedule of Expenditures of Federal and State Awards .....141  
 Schedule of Findings and Questioned Costs

**RALEIGH CITY COUNCIL - 2003-2004**

**Charles C. Meeker**  
MAYOR

**Michael Regan**  
DISTRICT A

**Thomas Crowder**  
DISTRICT D

**K. Neal Hunt**  
AT LARGE

**James P. West**  
MAYOR PROTEM  
DISTRICT C

**Jessie Taliaferro**  
DISTRICT B

**Philip R. Isley**  
DISTRICT E

**Janet R. Cowell**  
AT LARGE



From left second row: Janet R. Cowell, Thomas Crowder, K. Neal Hunt, Philip R. Isley  
From left first row: Jessie Taliaferro, Charles C. Meeker, James P. West, Michael Regan

INTRODUCTORY SECTION

**CITY ADMINISTRATIVE AND FINANCIAL STAFF**

**J. Russell Allen, CITY MANAGER**

**Lawrence E. Wray, ASSISTANT CITY MANAGER**

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

**Daniel A. Howe, ASSISTANT CITY MANAGER**

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

**Gail G. Smith, CITY CLERK**

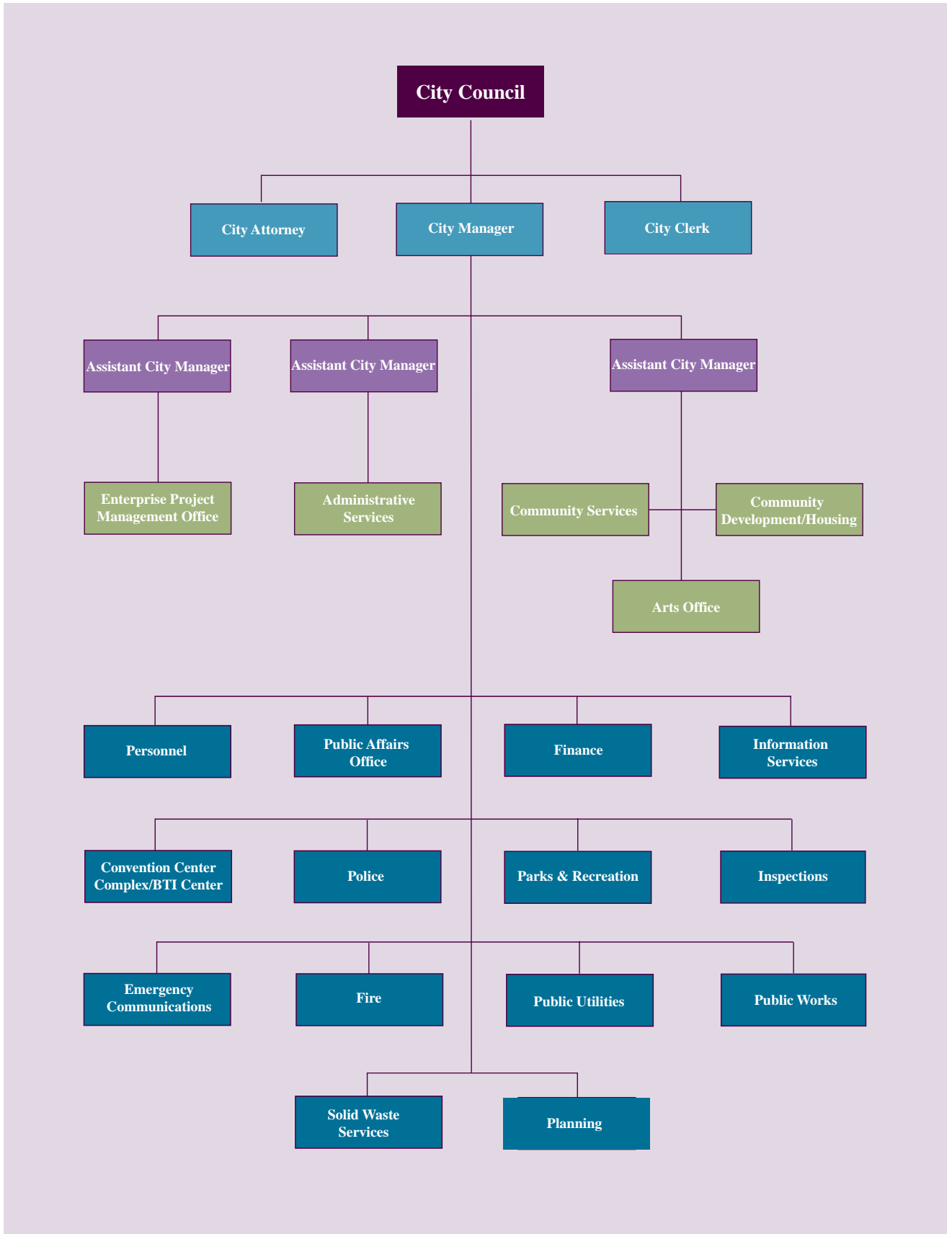
**Perry E. James, III, CHIEF FINANCIAL OFFICER**



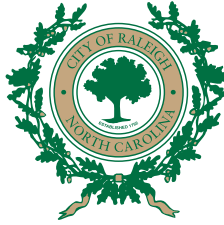
J. Russell Allen  
City Manager

### CITY WIDE ORGANIZATIONAL CHART

INTRODUCTORY SECTION



October 22, 2004



**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, 2004. State law requires that all general-purpose local governments publish within four months of the close of each fiscal year 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, 2004, 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, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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



**PROFILE OF CITY OF RALEIGH**

Raleigh, is situated in the heart of the State called the Piedmont region, 150 miles from the sandy Atlantic beaches and 190 miles from the Great Smoky Mountains. The City, the county seat of Wake County and the capital of North Carolina, covers an area of more than 127 square miles and has an estimated population of 328,880. 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 1,200,000.

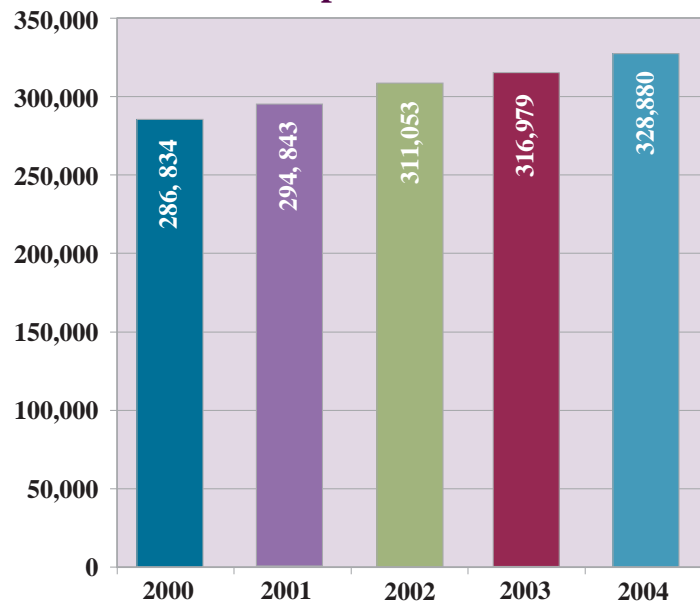
The North Carolina General Assembly purchased land for the original site of the City for the specific purpose of being the Capital of North Carolina. The City was incorporated in 1792 by an act of the General Assembly and has utilized a council-manager form of government since 1947. The Mayor and two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

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

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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

**Five-Year Population Growth**



## ECONOMIC CONDITIONS AND OUTLOOK

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

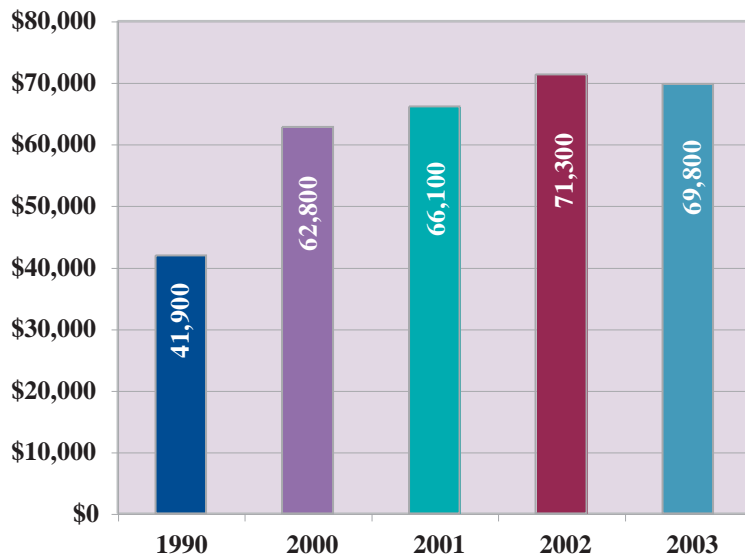
The City has experienced significant growth in population, land area and commercial activity for a number of years. This growth has been due in part to the Research Triangle Park, a nationally recognized center for research and light manufacturing located adjacent to the City. As the Capital of the State, 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 American Community Survey, an annual survey that will replace the long-form questionnaire of the census taken every 10 years estimated on the basis of a survey of 800,000 households in 2002 that among the 69 largest cities in the United States that Raleigh ranks first in the percentage of adults with a high school diploma (92%) and second in percentage of adults with bachelor’s degrees (48%).

That same survey found that the City ranks ninth among cities with 250,000 or more residents in median household income (\$48,553) and 15th in median monthly housing costs for homeowners with mortgages (\$1,374). The survey also found that the City attracted an average of 91 new residents a day during 2002.

Recent statistical analyses continue to show the Raleigh metropolitan area to be one of the leading per capita income areas in the state and the nation. Latest per capita income for Wake County reflects per capita income higher than the state and national per capita personal income. The latest median family income numbers show that the Raleigh-Durham MSA has the highest median family income in North Carolina, surpassing the next highest region by 13 percent or \$8,000. The City's taxable property base also remains strong due in part to the quality of life, which has attracted industry and citizens to the Raleigh area. This has resulted in a balanced tax base of commercial and industrial property complimenting our growing residential base. The level of tax base associated with new construction and the use of City services are projected to continue to increase.

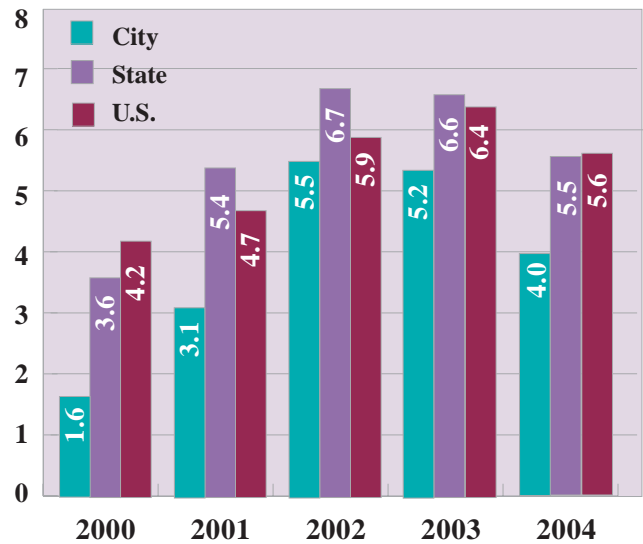
**Median Family Income**



For the fifth consecutive year, total construction in Raleigh was over \$1 billion. In calendar year 2003, 53 major companies announced either new operations or expansions of present operations in Wake County with an announced estimated dollar investment of over \$209 million. This represents an estimated 2,439 new jobs added to the workforce in Wake County. Twelve new companies within the 53 announced new operations with a projected employment of 585 persons in Wake County. The remaining 41 were expansions with a projected employment of 1,854. As a result, the June, 2004 unemployment rate was 4.0 percent as compared to 5.5 percent statewide and 5.6 percent nationwide. The unemployment rates continue to reflect that the local economy is faring better than the state and the nation as a whole during the current economic recovery.

The nearby Research Triangle Park was developed in 1959 for industrial, governmental and scientific research. The Park's primary objective is to attract research related institutions to the area, and currently consists of approximately 140 facilities including those of International Business Machines Corporation, Nortel, Glaxo-Smithkline, BNR Corporation, MCNC (formerly the Micro Electronics Center), Research Triangle Institute, United States Environmental Protection Agency and National Institute of Environmental Health Services. The research institutions of the Park employ an estimated 45,000 employees with an annual payroll in excess of \$2.7 billion.

**Five-Year Unemployment Rates**



An estimated 16 million people visited Raleigh during 2003-04 for conferences, special events, shopping and other attractions. This is enhanced by a number of facilities added in recent years, including the Raleigh RBC Center, the North Carolina State Museum of Natural Sciences, the Exploris learning center for children and the adjacent IMAX Theater, and the BTI Performing Arts Center. The RBC Center is the home for the National Hockey League's Carolina Hurricanes and North Carolina State University's basketball team.

Through the Raleigh Convention Center and Memorial Auditorium, the City provides entertainment, convention and exhibition facilities. The Convention Center annually has been the site of such exhibitions as the Auto Show, Home and Garden Show, Christmas Show, Small Business Expo, Antique Show and the International Festival. Memorial Auditorium hosts a diversified slate of plays and performances including productions of the NC Theatre. Located adjacent to the auditorium, the BTI Performing Arts Center is the home of the North Carolina Symphony, and provides three performing arts theaters.

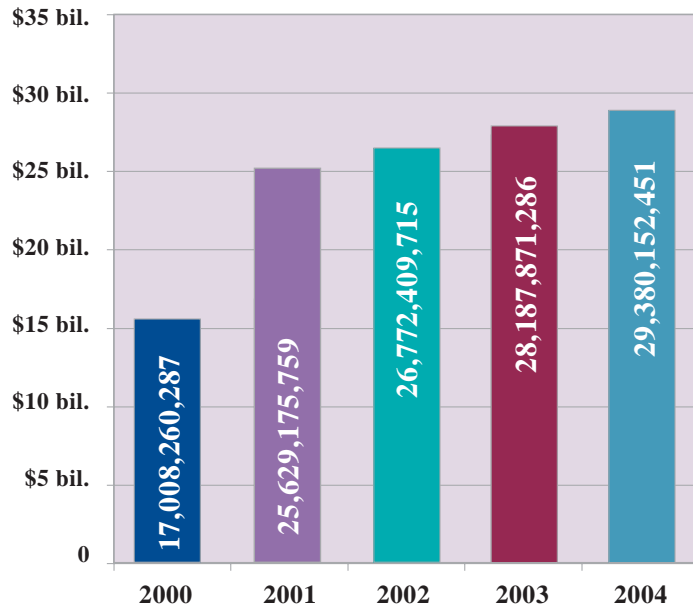
The City is continuing its efforts of downtown development through the construction of a new convention center facility. The City and County have approved funding of \$212 million for this project utilizing countywide hotel occupancy and prepared food tax revenues. This includes \$192 million for a 500,000 square foot convention center with ballroom, exhibit and meeting space and a

\$20 million supplement for public meeting areas within an adjacent 400-room four star Marriott hotel. The City is currently reviewing design and programming concepts for the new convention center which will be located immediately west of the existing civic center. The adjacent hotel will be located on the west side of the existing civic center block. Both projects are planned to be under construction by 2005 with completion anticipated by 2007.

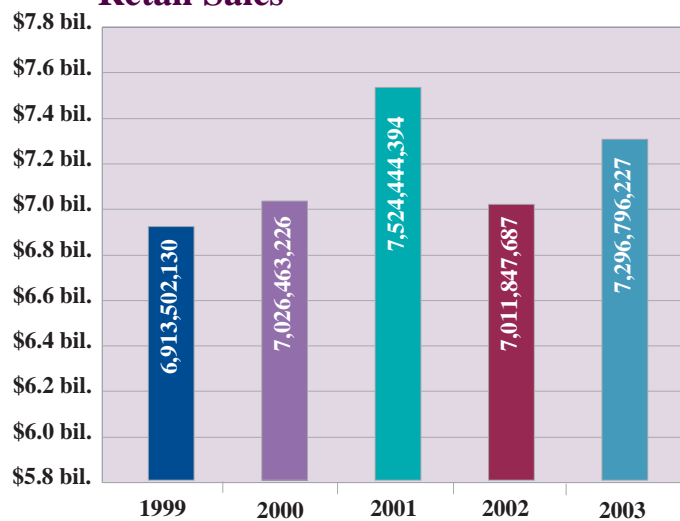
The downtown area is experiencing a number of other significant development projects including the construction of a new headquarters building and parking deck by Progress Energy. The City has entered into a long-term capital lease for the parking deck which is located adjacent to an existing City parking deck. As part of the City’s “Livable Streets” planning study completed to consider other downtown improvements, the City has approved the Fayetteville Street Renaissance project which will turn the Fayetteville Street pedestrian mall, which runs from the existing Convention Center to the old State Capitol building, back into a two-way vehicular traffic street. Other projects include a five-story residential condominium project, redevelopment of the former Hudson Belk department store into 64 residential condominiums and street level retail uses and a 264,000 square foot, 14 story mixed use project including office, retail, and residential condominiums with construction scheduled to begin later in 2004.

The expected growth of the area will result in the continued increase in the tax base and our largest revenue source, property taxes. Our second largest revenue, sales tax, however, has been impacted by the economy and the growth of it is very moderate. The addition of a half-cent local sales tax effective December 1, 2002 helps stabilize the revenues as the economy improves. The City closely monitors its resources and has emphasized program efficiencies, cost of service strategies, and other cost containment efforts, allowing strong financial positions to be maintained. We believe that the improving economic environment in this area along with the diligent management of the City’s costs and services will provide ongoing financial stability and fiscal capacity.

### Five-Year Assessed Values



### Retail Sales



## *Long-term Financial Planning*

The City has as a permanent objective the consistent maintenance of a strong financial position as evidenced by its AAA/Aaa ratings from the three major credit rating agencies. Such 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.

The City adopts a 10-year Capital Improvement Program (CIP) that looks ahead to predict and plan for capital needs. Phase I, covering fiscal years 2004-05 through 2008-09 addresses both project needs and financial strategy for this period. Phase II, covering fiscal years 2009-10 through 2013-14, provides a more general review of anticipated project needs for the balance of the year.

Six major areas are included in Phase I of the CIP. They include transportation, public utilities, parks, housing, stormwater utility and Neuse Basin Environmental program, and general improvements. The Public Utilities program represents the largest public infrastructure investment to date for the City, attributable to accelerated investment in the Neuse River Wastewater Treatment Plant and commencement of the design and construction of a second water treatment plant on Lake Benson, scheduled to receive funding during the first year of the five-year plan.

To provide a longer term assessment of operating needs, the City uses a two-year budget perspective, with the first year being the current adopted budget and the second 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 2004 results built into the 2004-05 operating budgets. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include a debt model, a cash flow model, rate sensitivity analyses and financing proformas. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

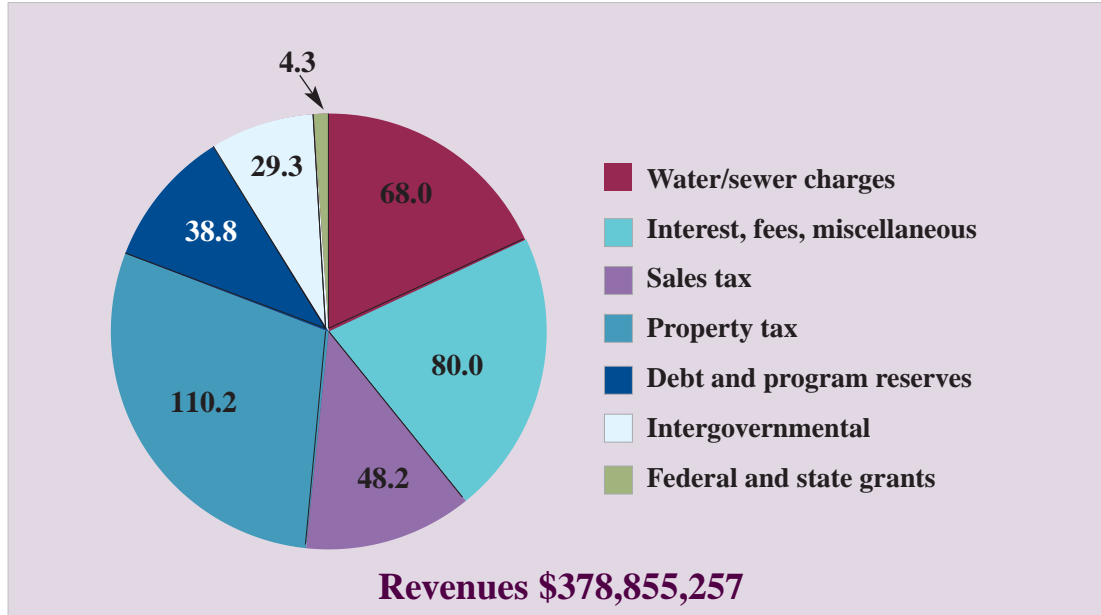
## *Major Initiatives*

### **For the Year 2003-04**

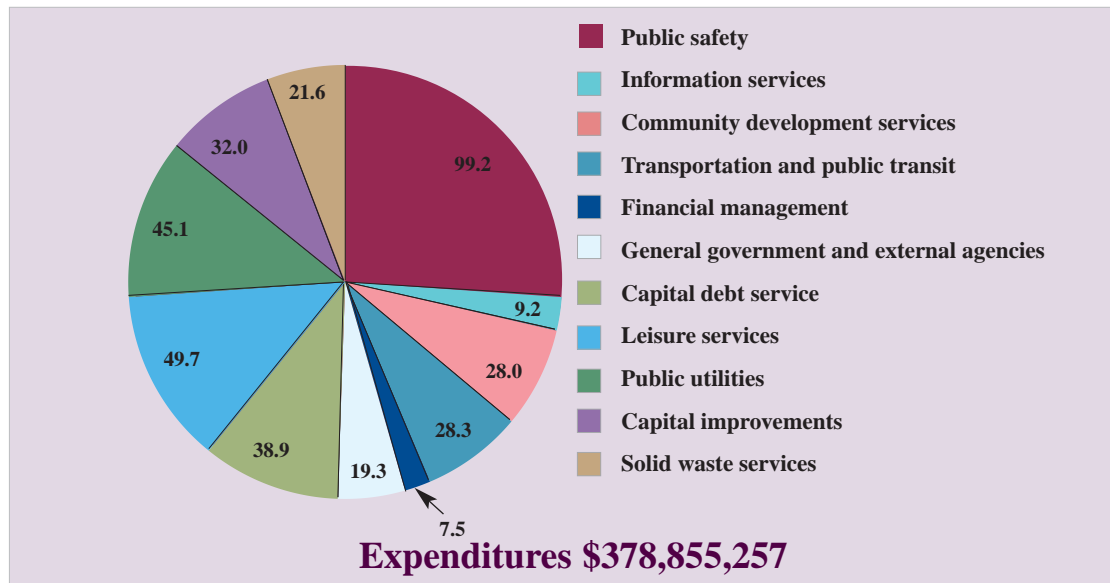
Budget trends for 2003-04 included annual budget growth for operating and capital programs of approximately 6.6 percent. The tax rate remained at \$.3850 and water and sewer rates increased by 5% and 9% respectively. All major City programs were continued. Staffing increases required to support continued growth in service population were deferred until January 2004. A comprehensive pay and classification study was completed in 2003-04 and a phased implementation of the recommendations has begun. Position upgrades were effective in January 2004, and adjustments to hiring rates will be phased in over four years beginning in 2004-05.

Capital improvements in 2003-04 continued focus on a wide range of very key projects. These included traditional funding to the transportation street system, utility projects, parks and greenways, stormwater projects, technology projects, housing and other general public projects.

**ADOPTED BUDGET 2003-2004**



**ADOPTED BUDGET 2003-2004**



**For the Future**

The fiscal year 2004-05 budget was recommended and adopted, in accordance with the biannual budget policy. The tax rate increased from \$.3850 set in fiscal year 2003-04 to \$.3950. This new tax rate represents the first property tax increase for the City of Raleigh in 12 years. Water and sewer

rates were increased 9% in order to adequately maintain both parity debt coverage and fund balance goals with the utilities operating fund.

Other major features of the 2004-05 operating budget included moderate adjustments to privilege license fees and inspection fees. Also included is a change in the solid waste collections program from backyard twice a week pick-up to a curbside, once a week process. The change in the solid waste program is estimated to save the City approximately \$4 million annually.

The capital improvements budget for 2004-05 includes funding for new and/or continued projects totaling \$213,652,700. These include traditional project funding for transportation, utilities, parks, stormwater, housing, and general improvements. FY05 funding includes the final appropriation from the November 2000 general obligation referendum (\$74 million) for streets, parks, and housing. Additional debt authorizations and/or other capital funding sources will be required for certain capital projects planned in the capital improvement plan. The FY05 budget includes a proposal to study indexed adjustments to the facility fee structure, with additional revenue generated in future years being made available for pay-as-you-go projects or designated for debt service on future bond 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 2003 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, 2003

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



President

Executive Director





## CITY OF RALEIGH, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

### 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.



## 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, 2004, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City. The combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

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

*Cherry, Bekaert & Holland LLP*

Raleigh, North Carolina  
October 22, 2004

## 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, 2004. 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 \$1.2 billion (*net assets*). Of this amount, \$191.6 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 \$257.7 million. Approximately 84.3% of this total amount, \$217.2 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 \$76.8 million or 33 percent of total general fund expenditures. Of that amount, \$39.7 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 \$165.5 million during the current fiscal year. The issuance of new debt (\$219.8 million) exceeded principal repayments (\$56.8 million) by \$163.0 million. Other long-term obligations (earned vacation pay, landfill postclosure care, and other) increased by \$2.5 million.
- The City issued \$51.6 million in general obligation bonds including \$29.6 million in refunding bonds. Water and sewer revenue bonds totaling \$108.9 million were also issued.
- The City also issued \$55.0 million in certificates of participation for the initial construction phase of a new convention center complex funding and \$1.8 million in other financing agreements.
- The City of Raleigh maintained its 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 \$180.3 million, which were \$21.0 million less than the general revenues of \$201.3 million.
- On a government-wide basis for business-type activities, the City had expenses net of program revenues of \$3.7 million.

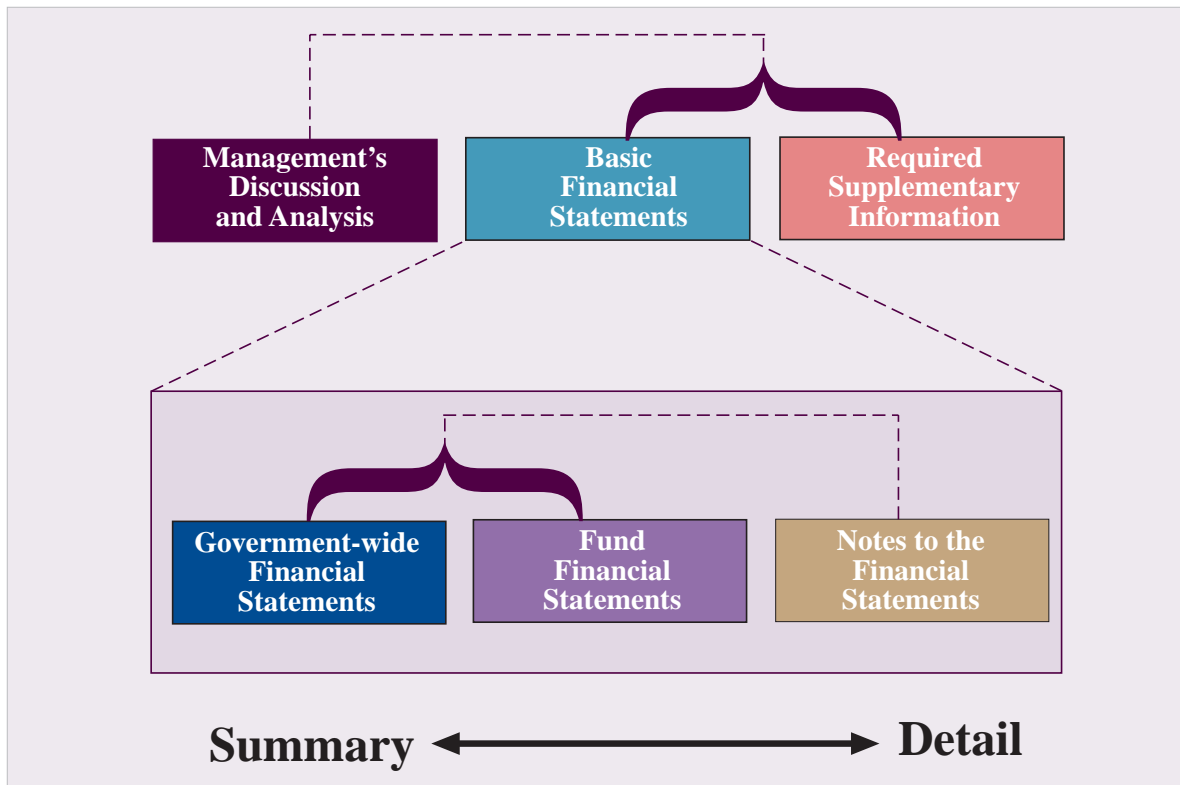
### OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of four sections: introductory, financial, statistical and single audit. As Figure A-1 shows, the financial section has four components – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and individual fund statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

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

**FIGURE A-1**  
**COMPONENTS OF THE FINANCIAL SECTION**  
**CITY OF RALEIGH COMPREHENSIVE ANNUAL FINANCIAL REPORT**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, nonmajor enterprise funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). This is intended to simplify and summarize the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities of the City include general government, community development, public safety, solid waste services, leisure services, and economic development programs. The business-type activities of the City include water and sewer, 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 twenty 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 balances for the general, housing bond, community development, and new convention center complex funds, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 4 -11 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, 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 two major enterprise funds, the water and sewer 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 12 - 16 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 17 - 18 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 19 - 44 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 45 - 46 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 47 - 103 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 \$1.2 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Raleigh's net assets (\$899.1 million or 77.8 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	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 282.7	\$ 343.4	\$ 128.5	\$ 206.2	\$ 411.2	\$ 549.6
Capital assets	565.4	602.6	556.4	576.5	1,121.8	1,179.1
<b>Total assets</b>	<b>848.1</b>	<b>946.0</b>	<b>684.9</b>	<b>782.7</b>	<b>1,533.0</b>	<b>1,728.7</b>
Long-term debt outstanding	185.9	249.1	147.7	250.1	333.6	499.2
Other liabilities	37.2	44.2	31.6	29.1	68.8	73.3
<b>Total liabilities</b>	<b>223.1</b>	<b>293.3</b>	<b>179.3</b>	<b>279.2</b>	<b>402.4</b>	<b>572.5</b>
Invested in capital assets, net of related debt	449.7	463.8	417.5	435.3	867.2	899.1
Restricted	46.4	65.6	-	-	46.4	65.6
Unrestricted	128.9	123.3	88.1	68.2	217.0	191.5
<b>Total net assets</b>	<b>\$ 625.0</b>	<b>\$ 652.7</b>	<b>\$ 505.6</b>	<b>\$ 503.5</b>	<b>\$ 1,130.6</b>	<b>\$ 1,156.2</b>

An additional portion of the City's net assets (\$65.6 million or 5.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$191.5 million or 16.5 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 \$18.9 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	
	2003	2004	2003	2004	2003	2004
Revenues						
Program revenues:						
Charges for services	\$ 32.5	\$ 45.2	\$ 62.9	\$ 75.2	\$ 95.4	\$ 120.4
Operating grants and contributions	25.2	24.1	3.5	4.5	28.7	28.6
Capital grants and contributions	21.3	18.6	16.2	8.8	37.5	27.4
General revenues:						
Property taxes	107.5	113.3			107.5	113.3
Other taxes	72.2	83.0			72.2	83.0
Grants and contributions not restricted to specific programs	1.0	1.0			1.0	1.0
Other	6.3	4.6	2.2	1.0	8.5	5.6
Total revenues	<u>266.0</u>	<u>289.8</u>	<u>84.8</u>	<u>89.5</u>	<u>350.8</u>	<u>379.3</u>
Expenses:						
General government	27.6	32.5			27.6	32.5
Community development services	14.3	17.1			14.3	17.1
Public works	38.8	39.0			38.8	39.0
Public safety	90.3	95.6			90.3	95.6
Solid waste services	19.4	19.4			19.4	19.4
Leisure services	48.6	53.5			48.6	53.5
Economic development programs	3.6	3.3			3.6	3.3
Interest on long-term debt	6.4	7.8			6.4	7.8
Water and sewer			64.8	71.7	64.8	71.7
Mass transit			13.6	14.9	13.6	14.9
Parking facilities			2.8	2.6	2.8	2.6
Stormwater			2.7	3.0	2.7	3.0
Total expenses	<u>249.0</u>	<u>268.2</u>	<u>83.9</u>	<u>92.2</u>	<u>332.9</u>	<u>360.4</u>
Increase in net assets before transfers	17.0	21.6	0.9	(2.7)	17.9	18.9
Transfers	(15.9)	(0.6)	15.9	0.6	-	-
Increase in net assets	1.1	21.0	16.8	(2.1)	17.9	18.9
Net assets, beginning of year	623.8	631.6	488.8	505.6	1,112.6	1,137.2
Net assets, end of year	<u>\$ 624.9</u>	<u>\$ 652.6</u>	<u>\$ 505.6</u>	<u>\$ 503.5</u>	<u>\$ 1,130.5</u>	<u>\$ 1,156.1</u>

*Change in net assets.* The City's total revenues were \$379.3 million. Thirty percent of the City's revenue comes from property taxes; another twenty-two percent comes from other taxes. Fees charged for services account for thirty-two percent and most of the remainder is state and federal grants and other contributions.

The total cost of all programs and services was \$360.4 million. The City's expenses cover a range of services, with twenty-seven percent related to public safety (police, fire and emergency communications), twenty percent to utilities (water and sewer), and fifteen percent related to public works.

## GOVERNMENTAL ACTIVITIES

Revenues for the City’s governmental activities were \$289.8 million, while total expenses were \$268.2 million. The increase in net assets for governmental activities (after transfers of \$0.6 million) was \$21.0 million in 2004.

Even though the property tax rate remained unchanged at \$0.385 (per \$100 valuation of taxable property), tax revenues increased \$5.8 million to \$113.3 million due to annexation and general economic growth and development in the City. Property taxes represent 39.1% of total governmental revenues. Other taxes, which accounted for 28.6% of total governmental revenues, increased \$10.8 million from 2003.

## REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

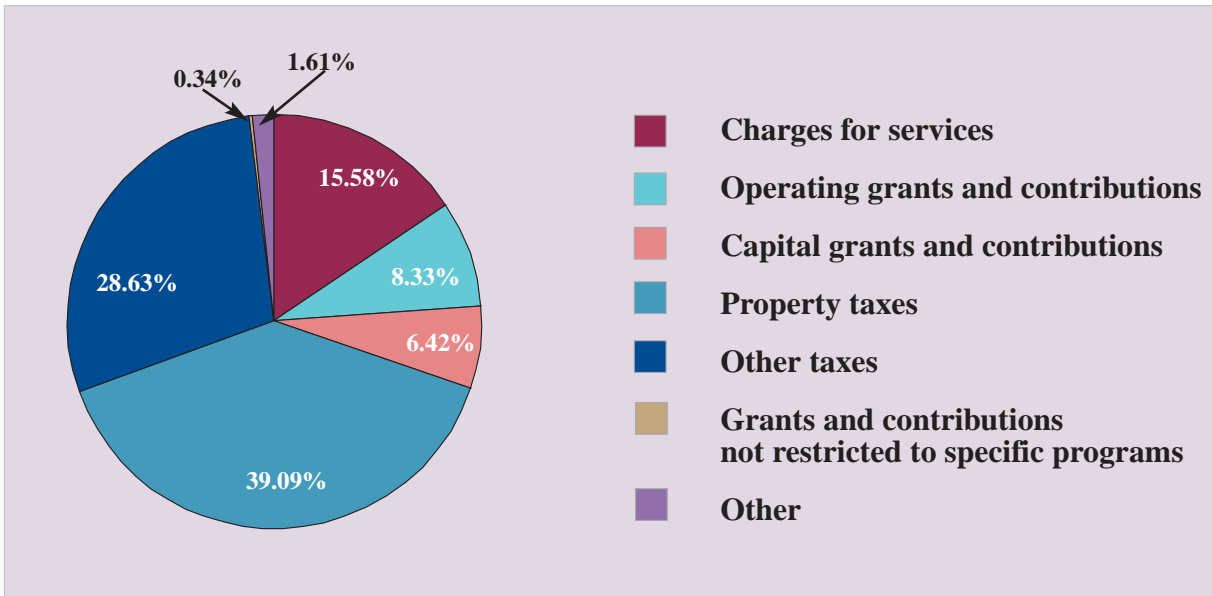


Table 3 presents the cost of each of the City’s four largest programs – public safety, leisure services, public works, and general government – as well as each program’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial support provided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

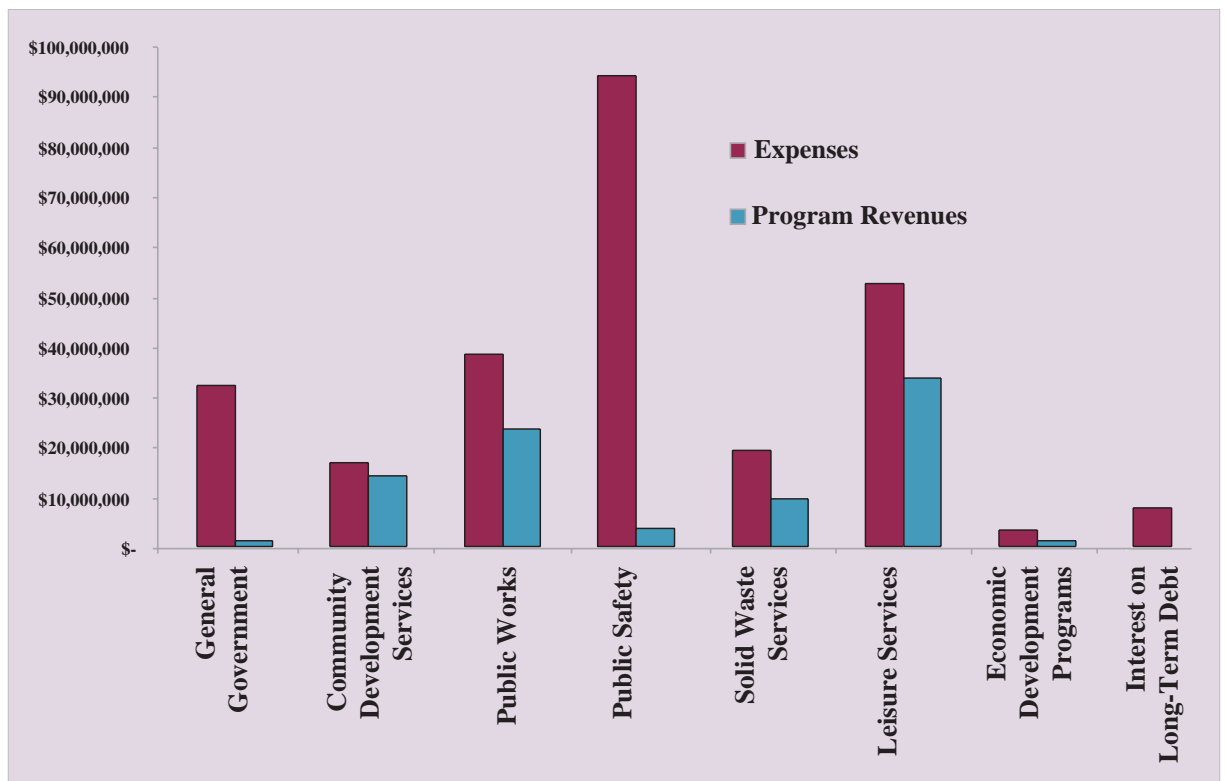
**TABLE 3**  
**NET COST OF CITY’S GOVERNMENTAL PROGRAMS (IN MILLIONS OF DOLLARS)**

	Total Cost of Services		Net Cost of Services	
	2003	2004	2003	2004
Public safety	\$ 90.3	\$ 95.6	\$ (86.5)	\$ (91.9)
Leisure services	48.6	53.5	(31.0)	(19.3)
Public works	38.8	39.0	(10.9)	(17.6)
General government	27.6	32.5	(14.4)	(31.5)

The reported results for the fiscal year show that:

- The cost of all governmental activities this year was \$268.2 million.
- The amount that our taxpayers paid for these activities through property taxes was \$113.3 million.
- Those who directly benefited from service-fee based programs paid \$45.2 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions (\$42.7 million) including capital contributions from annexations (\$11.9 million), operating support from various federal and state agencies (\$13.1 million), and contributions from the county-wide hotel tax and food and beverage tax (\$10.2 million) to support construction of a new convention center complex.
- The City received \$201.3 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$180.3 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (35.6%), leisure services (19.9%), public works (14.5%) and general government (12.1%) represent 82.1% of the total governmental activities.

### EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



### BUSINESS-TYPE ACTIVITIES

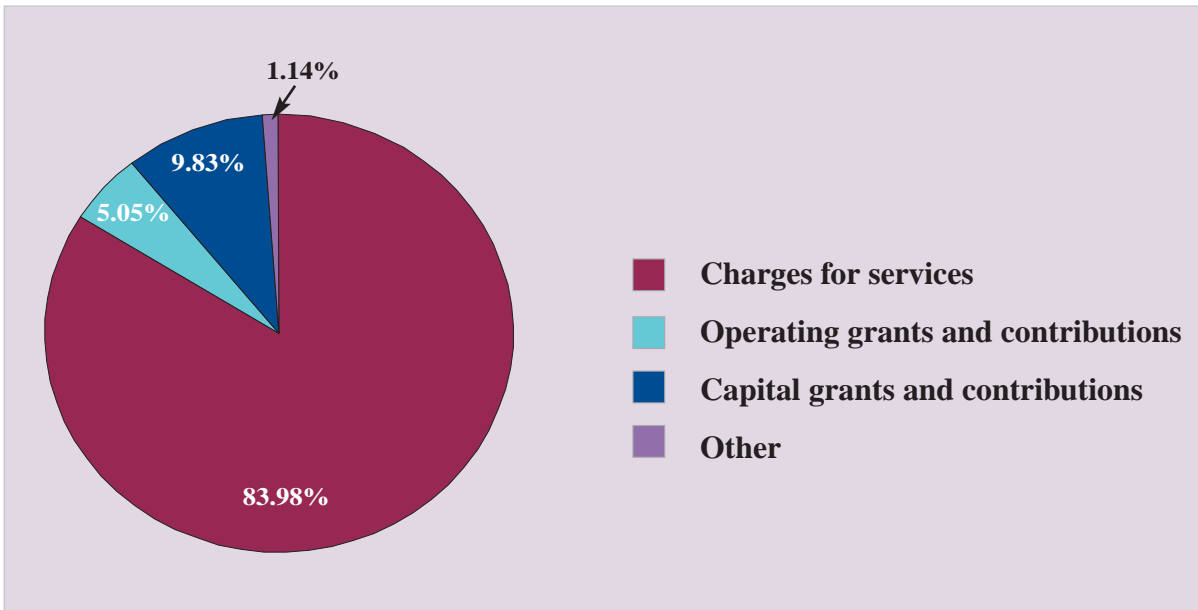
Revenues of the City's business-type activities were \$89.5 million, and expenses were \$92.2 million. The decrease in net assets for business-type activities (after transfers in of \$0.6 million) was \$2.1 million in 2004. Table 4 shows the total cost and net cost or revenue for these services.

**TABLE 4**  
**NET COST OF CITY'S BUSINESS-TYPE ACTIVITIES (IN MILLIONS OF DOLLARS)**

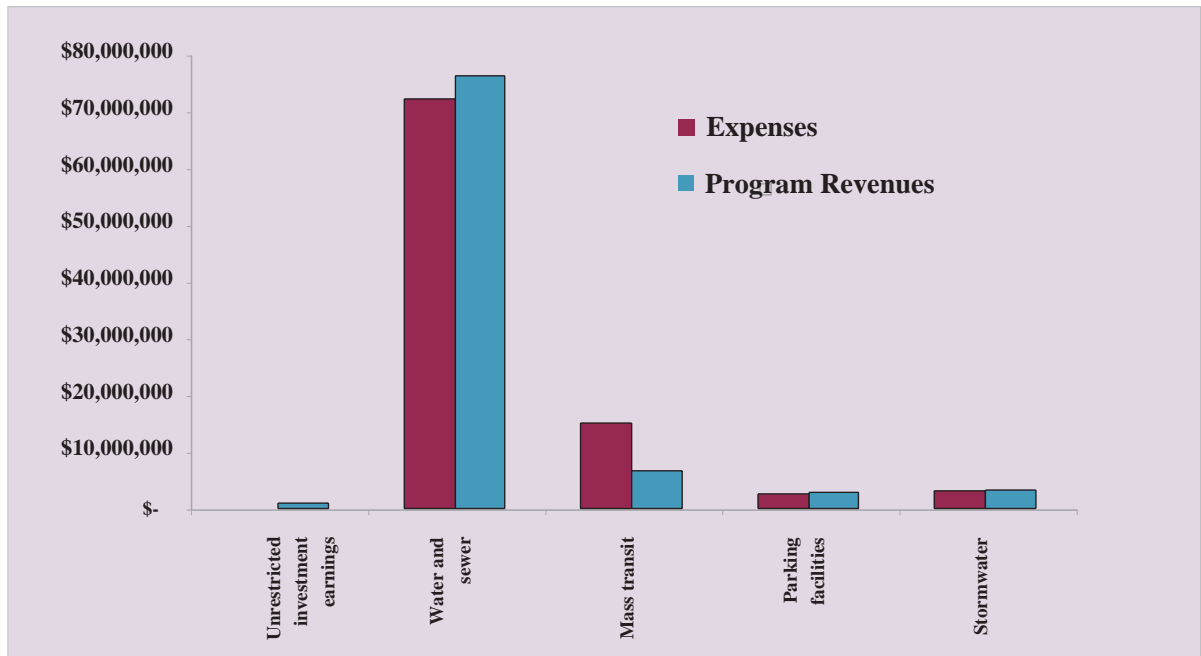
	Total Cost of Services		Net (Cost) Revenue of Services	
	2003	2004	2003	2004
Water and sewer	\$ 64.8	\$ 71.7	\$ 4.9	\$ 4.0
Mass transit	13.6	14.9	(3.1)	(8.1)
Parking facilities	2.8	2.6	(0.4)	0.2
Stormwater	2.7	3.0	(2.6)	0.2
Total	\$ 83.9	\$ 92.2	\$ (1.2)	\$ (3.7)

The net revenue in the water and sewer operation decreased \$0.9 million in 2003-04 from \$4.9 million to \$4.0 million. The decrease resulted from expenses increasing by \$6.9 million from \$64.8 million to \$71.7 million, and program revenues increasing only \$5.9 million from \$69.7 million to \$75.6 million. However, within program revenues, charges for service (operating revenues) increased \$8.4 million from \$58.6 million in 2002-03 to \$67.0 million in 2003-04, reflecting the water and sewer rate increases implemented in 2003-04. Grants and contributions decreased \$2.5 million in 2003-04 primarily from a decrease in annexations and developer participation. Significant changes in the net revenue or net cost of services for other business-type activities were: an \$5.0 million increase in the mass transit cost of services reflecting \$5.0 million in capital grants during 2002-03 versus \$0.3 million in 2003-04; a \$669,100 change in the parking operations from a \$437,406 net cost of services to a \$231,694 net revenue as parking revenues increased \$572,494; and a change of \$2.8 million in the stormwater utility operations from a \$2.6 million net cost of services to a \$219,000 net revenue reflecting 2003-04 as the first full year of the stormwater utility fee implemented in April 2004.

**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 \$257.7 million, an increase of \$58.8 million in comparison with the prior year. Approximately 84.3% of this total amount (\$217.2 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 (\$2.9 million), reserved for inventories (\$1.9 million), or reserved by state statute (\$25.3 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 \$76.8 million, while total fund balance was \$106.9 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 33.0 percent of total general fund expenditures, while total fund balance represents 46.0 percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an undesignated fund balance of at least 14% of the succeeding year's expenditure balance. Undesignated fund balance is a sub classification of unreserved fund balance after consideration for management's policy designations. The City's designations of unreserved fund balance total \$37.1 million as specified on page 24 of the notes to the financial statements. This includes \$16.9 million appropriated for 2004-05. The remaining unreserved fund balance of \$39.7 million is undesignated and represents 14.4% of the 2004-05 general fund expenditure budget.

The fund balance of the City's general fund increased by \$11.3 million during the current fiscal year. Key factors in this increase are as follows:

- Overall revenues increased \$25.1 million in 2003-04. Specifically, property taxes increased \$5.8 million reflecting growth consistent with prior years; local sales tax increased \$2.6 million reflecting a full year's effect of the 1/2 cent increase effective December 2002; and other fees and charges increased \$14.4 million primarily from grossing up convention center activities (\$8.5 million – convention center revenues and expenditures were previously reported at net).
- Overall expenditures increased \$20.9 million in 2003-04. When adjusted for the grossing-up effect of convention center expenditures (\$7.9 million), the remaining increase (\$13.0 million) represents a 6.2% increase over 2002-03.
- The resulting excess of revenues over expenditures for 2003-04 was \$13.8 million, an increase of \$4.2 million over 2002-03.
- Net other financing uses decreased \$4.8 million in 2003-04 from \$7.2 million to \$2.4 million. Most of the decrease resulted from \$5.1 million in debt proceeds issued as construction financing on the new convention center complex.

Other major governmental funds are the housing bond fund, the community development fund, and the new convention center complex fund. The housing bond fund and the community development fund are reported as major funds primarily because of the loans receivable balance reported in each fund (\$17.6 million and \$13.9 million respectively). These loans are made for home ownership, housing rehabilitation, downtown revitalization, and economic development. Loan programs are funded with general obligation bond proceeds, federal funds (various HUD grants), on-going loan repayment proceeds, rents and property sale proceeds. At June 30, 2004 the housing bond fund's unreserved fund balance was \$7.7 million which reflects a \$4.6 million increase from the prior year-end. The community development fund has no fund balance as all assets (other than loan balances) at any time are obligated as escrow deposits for loan projects or due to the general fund for advances against undrawn grant awards.

The new convention center complex fund is reported as a major fund because of the \$36.0 million restricted cash balance. This balance resulted from \$49.8 million in debt (certificates of participation) issued to finance construction of a new convention center complex. At June 30, 2004 this fund's unreserved fund balance was \$36.0 million.

**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 and parking facilities funds.

Net assets of the water and sewer fund at the end of the year amounted to \$451.9 million. Net assets of the parking facilities fund amounted to \$29.9 million at the end of the year. The net assets of the water and sewer fund increased by \$4.6 million. The parking facilities fund decreased \$4.8 million in net assets. Significant factors in the increase in the water and sewer net assets were annexations. These actions together with other capital contributions resulted in total capital contributions of \$8.5 million. Transfers of \$5.1 million to other funds primarily account for the decrease in the parking facilities fund net assets. Other factors affecting the results of these operations are discussed in page MD&A - 9.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in appropriations increasing \$6.4 million during 2003-04. The final positive budget variance was \$37.7 million. This overall positive variance resulted as follows:

- Revenues \$6.0 million positive, primarily from property taxes (\$3.3 million positive), local sales tax (\$3.9 million positive) and inspection fees (\$1.9 million positive). These positive variances offset the \$3.3 million negative variance from convention center fees.

- Expenditures \$27.7 million positive, pervasively across the board as all individual expenditure functions and departments had positive budget variances.
- Other financing net uses \$4.0 million positive, primarily from unbudgeted debt proceeds (\$4.4 million). This will be appropriated in FY05 and subsequent years as debt service during the new convention center construction period.

## 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, 2004, amounts to \$1.2 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 5.1 percent (a 6.6 percent increase for governmental activities and a 3.6 percent increase for business-type activities).

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

- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total construction was \$34.9 million, including construction in progress of \$15.4 million as of June 30, 2004. In addition, \$12.1 million was expended in land acquisitions for the new convention center complex.
- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$22.7 million including construction in progress of \$14.9 million as of June 30, 2004.
- Equipment acquisitions added \$7.3 million to the City’s rolling stock inventory.
- On-going investment in stormwater management (\$1.3 million) and technology (\$2.5 million) projects continued during 2003-04.

**TABLE 5**  
**CITY OF RALEIGH’S CAPITAL ASSETS**  
**(NET OF ACCUMULATED DEPRECIATION – STATED IN THOUSANDS)**

	Governmental activities		Business-type activities		Total	
	2003	2004	2003	2004	2003	2004
Land	\$ 102,980	\$ 120,846	\$ 25,988	\$ 27,248	\$ 128,968	\$ 148,094
Buildings and machinery	75,231	81,570	39,730	38,677	114,961	120,247
Water and sewer systems	-	-	429,905	435,228	429,905	435,228
Streets and sidewalks	265,968	271,990	-	-	265,968	271,990
Parking decks	-	-	35,202	34,391	35,202	34,391
Buses	-	-	8,977	7,734	8,977	7,734
Equipment	14,890	15,126	8,743	10,152	23,633	25,278
Furniture and fixtures	393	587	5	26	398	613
Improvements	95,763	97,076	4,281	6,539	100,044	103,615
Construction in progress	10,164	15,401	3,588	16,503	13,752	31,904
Total	\$ 565,389	\$ 602,596	\$ 556,419	\$ 576,498	\$ 1,121,808	\$ 1,179,094

Additional information on the City’s capital assets can be found on pages 27 - 29 of the notes to the financial statements of this report.

**Long-term debt.** The City completed new debt issues during the year totaling \$217.3 million. In February 2004, the City sold \$55.0 million in variable rate certificates of participation (COPs) to finance the initial phase of a new downtown convention center complex. These COPs incur interest only repayments through 2030 and mature incrementally between 2031 and 2034. The variable rates for these COPS at June 30, 2004 was 1.07%. In March 2004, \$51.6 million public improvement general obligation bonds (including refunding bonds of \$29.6 million) were issued. These bonds mature incrementally through 2022 with effective interest rates ranging from 2.93% to 3.95%. These bonds will finance streets, parks, and housing improvement projects. In May, 2004 \$108.9 million of water and sewer revenue bonds were sold at an effective interest rate of 4.74%. This debt finances water and sewer infrastructure expansion and improvements and is secured by revenues of the water and sewer utility operation. Other notes and reimbursement contracts totaling \$1.8 million were also incurred during 2003-04.

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$182.8 million. The remainder of the City's debt represents revenue bonds (\$181.2 million) and installment financing agreements (\$114.2 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 \$160.6 million (50.6%) during 2003-04 as new debt issues of \$217.3 million exceeded principal repayments of \$56.7 million. An interest rate swap agreement on \$50 million of general obligation debt earned \$1.1 million, effectively reducing the City's total interest expense in 2003-04.

The City has other long-term obligations for earned but unused vacation pay due its employees (\$14.2 million) and landfill postclosure care costs (\$4.5 million). These obligations increased \$2.5 million from 2003 balances.

**TABLE 6**  
**CITY OF RALEIGH'S LONG-TERM DEBT (STATED IN THOUSANDS)**

	Governmental activities		Business-type activities		Total	
	2003	2004	2003	2004	2003	2004
General obligation bonds	\$ 138,880	\$ 151,403	\$ 34,940	\$ 31,392	\$ 173,820	\$ 182,795
Revenue bonds	-	-	74,495	181,240	74,495	181,240
Installment financing agreements	31,230	80,485	38,046	33,717	69,276	114,202
Total	\$ 170,110	\$ 231,888	\$ 147,481	\$ 246,349	\$ 317,591	\$ 478,237

During March 2004, Moody's Investors Services, Inc., Standard & Poor's (S&P), and Fitch, Inc. reaffirmed the City of Raleigh's triple-A bond ratings, in conjunction with the issuance of \$51.6 million in general obligation bonds. Raleigh is one of the few cities in the nation that enjoys the highest financial category 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 \$2.3 billion, which is significantly in excess of the City's outstanding general obligation debt of \$182.8 million.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 31 - 38 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Significant factors considered in preparing the City's budget for the 2004-05 fiscal year were:

Continued growth in the area will increase our tax base, and as a result, increase our largest revenue source, property taxes. However, continued growth in funding demands on our operating services and capital facilities are requiring both additional operating revenues and long-term debt issuance. In response to that, the property tax rate increased from \$0.3850 in 2003-04 to \$0.3950 in 2004-05. This 2.6% increase is the first property tax increase in 12 years. Budgeted property tax revenue was increased \$10.0 million (9.1%) to \$120.1 million.



Sales tax is our second largest revenue source. Sales tax has been impacted by the economy for several years. However, during 2003-04 we experienced significant improvement in this revenue source resulting in a \$4.0 million positive budget variance as actual sales tax receipts were \$52.1 million. Therefore, we have increased our 2004-05 budget for sales tax \$4.9 million (10.2%) to \$53.1 million.

Continued growth during 2004-05 is also anticipated in our water and sewer utility customer base. In addition we expect to complete a system merger with the Town of Wake Forest which will add approximately 9,500 customers. Our immediate five-year capital improvement program (2004-05 through 2008-09) recommends \$282.4 million of capital investment to upgrade, expand and improve water and sewer facilities. These will be funded by operating revenues and debt proceeds. Water and sewer rates were increased 9% in 2004-05. We have budgeted \$73.9 million for water and sewer operating revenues in 2004-05, representing a \$6.2 million (9.2%) increase over 2003-04.

Effective October 1, 2004, we changed our solid waste residential collection program from backyard twice a week pick-up to a curbside once a week process. This change required an initial outlay of \$4.3 million for 92,000 roll-out carts funded from our equipment fund; however, we expect the program to save approximately \$4.0 million in annual operating costs in future years.

We will continue our focus on downtown development with several on-going major projects. The City and the County have approved funding of \$212 million from the countywide hotel tax and prepared food and beverage tax for the construction of a new convention center facility. The facility will include a 500,000 square foot convention center and public meeting areas within an adjacent privately built 400-room hotel. Design and programming concepts are being reviewed currently; construction is expected to begin in 2005 with completion anticipated in early 2008. In September 2004, we issued debt totaling \$24 million to fund a long-term capital lease of a new 1,100 space parking deck (\$13 million), and conversion of the Fayetteville Street pedestrian mall back into a two-way vehicular traffic street (\$11 million). Several private development projects, including a new corporate headquarters building for Progress Energy (recently completed), the residential redevelopment of a former department store (in-progress), and a 14 story mixed use project (scheduled to begin construction later in 2004) complement the overall downtown revitalization effort. Planning also continues on a 980-space underground parking deck in the south end of downtown to provide parking for the convention center, expected new development and headquarter hotel guests. This deck will be funded by parking fund resources.

As a result of these and other factors the 2004-05 budget was adopted with an overall combined operating and capital budget of \$407.5 million. This represents a 7.5% increase over the \$378.9 million budget adopted for 2003-04. The budget included 79 new positions to support continued growth in service population.

**OTHER SIGNIFICANT MATTERS**

During 2003-04, we completed the reimbursement process from federal and state emergency management programs for storm recovery costs incurred in December 2002 (severe winter ice storm) and September 2003 (Hurricane Isabel). These reimbursements, totaling \$9.2 million, were used to re-establish deferred capital projects and/or to replenish general fund resources used in the recovery efforts.

As previously noted, we expect to continue our program to regionalize local water and sewer systems with the completion of a merger of the Town of Wake Forest utility. Planning has also begun on system mergers with the Towns of Knightdale, Wendell, and Zebulon.

**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**



**City of Raleigh**

**STATEMENT OF NET ASSETS**

June 30, 2004

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 195,771,068	\$ 57,622,638	\$ 253,393,706
Taxes receivable, net of allowance for uncollectibles of \$5,315,218	1,456,832	-	1,456,832
Assessments receivable, net of allowance for uncollectibles of \$78,653	951,646	542,752	1,494,398
Customer receivables, net of allowance for uncollectibles of \$2,243,011	822,500	12,938,238	13,760,738
Due from other governmental agencies	5,068,793	995,501	6,064,294
Accrued interest receivable	614,112	32,133	646,245
Other receivables and assets	6,102,887	396,107	6,498,994
Sales tax receivable	16,300,212	869,710	17,169,922
Due from fiduciary funds	116	-	116
Internal balances	(282,594)	282,594	-
Inventories	2,523,426	3,939,242	6,462,668
Deferred charges	687,171	1,532,692	2,219,863
Loans receivable	34,199,259	-	34,199,259
Cash and cash equivalents/investments - restricted deposits and bond proceeds	77,126,105	127,116,588	204,242,693
Net pension asset	2,033,806	-	2,033,806
Capital assets:			
Land and construction in progress	136,246,761	43,750,425	179,997,186
Other capital assets, net of depreciation	466,348,099	532,746,218	999,094,317
<b>Total assets</b>	<b>945,970,199</b>	<b>782,764,838</b>	<b>1,728,735,037</b>
<b>LIABILITIES</b>			
Accounts payable	13,469,951	5,860,270	19,330,221
Arbitrage rebate payable	5,661	48,572	54,233
Accrued salaries and employee payroll taxes	2,912,866	47,248	2,960,114
Employee taxes and related withholdings	2,527,329	-	2,527,329
Accrued interest payable	22,842	3,085,707	3,108,549
Rehabilitation loans escrow	819,662	-	819,662
Reimbursable facility fees	4,138,705	-	4,138,705
Claims payable and other liabilities	18,967,952	-	18,967,952
Deferred contributions from other funds	-	1,365,555	1,365,555
Unearned revenue	1,347,776	-	1,347,776
Escrow and other deposits payable from restricted assets	-	18,739,464	18,739,464
Long-term liabilities:			
Due within one year	25,190,611	11,124,233	36,314,844
Due in more than one year	223,895,713	238,955,397	462,851,110
<b>Total liabilities</b>	<b>293,299,068</b>	<b>279,226,446</b>	<b>572,525,514</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	463,753,391	435,295,405	899,048,796
Restricted for:			
Capital projects	24,159,885	-	24,159,885
Community development projects	39,345,439	-	39,345,439
Employee retirement benefits	2,033,806	-	2,033,806
Unrestricted	123,378,610	68,242,987	191,621,597
<b>Total net assets</b>	<b>\$ 652,671,131</b>	<b>\$ 503,538,392</b>	<b>\$ 1,156,209,523</b>

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

**City of Raleigh**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 32,495,478	\$ 458,707	\$ 615,744	\$ -
Community development services	17,109,565	9,469,464	3,443,531	3,930,547
Public works	39,038,149	858,372	8,033,140	12,510,225
Public safety	95,588,198	2,224,675	845,834	591,099
Solid waste services	19,393,744	9,644,813	2,886	-
Leisure services	53,481,674	21,384,202	11,197,536	1,586,046
Economic development programs	3,265,255	1,131,075	-	-
Interest on long-term debt	7,826,842	-	-	-
Total governmental activities	<u>268,198,905</u>	<u>45,171,308</u>	<u>24,138,671</u>	<u>18,617,917</u>
Business-type activities:				
Water and sewer	71,684,630	66,925,563	164,317	8,533,784
Mass transit	14,877,053	2,114,784	4,360,910	264,677
Parking facilities fund	2,674,230	2,905,924	-	-
Stormwater	3,032,510	3,251,435	-	-
Total business-type activities	<u>92,268,423</u>	<u>75,197,706</u>	<u>4,525,227</u>	<u>8,798,461</u>
Total City of Raleigh	<u>\$ 360,467,328</u>	<u>\$ 120,369,014</u>	<u>\$ 28,663,898</u>	<u>\$ 27,416,378</u>

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, as previously reported

Prior period adjustment (note 1.D.8, page 24)

Net assets - ending

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

**Net (Expense) Revenue and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (31,421,027)		\$ (31,421,027)
(266,023)		(266,023)
(17,636,412)		(17,636,412)
(91,926,590)		(91,926,590)
(9,746,045)		(9,746,045)
(19,313,890)		(19,313,890)
(2,134,180)		(2,134,180)
(7,826,842)		(7,826,842)
<u>(180,271,009)</u>		<u>(180,271,009)</u>
	\$ 3,939,034	3,939,034
	(8,136,682)	(8,136,682)
	231,694	231,694
	218,925	218,925
	<u>(3,747,029)</u>	<u>(3,747,029)</u>
<u>(180,271,009)</u>	<u>(3,747,029)</u>	<u>(184,018,038)</u>
113,312,431	-	113,312,431
52,156,194	-	52,156,194
15,032,496	-	15,032,496
5,959,162	-	5,959,162
9,860,700	-	9,860,700
985,517	-	985,517
3,855,207	1,021,201	4,876,408
801,973	-	801,973
(621,242)	621,242	-
<u>201,342,438</u>	<u>1,642,443</u>	<u>202,984,881</u>
21,071,429	(2,104,586)	18,966,843
624,959,688	505,642,978	1,130,602,666
6,640,014	-	6,640,014
<u>\$ 652,671,131</u>	<u>\$ 503,538,392</u>	<u>\$ 1,156,209,523</u>

**City of Raleigh**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004**

	<u>General Fund</u>	<u>Housing Bond Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 89,562,953	\$ 3,398,098
Taxes receivable, net of allowance for uncollectibles of \$5,315,218	1,456,832	-
Assessments receivable, net of allowance for uncollectibles of \$50,087	373,688	-
Customer receivable, net of allowance for uncollectibles of \$323,573	822,500	-
Due from other governmental agencies	414,244	-
Accrued interest receivable	572,006	1,460
Other receivables and assets	5,047,947	-
Sales tax receivable	15,654,506	5,310
Due from other funds	1,065,523	-
Inventories	1,890,112	-
Other assets	921,440	-
Loans receivable	240,467	17,606,649
Cash and cash equivalents/investments - restricted deposits and bond proceeds	5,073,694	4,313,185
Total assets	<u>\$ 123,095,912</u>	<u>\$ 25,324,702</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 7,454,571	\$ 12,626
Arbitrage rebate payable	-	5,661
Accrued salaries and employee payroll taxes	2,840,055	-
Employee taxes and related withholdings	2,527,329	-
Loan servicing escrow	-	11,800
Reimbursable facility fees	-	-
Claims payable and other liabilities	630,254	870
Due to other funds	-	-
Deferred revenue	2,696,099	17,606,649
Unearned revenue	2,961	-
Total liabilities	<u>16,151,269</u>	<u>17,637,606</u>
Fund balances:		
Reserved for inventories	1,890,112	-
Reserved by state statute	25,308,824	-
Reserved for encumbrances	2,953,710	-
Reserved for new convention center project	-	-
Unreserved, reported in:		
General fund	76,791,997	-
Special revenue funds	-	7,687,096
Capital projects funds	-	-
Total fund balances	<u>106,944,643</u>	<u>7,687,096</u>
Total liabilities and fund balances	<u>\$ 123,095,912</u>	<u>\$ 25,324,702</u>

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

<b>Community Development Fund</b>	<b>New Convention Center Complex Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 509,815	\$ -	\$ 90,439,211	\$ 183,910,077
-	-	-	1,456,832
-	-	577,958	951,646
-	-	-	822,500
293,484	-	4,361,065	5,068,793
-	-	37,993	611,459
-	-	-	5,047,947
1,716	127	355,953	16,017,612
-	-	-	1,065,523
-	-	-	1,890,112
-	-	-	921,440
13,905,657	-	2,446,486	34,199,259
-	36,032,140	24,687,644	70,106,663
<u>\$ 14,710,672</u>	<u>\$ 36,032,267</u>	<u>\$ 122,906,310</u>	<u>\$ 322,069,863</u>
\$ 10,902	\$ 60,273	\$ 5,439,156	\$ 12,977,528
-	-	-	5,661
-	-	32,925	2,872,980
-	-	-	2,527,329
499,919	-	307,943	819,662
-	-	4,138,705	4,138,705
-	-	410,121	1,041,245
-	-	1,993,827	1,993,827
13,905,657	-	3,024,444	37,232,849
294,194	-	425,510	722,665
<u>14,710,672</u>	<u>60,273</u>	<u>15,772,631</u>	<u>64,332,451</u>
-	-	-	1,890,112
-	-	-	25,308,824
-	-	-	2,953,710
-	-	10,323,319	10,323,319
-	-	-	76,791,997
-	-	7,277,838	14,964,934
-	35,971,994	89,532,522	125,504,516
-	<u>35,971,994</u>	<u>107,133,679</u>	<u>257,737,412</u>
<u>\$ 14,710,672</u>	<u>\$ 36,032,267</u>	<u>\$ 122,906,310</u>	<u>\$ 322,069,863</u>



**City of Raleigh**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2004**

Total *fund balances* for governmental funds \$ 257,737,412

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 - \$136,246,761; capital assets being depreciated, net - \$453,051,183). 589,297,944

The pension assets resulting from contributions in excess of annual required contributions are not financial resources and therefore are not reported in the funds. 2,033,806

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. 668,130

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. 558,427

Taxes receivable - \$1,456,832, and assessments receivable - \$951,646 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. 2,408,478

Loans receivable - \$34,199,259, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds. 34,199,259

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 - \$150,537,497 - net of deferred refunding and issuance premium, notes payable - \$66,328,627; earned vacation pay - \$12,808,201; and landfill closure and postclosure costs - \$4,558,000). (234,232,325)

Net assets of governmental activities \$ 652,671,131

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, 2004**

	<u>General Fund</u>	<u>Housing Bond Fund</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 113,562,889	\$ -
Intergovernmental	20,738,360	-
Developer participation	-	-
Assessments	-	-
Local sales tax	52,156,194	-
Licenses	9,860,700	-
Interest on investments	2,322,164	38,826
Inspection fees	10,123,197	-
Highway maintenance refunds	998,020	-
Facility fees	-	-
Other fees and charges	34,396,942	-
Rents	-	-
Program income	-	1,131,075
Other revenues	2,285,806	-
Miscellaneous other	-	18,800
Total revenues	<u>246,444,272</u>	<u>1,188,701</u>
<b>EXPENDITURES</b>		
Current:		
General government	32,845,779	-
Community development services	13,579,647	-
Public works	19,102,937	-
Public safety	94,730,721	-
Solid waste services	18,277,014	-
Leisure services	45,037,811	-
Economic development programs	-	3,265,255
Other expenditures	-	-
Capital outlay - installment note obligations	3,041	-
Capital outlay	-	-
Debt service:		
Principal	11,570,372	-
Interest	6,489,170	-
Other debt service expenditures	457,270	-
Total expenditures before charge-out	242,093,762	3,265,255
Less: administrative costs charged to other funds	(9,415,635)	-
Total expenditures	<u>232,678,127</u>	<u>3,265,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,766,145</u>	<u>(2,076,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	9,221,635	-
Transfers out	(16,932,935)	(400,000)
Capital related debt issued	3,041	-
Certificates of participation issued	5,128,350	-
Bonds issued	-	7,000,000
Premium on bonds issued	-	22,231
Refunding bonds issued	19,693,150	-
Payment to refunded bond escrow agent	(20,085,359)	-
Premium on refunding bonds	533,147	-
Total other financing sources (uses)	<u>(2,438,971)</u>	<u>6,622,231</u>
Net change in fund balances	11,327,174	4,545,677
Fund balance - beginning, as previously reported	88,977,455	3,141,419
Prior period adjustment (note 1.D.8, page 24)	6,640,014	-
Fund balance - ending	<u>\$ 106,944,643</u>	<u>\$ 7,687,096</u>

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

Community Development Fund	New Convention Center Complex Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 113,562,889
2,593,207	-	21,322,699	44,654,266
-	-	15,276	15,276
-	-	443,818	443,818
-	-	-	52,156,194
-	-	-	9,860,700
-	127,313	1,253,419	3,741,722
-	-	-	10,123,197
-	-	-	998,020
-	-	4,359,900	4,359,900
-	-	-	34,396,942
-	-	318,603	318,603
2,047,128	-	161,097	3,339,300
-	-	-	2,285,806
-	-	<u>2,134,782</u>	<u>2,153,582</u>
<u>4,640,335</u>	<u>127,313</u>	<u>30,009,594</u>	<u>282,410,215</u>
-	-	161,169	33,006,948
4,640,335	-	1,406,151	19,626,133
-	-	655,155	19,758,092
-	-	931,324	95,662,045
-	-	2,886	18,279,900
-	-	634,296	45,672,107
-	-	-	3,265,255
-	-	11,684	11,684
-	-	1,823,700	1,826,741
-	14,026,969	43,534,331	57,561,300
-	-	662,667	12,233,039
-	-	90,205	6,579,375
-	-	-	457,270
<u>4,640,335</u>	<u>14,026,969</u>	<u>49,913,568</u>	<u>313,939,889</u>
-	-	-	<u>(9,415,635)</u>
<u>4,640,335</u>	<u>14,026,969</u>	<u>49,913,568</u>	<u>304,524,254</u>
-	<u>(13,899,656)</u>	<u>(19,903,974)</u>	<u>(22,114,039)</u>
-	-	18,579,658	27,801,293
-	-	(8,585,055)	(25,917,990)
-	-	1,823,700	1,826,741
-	49,871,650	-	55,000,000
-	-	15,000,000	22,000,000
-	-	-	22,231
-	-	-	19,693,150
-	-	-	(20,085,359)
-	-	-	533,147
-	<u>49,871,650</u>	<u>26,818,303</u>	<u>80,873,213</u>
-	35,971,994	6,914,329	58,759,174
-	-	100,219,350	192,338,224
-	-	-	6,640,014
<u>\$ -</u>	<u>\$ 35,971,994</u>	<u>\$ 107,133,679</u>	<u>\$ 257,737,412</u>

**City of Raleigh**

**RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2004**

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	\$ 58,759,174
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 (\$51,764,268) exceeded depreciation (\$28,406,170) in the current period.	23,358,098
Net change in net pension asset.	227,419
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$11,896,737; Property taxes - \$(250,458); Assessments - \$50,561).	11,696,840
Governmental funds report cash repayments of loan principal as revenues because they provide current financial resources. However, the statement of activities does not report these repayments as revenues because they are a reduction of loans receivable.	(4,375,529)
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 (\$96,561,509) exceeded repayments (\$32,000,047).	(64,561,462)
Debt issued or incurred:	
Issuance of certificates of participation	\$ 55,000,000
Issuance of general obligation bonds	41,693,150
Plus premiums	555,378
Less issue costs	(687,019)
Principal repayments:	
General obligation debt	(10,640,000)
Installment financing	(1,274,688)
Payment to escrow agent for refunding	(20,085,359)
Net adjustment	<u>\$ 64,561,462</u>
Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$6,275,084). They reduce cash and increase loans receivable. Expenditures made for landfill closure and postclosure costs (\$108,147) are not expenses. They reduce the landfill closure and postclosure liability.	6,383,231
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. (Earned vacation pay - \$1,038,432 and change in landfill closure and postclosure liability- \$1,554,232).	(2,592,664)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.	(81,231)
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.	(91,027)
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 revenue of certain internal service funds is reported with governmental activities.	<u>(7,651,420)</u>
Change in net assets of governmental activities	<u>\$ 21,071,429</u>

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



**City of Raleigh**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 110,160,923	\$ 110,229,923	\$ 113,562,889	\$ 3,332,966
Intergovernmental	18,917,585	19,642,741	20,738,360	1,095,619
Local sales tax	48,202,485	48,202,485	52,156,194	3,953,709
Licenses	9,295,000	9,314,570	9,860,700	546,130
Interest on investments	2,524,381	2,524,381	2,322,164	(202,217)
Inspection fees	8,236,669	8,236,669	10,123,197	1,886,528
Highway maintenance refunds	660,000	660,000	998,020	338,020
Solid waste fees	10,353,772	10,353,772	9,595,013	(758,759)
Parks and recreation fees	6,372,542	6,588,086	5,907,116	(680,970)
Convention center fees	17,153,671	17,274,673	13,964,380	(3,310,293)
Other fees and charges	5,951,528	6,001,788	4,930,433	(1,071,355)
Other revenues	1,280,000	1,377,330	2,285,806	908,476
Total revenues	<u>239,108,556</u>	<u>240,406,418</u>	<u>246,444,272</u>	<u>6,037,854</u>
<b>EXPENDITURES</b>				
General government:				
City council	156,312	158,362	141,933	16,429
City clerk	544,002	544,502	432,716	111,786
City attorney	1,244,560	1,299,993	1,244,881	55,112
Special appropriations	8,924,581	10,525,917	8,269,151	2,256,766
Agency appropriations	2,338,980	2,558,752	2,192,816	365,936
City manager	1,451,604	1,483,155	1,250,495	232,660
Public affairs office	1,039,689	1,046,729	884,024	162,705
Arts office	157,101	157,101	134,652	22,449
Personnel	2,107,066	2,241,472	2,130,488	110,984
Administrative service	1,357,555	1,361,878	1,186,577	175,301
Finance	7,503,998	8,120,751	7,200,133	920,618
Information technology	9,217,808	9,231,077	7,777,913	1,453,164
Total general government	<u>36,043,256</u>	<u>38,729,689</u>	<u>32,845,779</u>	<u>5,883,910</u>
Community development services:				
Planning	2,996,161	3,031,249	2,826,837	204,412
Inspections	9,215,962	9,326,764	8,840,847	485,917
Community services	1,586,609	1,669,391	1,428,772	240,619
Economic development	534,500	1,014,758	483,191	531,567
Total community development services	<u>14,333,232</u>	<u>15,042,162</u>	<u>13,579,647</u>	<u>1,462,515</u>
Public works:				
Central engineering	4,487,486	4,529,749	4,032,816	496,933
Transportation	16,930,406	17,548,777	15,070,121	2,478,656
Total public works	<u>21,417,892</u>	<u>22,078,526</u>	<u>19,102,937</u>	<u>2,975,589</u>

*Continued*

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

**City of Raleigh**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Emergency communications center	\$ 4,758,190	\$ 4,801,663	\$ 4,440,638	\$ 361,025
Police	60,615,066	61,364,715	57,560,194	3,804,521
Fire	33,804,816	33,944,296	32,729,889	1,214,407
Total public safety	99,178,072	100,110,674	94,730,721	5,379,953
Solid waste services	21,608,994	21,896,115	18,277,014	3,619,101
Leisure services:				
Convention center	18,357,878	18,505,338	15,346,178	3,159,160
Parks and recreation	21,927,388	22,637,051	21,634,529	1,002,522
Revenue and special facilities	3,817,081	3,877,220	3,703,258	173,962
Continuing recreation activities	5,575,936	6,995,257	4,353,846	2,641,411
Total leisure services	49,678,283	52,014,866	45,037,811	6,977,055
Other expenditures:				
Capital outlay - installment note obligations	-	3,041	3,041	-
Total other expenditures	-	3,041	3,041	-
Debt service:				
Principal and interest	18,704,639	19,349,639	18,059,542	1,290,097
Other debt service expenditures	415,000	595,616	457,270	138,346
Total debt service	19,119,639	19,945,255	18,516,812	1,428,443
Total expenditures before charge-out	261,379,368	269,820,328	242,093,762	27,726,566
Less: administrative costs charged to other funds	9,479,348	9,479,348	9,415,635	(63,713)
Total expenditures	251,900,020	260,340,980	232,678,127	27,662,853
Excess (deficiency) of revenues over expenditures	(12,791,464)	(19,934,562)	13,766,145	33,700,707
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,841,717	9,221,635	9,221,635	-
Transfers out	(14,064,168)	(17,457,212)	(16,932,935)	524,277
Capital related debt issued	-	953,041	3,041	(950,000)
Certificates of participation issued	-	650,000	5,128,350	4,478,350
Refunding bonds issued	-	19,693,150	19,693,150	-
Premium on refunding bonds	-	533,147	533,147	-
Payment to refunded bond escrow agent	-	(20,085,359)	(20,085,359)	-
Total other financing sources (uses)	(7,222,451)	(6,491,598)	(2,438,971)	4,052,627
Net changes in fund balance	\$ (20,013,915)	\$ (26,426,160)	11,327,174	\$ 37,753,334
Fund balance appropriated	\$ 20,013,915	\$ 26,426,160		
Fund balance - beginning of year, as previously reported			88,977,455	
Prior period adjustment (note 1.D.8, page 24)			6,640,014	
Fund balance - end of year			<u>\$ 106,944,643</u>	



City of Raleigh

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2004

	Enterprise Funds			Total	Internal Service Fund
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 44,142,801	\$ 7,140,129	\$ 4,931,958	\$ 56,214,888	\$ 13,268,741
Customer receivables, net of allowance for uncollectibles of \$1,919,438	12,089,646	-	848,592	12,938,238	-
Assessments receivable, net of allowance for uncollectibles of \$28,566	542,752	-	-	542,752	-
Due from other governmental agencies	30,674	-	964,827	995,501	-
Accrued interest receivable	26,757	3,066	1,709	31,532	3,254
Other receivables and assets	99,301	296,806	-	396,107	-
Sales tax receivable	723,730	16,908	68,291	808,929	343,381
Due from other funds	-	1,000,000	-	1,000,000	-
Inventories	3,644,552	-	294,690	3,939,242	633,314
Insurance deposit	-	-	-	-	133,500
Deferred charges	1,400,223	132,469	-	1,532,692	19,041
Total current assets	62,700,436	8,589,378	7,110,067	78,399,881	14,401,231
Noncurrent assets:					
Restricted cash and cash equivalents	123,147,078	357,029	967,500	124,471,607	9,664,423
Capital assets:					
Land and improvements	18,206,739	8,050,998	988,989	27,246,726	-
Construction in progress	14,948,899	-	1,554,800	16,503,699	-
Water and sewer systems	570,330,266	-	-	570,330,266	-
Buildings and machinery	57,022,474	-	3,798,718	60,821,192	230,912
Parking decks	-	43,802,483	-	43,802,483	-
Buses	-	-	16,741,103	16,741,103	-
Equipment	13,711,833	156,053	1,032,347	14,900,233	42,598,704
Furniture and fixtures	36,295	-	25,129	61,424	-
Improvements	6,858,551	111,412	900,908	7,870,871	-
Less accumulated depreciation	(164,758,741)	(9,679,642)	(11,865,931)	(186,304,314)	(25,009,739)
Total noncurrent assets	639,503,394	42,798,333	14,143,563	696,445,290	27,484,300
Total assets	702,203,830	51,387,711	21,253,630	774,845,171	41,885,531

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

City of Raleigh

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2004

	Enterprise Funds			Total	Internal Service Fund
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	5,297,190	2,648	532,466	5,832,304	520,389
Arbitrage rebate payable	25,155	23,417	-	48,572	-
Accrued salaries and employee payroll taxes	22,599	3,787	20,862	47,248	39,886
Accrued interest payable	2,959,052	123,081	-	3,082,133	26,416
Claims payable and other liabilities	-	-	-	-	17,926,707
Deferred contributions from other funds	-	-	1,365,555	1,365,555	-
Due to other funds	-	-	71,580	71,580	-
Bonds, notes and loans payable	5,765,086	775,000	-	6,540,086	4,750,000
Unamortized premium (discount)	142,803	-	-	142,803	266,570
Deferred refunding - bonds payable	(148,451)	(16,818)	-	(165,269)	-
Contracts payable	1,713,154	1,038,624	-	2,751,778	-
Deferred refunding - contracts payable	-	(42,158)	-	(42,158)	-
Total current liabilities	<u>15,776,588</u>	<u>1,907,581</u>	<u>1,990,463</u>	<u>19,674,632</u>	<u>23,529,968</u>
Noncurrent liabilities:					
Bonds, notes and loans payable	198,776,763	7,315,000	-	206,091,763	13,735,000
Unamortized premium (discount)	3,651,238	-	-	3,651,238	383,259
Deferred refunding - bonds payable	(960,227)	(50,456)	-	(1,010,683)	-
Contracts and other notes payable	14,155,168	12,481,205	-	26,636,373	-
Deferred refunding - contracts payable	-	(252,561)	-	(252,561)	-
Escrow and other deposits payable from restricted assets	17,771,964	-	967,500	18,739,464	-
Earned vacation pay	1,107,074	13,908	114,693	1,235,675	219,755
Total noncurrent liabilities	<u>234,501,980</u>	<u>19,507,096</u>	<u>1,082,193</u>	<u>255,091,269</u>	<u>14,338,014</u>
Total liabilities	<u>250,278,568</u>	<u>21,414,677</u>	<u>3,072,656</u>	<u>274,765,901</u>	<u>37,867,982</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	397,901,490	21,550,497	13,176,063	432,628,050	8,349,469
Unrestricted	54,023,772	8,422,537	5,004,911	67,451,220	(4,331,920)
Total net assets	<u>\$ 451,925,262</u>	<u>\$ 29,973,034</u>	<u>\$ 18,180,974</u>	<u>500,079,270</u>	<u>\$ 4,017,549</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>3,459,122</u>	
Net assets of business-type activities				<u>\$ 503,538,392</u>	

**City of Raleigh**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2004**

	Enterprise Funds			Total	Internal Service Fund
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise		
<b>Operating revenues</b>					
User charges	\$ 63,897,553	\$ 2,828,100	\$ 5,016,301	\$ 71,741,954	\$ -
Charges for services - internal	-	-	-	-	41,108,053
Other	2,420,691	77,824	349,918	2,848,433	205,438
Total operating revenues	<u>66,318,244</u>	<u>2,905,924</u>	<u>5,366,219</u>	<u>74,590,387</u>	<u>41,313,491</u>
<b>Operating expenses</b>					
Administration	3,319,317	280,926	2,068,085	5,668,328	5,231,429
Materials, services and supplies	-	582,111	1,352,335	1,934,446	6,358,054
Water supply and treatment	14,020,376	-	-	14,020,376	-
Sewer system and treatment	9,164,345	-	-	9,164,345	-
Warehousing, maintenance and construction	16,105,533	-	-	16,105,533	-
Other services	3,544,161	-	4,651,185	8,195,346	-
Non-departmental charges	5,128,715	-	-	5,128,715	-
Management contract charges	-	-	8,314,756	8,314,756	-
Claims	-	-	-	-	27,015,319
Premiums	-	-	-	-	904,900
Depreciation	13,828,507	1,009,360	1,500,777	16,338,644	6,198,113
Other	-	-	29,786	29,786	149,145
Total operating expenses	<u>65,110,954</u>	<u>1,872,397</u>	<u>17,916,924</u>	<u>84,900,275</u>	<u>45,856,960</u>
<b>Operating income (loss)</b>	<u>1,207,290</u>	<u>1,033,527</u>	<u>(12,550,705)</u>	<u>(10,309,888)</u>	<u>(4,543,469)</u>
<b>Nonoperating revenue (expense)</b>					
Interest on investments	840,486	93,372	40,678	974,536	206,715
Subsidy income - federal and state	-	-	4,360,910	4,360,910	-
Other revenues	771,636	-	-	771,636	-
Interest expense	(5,915,598)	(803,183)	-	(6,718,781)	(755,824)
Miscellaneous expense	(541,264)	-	-	(541,264)	(23,543)
Total nonoperating revenue (expense)	<u>(4,844,740)</u>	<u>(709,811)</u>	<u>4,401,588</u>	<u>(1,152,963)</u>	<u>(572,652)</u>
Income (loss) before contributions and transfers	(3,637,450)	323,716	(8,149,117)	(11,462,851)	(5,116,121)
Capital contributions	8,533,784	-	264,677	8,798,461	-
Transfers in	8,393	80,000	6,095,089	6,183,482	102,254
Transfers out	(277,290)	(5,170,000)	(213,940)	(5,661,230)	(2,600,000)
Change in net assets	<u>4,627,437</u>	<u>(4,766,284)</u>	<u>(2,003,291)</u>	<u>(2,142,138)</u>	<u>(7,613,867)</u>
Total net assets - beginning of year	<u>447,297,825</u>	<u>34,739,318</u>	<u>20,184,265</u>		<u>11,631,416</u>
Total net assets - end of year	<u>\$ 451,925,262</u>	<u>\$ 29,973,034</u>	<u>\$ 18,180,974</u>		<u>\$ 4,017,549</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>37,552</u>	
Change in net assets of business-type activities				<u>\$ (2,104,586)</u>	

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



**City of Raleigh**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Parking Facilities Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 63,357,927	\$ 2,707,909
Net sales tax received (paid)	(5,724)	(9,426)
Payments to employees	(16,950,090)	(272,252)
Payments to suppliers and service providers	(34,515,009)	(594,473)
Internal activity - payments from (to) other funds	-	3,675,000
Claims paid	-	-
Premiums paid	-	-
Other receipts (payments)	664,580	77,824
Net cash provided by (used in) operating activities	<u>12,551,684</u>	<u>5,584,582</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies and transfers from (to) other funds	(268,897)	(5,090,000)
Operating grants received	-	-
Net cash provided (used) by noncapital financing activities	<u>(268,897)</u>	<u>(5,090,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase and construction of capital assets	(24,001,173)	(196,803)
Capital grants and other capital contributions	569,140	-
Insurance proceeds	-	-
Proceeds from capital debt	112,124,683	-
Principal paid on capital debt	(7,479,660)	(1,799,004)
Interest paid on capital debt	(5,212,888)	(748,319)
Escrow deposits	21,441	-
Net cash provided (used) by capital and related financing activities	<u>76,021,543</u>	<u>(2,744,126)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	883,907	100,087
Net cash provided (used) by investing activities	<u>883,907</u>	<u>100,087</u>
Net increase (decrease) in cash and cash equivalents	89,188,237	(2,149,457)
Cash and cash equivalents - beginning of year	78,101,642	9,646,615
Cash and cash equivalents - end of year	<u>\$ 167,289,879</u>	<u>\$ 7,497,158</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 1,207,290	\$ 1,033,527
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	13,828,507	1,009,360
Amortization	64,702	-
Change in assets and liabilities:		
Operating receivables	(2,913,396)	(120,191)
Sales tax receivable	(5,724)	(9,426)
Inventories	(277,145)	-
Other receivables and assets	257,907	-
Due from other governmental agencies	8,731	-
Accounts payable and other accrued liabilities	319,725	(9,731)
Due to other funds	-	3,675,000
Escrow and other deposits	-	-
Earned vacation pay	61,087	6,043
Nonoperating receipts/payments	-	-
Total adjustments	<u>11,344,394</u>	<u>4,551,055</u>
Net cash provided by (used in) operating activities	<u>\$ 12,551,684</u>	<u>\$ 5,584,582</u>
<b>Noncash investing, capital, and financing activities:</b>		
Capital contributions from annexations	<u>\$ 8,253,670</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 570,226</u>	<u>\$ -</u>
Net transfer of assets and liabilities from other funds	<u>\$ -</u>	<u>\$ -</u>
Payment to refunded bond escrow agent	<u>\$ (10,096,675)</u>	<u>\$ -</u>

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

**Enterprise Funds**

<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 4,502,927	\$ 70,568,763	\$ 41,243,678
(35,852)	(51,002)	(100,701)
(2,067,488)	(19,289,830)	(2,739,138)
(14,394,673)	(49,504,155)	(8,776,848)
-	3,675,000	26,313
-	-	(20,524,015)
-	-	(904,900)
14,700	757,104	(90,903)
<u>(11,980,386)</u>	<u>6,155,880</u>	<u>8,133,486</u>
5,980,679	621,782	(2,497,746)
<u>4,677,191</u>	<u>4,677,191</u>	<u>-</u>
<u>10,657,870</u>	<u>5,298,973</u>	<u>(2,497,746)</u>
(6,737,965)	(30,935,941)	(7,932,359)
4,905,422	5,474,562	-
5,000	5,000	-
-	112,124,683	-
-	(9,278,664)	(7,915,000)
-	(5,961,207)	(1,045,068)
621,913	643,354	-
<u>(1,205,630)</u>	<u>72,071,787</u>	<u>(16,892,427)</u>
44,654	1,028,648	(85,700)
<u>44,654</u>	<u>1,028,648</u>	<u>(85,700)</u>
(2,483,492)	84,555,288	(11,342,387)
<u>8,382,950</u>	<u>96,131,207</u>	<u>34,275,551</u>
<u>\$ 5,899,458</u>	<u>\$ 180,686,495</u>	<u>\$ 22,933,164</u>
\$ (12,550,705)	\$ (10,309,888)	\$ (4,543,469)
1,500,777	16,338,644	6,198,113
-	64,702	19,043
(848,592)	(3,882,179)	30,834
(35,852)	(51,002)	(100,701)
(55,971)	(333,116)	(79,195)
-	257,907	-
-	8,731	-
5,392	315,386	6,631,876
-	3,675,000	-
18,630	18,630	-
(14,065)	53,065	528
-	-	(23,543)
<u>570,319</u>	<u>16,465,768</u>	<u>12,676,955</u>
<u>\$ (11,980,386)</u>	<u>\$ 6,155,880</u>	<u>\$ 8,133,486</u>
\$ -	\$ 8,253,670	\$ -
<u>\$ 5,210,274</u>	<u>\$ 5,780,500</u>	<u>\$ 605,448</u>
<u>\$ 20,769</u>	<u>\$ 20,769</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (10,096,675)</u>	<u>\$ -</u>

*City of Raleigh*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2004**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,259,947	\$ 43,790
Accrued interest receivable	2,150	2
Total assets	<u>19,262,097</u>	<u>\$ 43,792</u>
<b>LIABILITIES</b>		
Due to other governmental agencies	\$ -	\$ 4,193
Due to other funds	-	116
Due to other agencies	-	33,038
Accounts payable	-	6,445
Total liabilities	<u>-</u>	<u>\$ 43,792</u>
<b>NET ASSETS</b>		
Held in trust for:		
Employees' retirement benefits	<u>\$ 19,262,097</u>	

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

*City of Raleigh*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b><u>Pension Trust Funds</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 3,625,375
Investment earnings:	
Interest	167,902
Net increase in fair value of investments	1,135,681
Total investment earnings	1,303,583
Less investment expense	(13,190)
Net investment earnings	1,290,393
Total additions	4,915,768
<b>DEDUCTIONS</b>	
Benefits	2,423,353
Withdrawals and forfeitures	49,272
Total deductions	2,472,625
Change in net assets	2,443,143
Net assets - beginning of the year	16,818,954
Net assets - end of the year	\$ 19,262,097

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



**CITY OF RALEIGH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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

**A. Reporting entity**

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

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

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

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

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

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

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

*Fund financial statements:* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

**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.

**Housing bond fund** – The housing bond fund accounts for City housing development programs that are financed by general obligation bond issues.

**Community development 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.

**New convention center complex fund** – The new convention center construction fund accounts for the debt proceeds and expenditures for the construction of the new convention center.

The government 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.

**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 government reports the following fund types:

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

**Fiduciary funds** - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund and the law enforcement officers' special separation allowance fund. The agency funds account for monies held on behalf of the County and 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. State statutes authorize the City to invest in securities of the U. S. Government, U. S. Government Agencies, high quality commercial paper, banker's acceptances, repurchase agreements, obligations of the State of North Carolina and the North Carolina Capital Management Trust. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, certain investments are carried at fair value as determined by quoted market prices. Investments carried at fair value include debt securities with a maturity date of more than one year at acquisition and mutual funds. Other investments, which include money market investments and nonparticipating interest-earning investment contracts are reported at cost or amortized cost.

### ***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. Property taxes on certain registered motor vehicles are assessed and collected throughout the year based upon changes in the state law effective January 1, 1994. As of that date, Wake County became responsible for the monthly billing and collections, on behalf of the City, of property taxes due on registered motor vehicles. Under a staggered system of registration, 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 2004-05 fiscal year and are not shown as receivables at June 30, 2004.

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 restricted in fund balance at year-end.

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

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

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

### **3. *Inventories and prepaid items***

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. *Restricted Assets***

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

### **5. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructure acquired before July 1, 2001 (date of implementation of GASB 34) has been recorded by the City at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the government 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 during the fiscal year was \$7,461,156. Of this amount, \$742,375 was included as part of the cost of capital assets under construction in connection with water and sewer 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, 2004 is as follows:

<u>General Fund</u>		<u>General Capital Projects Funds</u>	
<u>Designations</u>	<u>Amount</u>	<u>Designations</u>	<u>Amount</u>
Debt service	\$ 15,335,081	Various capital projects	<u>\$ 2,447,292</u>
Carry-over operations	1,326,325	Appropriated for	
Law enforcement projects	1,407,926	subsequent year	<u>\$ 123,906,557</u>
Budget reserves	1,300,000		
Appropriated for subsequent year	16,876,356		
Other	<u>862,852</u>		
	<u>\$ 37,108,540</u>		
		<u>Special Revenue Funds</u>	
		Disaster recovery projects	<u>\$ 2,677,317</u>
		Appropriated for	
		subsequent year	<u>\$ 9,336,890</u>

*Prior period adjustment:* During 2003-04 the state of North Carolina changed the distribution method for local sales taxes collected on behalf of local governments. These taxes are now distributed monthly rather than quarterly. Taxes on June 2004 sales were distributed September 15, 2004. The state collects other taxes for municipalities which are distributed quarterly. The taxes for the quarter ended June 30, 2004 were distributed September 15, 2004. In accordance with GASB Statement 33, all of these items are considered revenues as of June 30, 2004. Other than property taxes, the City considers revenues to be available if collected within 90 days of year-end. The City previously considered revenues available if collected within 60 days of year-end. Accordingly, the September 15, 2004 distributions of these taxes are recognized as revenues for 2003-04. If this policy had been in effect during 2002-03, governmental activities net assets and general fund fund balance would have been \$6,640,014 more than previously reported at June 30, 2003.

**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, 2004. 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, 2004, the effect of such amendments, less eliminating transfers, was as follows:

	<u>Budget</u>	<u>Amendments</u>	<u>June 30, 2004</u>
General Fund	\$ 275,443,536	\$ 31,919,363	\$ 307,362,899
Special Revenue Funds	63,204,917	3,137,904	66,342,821
General Capital Projects Funds	277,492,983	63,164,641	340,657,624
Enterprise Funds	228,210,363	21,254,048	249,464,411
Internal Service Funds	9,523,462	231,049	9,754,511

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

### ***B. Deficit fund balance and net assets***

At June 30, 2004, deficit fund balance is reported in the convention center and memorial auditorium projects fund (a governmental fund) of \$849,333. The risk management fund (an internal service fund) had deficit net assets of \$8,443,694 at June 30, 2004. The deficit fund balance in the convention center and memorial auditorium projects fund is caused by long-term pledges not recognized as revenue until received. Cash is provided through an inter-fund loan from the parking facilities fund. The City anticipates continued collection of the long-term pledges and ultimately, the complete elimination of the deficit. 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 \$8.9 million for claims incurred but not reported at June 30, 2004. All actual known claims at June 30, 2004 are fully funded. The City is reviewing several options to address the overall deficit condition, including issuing debt and/or re-evaluating the level of funding.

### ***Note 3. Detailed notes on all funds***

#### ***A. Deposits and investments***

***Deposits.*** The deposits of the City are governed by North Carolina General Statute 159-31. The City may establish official depositories with any bank or savings and loan whose principal office is located in North Carolina. The City may also establish time deposits in the form of NOW, Super NOW, money market accounts, and certificates of deposit. At June 30, 2004, the City's bank balance was \$6,497,604 and the carrying amount of the City's deposits was \$997,336, net of a cash overdraft of \$4,384,337 which is included in accounts payable.

All of the City's deposits are either insured or collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. 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 uses one principal central depository for regular banking services. This depository utilizes the Pooling Method to collateralize the City's excess deposits. Of the deposits maintained under the Pooling Method at June 30, 2004, \$148,941 was covered by federal depository insurance and \$6,348,663 was covered by pooled collateral held by an agent of the State Treasurer.

***Investments.*** State statutes authorize the City to invest in obligations of the U. S. Treasury, obligations of any agency of the United States of America (provided the payment of interest and principal of such obligations is fully guaranteed by the United States), certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust, a Securities and Exchange Commission registered mutual fund. As required for periods beginning after June 15, 1997 by Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for*

*Certain Investments and External Investment Pools*, certain investments are carried at fair value as determined by quoted market prices. Investments carried at fair value include debt securities with a maturity date of more than one year at acquisition and mutual funds. Other investments, which include money market investments, are reported at cost or amortized cost. The change in the fair value of investments during 2004 was \$67,726 (negative) and is reported as investment income. The City's investments are categorized at year-end to give an indication of the level of custodial risk assumed. Column 1 represents investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Column 2 represents uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column 3 represents uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the City's name. Investments in mutual funds are exempt from risk categorization. At June 30, 2004, the City's investments are categorized as follows:

	Category			Reported Value	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
U. S. Government Securities	\$ 20,774,755	\$ -	\$ -	\$ 20,774,755	\$ 20,759,743
U. S. Government Agencies	159,232,725	-	-	159,232,725	158,921,744
Certificate of Deposit	25,000,000	-	-	25,000,000	25,000,000
Money Market Account	15,000,000	-	-	15,000,000	15,000,000
	<u>\$ 220,007,480</u>	<u>\$ -</u>	<u>\$ -</u>	220,007,480	219,681,487
Investments in Mutual Funds				255,921,980	255,921,980
				<u>\$ 475,929,460</u>	<u>\$ 475,603,467</u>

Investment income is allocated to the various funds based on their equity in a pooled account. Each fund's equity of pooled cash and investments is presented in the accompanying financial statements.

A summary of investments in mutual funds at June 30, 2004 is as follows:

WACHOVIA – Medical and Dental Trust Funds	\$ 5,632,901
ABN-AMRO – Supplemental Pension Funds	14,246,220
NCCMT – Restricted Debt Proceeds	186,886,381
NCCMT – Unrestricted, All Funds	49,156,478
	<u>\$ 255,921,980</u>

A summary of cash and investments at June 30, 2004 is as follows:

Petty Cash and Change Funds	\$ 13,340
Deposits	997,336
Investments	475,929,460
	<u>\$ 476,940,136</u>



## B. Deferred Revenue

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

	<u>General</u>	<u>Major Governmental</u>	<u>NonMajor Governmental</u>
Amounts arising from cash:			
Police informant account	\$ 64,805	\$ -	\$ -
Cemetery cash account	7,951	-	-
Cafeteria plan cash	70,718	-	-
Parks & Recreation	63,943	-	-
Deferred vehicle taxes	417,694	-	-
Grants, program income	2,961	294,194	425,510
	<u>\$ 628,072</u>	<u>\$ 294,194</u>	<u>\$ 425,510</u>
Amounts not arising from cash:			
Assessments receivable	\$ 373,688	\$ -	\$ 577,958
Taxes receivable	1,456,832	-	-
Loans receivable	240,467	31,512,306	2,446,486
	<u>\$ 2,070,987</u>	<u>\$ 31,512,306</u>	<u>\$ 3,024,444</u>
Total	<u>\$ 2,699,059</u>	<u>\$ 31,806,500</u>	<u>\$ 3,449,954</u>

## C. Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows (stated in thousands)

	Balance June 30, 2003	Additions	Transfers	Deletions	Balance June 30, 2004
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 102,980	\$ 17,763	353	250	\$ 120,846
Construction in progress	10,164	12,939	(7,702)	-	15,401
Total capital assets, not being depreciated	<u>113,144</u>	<u>30,702</u>	<u>(7,349)</u>	<u>250</u>	<u>136,247</u>
Capital assets, being depreciated:					
Buildings and machinery	114,949	9,115	195	-	124,259
Streets and sidewalks	440,497	18,415	4,873	-	463,785
Equipment	65,072	5,849	(210)	325	70,386
Furniture and fixtures	2,447	423	-	-	2,870
Improvements - general and parks	148,790	6,194	2,281	-	157,265
Total capital assets being depreciated	<u>771,755</u>	<u>39,996</u>	<u>7,139</u>	<u>325</u>	<u>818,565</u>
Less accumulated depreciation for:					
Buildings and machinery	39,718	2,971	-	-	42,689
Streets and sidewalks	174,529	17,266	-	-	191,795
Equipment	50,182	5,597	(194)	325	55,260
Furniture and fixtures	2,054	229	-	-	2,283
Improvements - general and parks	53,027	7,162	-	-	60,189
Total accumulated depreciation	<u>319,510</u>	<u>33,225</u>	<u>(194)</u>	<u>325</u>	<u>352,216</u>
Total capital assets being depreciated, net	<u>452,245</u>	<u>6,771</u>	<u>7,333</u>	<u>-</u>	<u>466,349</u>
Governmental activities capital assets, net	<u>\$ 565,389</u>	<u>\$ 37,473</u>	<u>\$ (16)</u>	<u>\$ 250</u>	<u>\$ 602,596</u>

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

General government	\$ 119,039
Community development	79,667
Public works	19,457,083
Public safety	1,022,172
Solid waste services	128,294
Leisure services	7,599,916
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>4,819,438</u>

Total depreciation expense - governmental activities \$ 33,225,609

	Balance June 30, 2003	Additions	Transfers	Deletions	Balance June 30, 2004
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 25,988	\$ 1,236	\$ 24	\$ -	\$ 27,248
Construction in progress	3,588	15,013	(2,098)	-	16,503
Total capital assets, not being depreciated	<u>29,576</u>	<u>16,249</u>	<u>(2,074)</u>	<u>-</u>	<u>43,751</u>
Capital assets, being depreciated:					
Buildings and machinery	60,581	241	-	-	60,822
Water and sewer systems	553,452	15,083	1,796	-	570,331
Parking decks	43,606	197	-	-	43,803
Buses	18,314	-	-	1,572	16,742
Equipment	20,113	3,646	210	22	23,947
Furniture and fixtures	33	28	-	-	61
Improvements	5,261	2,330	278	-	7,869
Total capital assets being depreciated	<u>701,360</u>	<u>21,525</u>	<u>2,284</u>	<u>1,594</u>	<u>723,575</u>
Less accumulated depreciation for:					
Buildings and machinery	20,851	1,294	-	-	22,145
Water and sewer systems	123,547	11,556	-	-	135,103
Parking decks	8,404	1,008	-	-	9,412
Buses	9,337	1,243	-	1,572	9,008
Equipment	11,370	2,258	189	22	13,795
Furniture and fixtures	28	7	-	-	35
Improvements	980	350	-	-	1,330
Total accumulated depreciation	<u>174,517</u>	<u>17,716</u>	<u>189</u>	<u>1,594</u>	<u>190,828</u>
Total capital assets being depreciated, net	<u>526,843</u>	<u>3,809</u>	<u>2,095</u>	<u>-</u>	<u>532,747</u>
Business-type activities capital assets, net	<u><u>\$ 556,419</u></u>	<u><u>\$ 20,058</u></u>	<u><u>\$ 21</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 576,498</u></u>

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

Water/Sewer	\$ 13,828,507
Parking	1,009,360
Mass Transit	1,491,303
Stormwater	9,474
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	<u>1,378,676</u>
Total depreciation expense - business-type activities	<u><u>\$ 17,717,320</u></u>

***Proceeds from sale of land and buildings***

The City routinely disposes of excess and/or remnant real properties. To the extent that these items are immaterial, resulting proceeds are generally recorded as miscellaneous receipts. During 2003-04 there were no material transactions.

***Commitments - construction projects***

At June 30, 2004, the City has \$10,690,693 in water and sewer project obligations for construction projects in progress. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, and revenue bond proceeds.

In addition, the City has \$22,783,900 in general government project obligations at June 30, 2004. 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, 2004.

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

The composition of interfund balances as June 30, 2004, is as follows:

		<b>Due from</b>			
		Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Agency Funds	Total
<b>Due to</b>	General fund	\$ 993,827	\$ 71,580	\$ 116	\$ 1,065,523
	Parking facilities fund	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
	Total	<u><u>\$ 1,993,827</u></u>	<u><u>\$ 71,580</u></u>	<u><u>\$ 116</u></u>	<u><u>\$ 2,065,523</u></u>

The balance of \$1,000,000 due to the parking facilities fund from nonmajor governmental funds results from loans made to provide cash for the convention center and memorial auditorium capital projects fund until pledges for construction of the BTI Center are received.

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, 2004 is as follows:

Transfers to general fund from:	
Housing bond fund	\$ 400,000
Nonmajor governmental funds	7,934,395
Water and sewer fund	178,300
Parking facilities fund	500,000
Nonmajor enterprise funds	208,940
Total transfers to general fund	<u>\$ 9,221,635</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 11,304,658
Parking facilities fund	4,670,000
Nonmajor enterprise funds	5,000
Internal service funds	2,600,000
Total transfers to nonmajor governmental funds	<u>\$ 18,579,658</u>
Transfers to water/sewer fund from:	
General fund	<u>\$ 8,393</u>
Transfers to parking facilities fund from:	
General fund	<u>\$ 80,000</u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 5,536,621
Nonmajor governmental funds	537,699
Total transfers to nonmajor enterprise funds	<u>\$ 6,074,320</u>
Transfers to internal service funds from:	
General fund	\$ 3,264
Water and sewer fund	98,990
Total transfers to internal service funds	<u>\$ 102,254</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, 2004, \$2,144,000 was transferred from general capital projects funds to the general fund. These transfers were made to support specific related operating activities and/or emergency storm recovery activities. Also, during 2003-04 certain noncash transactions are reported as transfers in the financial statements, however, are not included in the summary of interfund transfers above. Capital assets (net) of \$20,769 were transferred from the governmental activities to the stormwater utility fund (a business-type activity).

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

During 2003-04 total rental payments on noncancelable operating leases was \$3,138,024. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2004:

<u>Fiscal Year Ending June 30</u>	
2005	\$ 1,523,178
2006	2,035,422
2007	1,173,853
2008	293,909
	<u>\$ 5,026,362</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, 2004 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, 2004</u>
<b>Governmental Activities</b>					
Housing-Series 1994B-Taxable	7.75% to 8.0%	9/1/1994	3/1/2011	\$ 2,900,000	\$ 1,775,000
Parks-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	27,900,000	3,005,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	1,380,000
Fire Station-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	2,145,000	210,000
Public Improvement Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	22,255,000	12,530,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	3,020,000
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	5,095,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	17,250,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	9,100,000
Public Improvement, Series 2002A	3.0% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,800,000
Public Improvement, Series 2002B	3.0% to 4.5%	12/1/2002	2/1/2021	43,000,000	41,775,000
Public Improvement, Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	14,905,000	11,770,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	15,000,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	17,338,150
Housing, Series, 2004B	3.13% to 4.38%	3/1/2004	4/1/2017	7,000,000	7,000,000
Housing Refunding, Series 2004B	3.13% to 4.0%	3/1/2004	4/1/2012	2,355,000	2,355,000
Total Governmental Activities					<u><u>\$ 151,403,150</u></u>
<b>Business-type Activities</b>					
<i>Water and Sewer:</i>					
Water Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	\$ 11,120,000	\$ 1,145,000
Sanitary Sewer, Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	6,880,000	690,000
Sanitary Sewer Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	16,325,000	9,195,000
Sanitary Sewer Refunding - Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	3,055,000	2,410,000
Water Refunding, Series 2004A					
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	6,187,620
	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	3,674,230
<i>Water and Sewer Total</i>					<u><u>23,301,850</u></u>
<i>Parking Facilities:</i>					
Parking Facilities Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	3,230,000	1,820,000
Parking Facilities, Series 1997	4.70% to 5.0%	10/1/1997	4/1/2016	8,670,000	6,270,000
<i>Parking Facilities Total</i>					<u><u>8,090,000</u></u>
Total Business-type Activities					<u><u>\$ 31,391,850</u></u>
Total Bonded Indebtedness					<u><u>\$ 182,795,000</u></u>

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 11,689,914	\$ 6,298,514	\$ 4,215,086	\$ 1,359,083
2006	11,571,727	5,713,500	4,178,273	1,137,321
2007	11,307,617	5,249,360	4,082,383	942,267
2008	11,039,371	4,818,285	3,510,629	774,719
2009	11,114,751	4,397,950	2,815,249	635,006
2010-2014	45,890,798	15,834,631	9,709,202	1,636,633
2015-2019	38,938,972	7,015,211	2,881,028	151,812
2020-2022	9,850,000	698,600	-	-
	<u>\$ 151,403,150</u>	<u>\$ 50,026,051</u>	<u>\$ 31,391,850</u>	<u>\$ 6,636,841</u>

**Status of bond authorizations**

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2004:

November 7, 2000

Street improvement	\$ 25,000,000
Housing	7,000,000
Parks and recreation	6,000,000
	<u>38,000,000</u>

October 7, 2003

Parks and recreation	<u>47,250,000</u>
Total	<u>\$ 85,250,000</u>

**Defeased debt**

During 2003-04, the City issued \$27,200,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$25,540,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,307,613. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$2,704,083 and resulted in an economic gain of \$1,714,603.

In addition, the City issued \$2,355,000 of general obligation bonds for a current refunding of \$2,250,000 of general obligation bonds. The current refunding was undertaken to reduce total debt service payments over the next eight years by \$326,681 and resulted in an economic gain of \$291,664.

The reacquisition price on certain general obligation bonds defeased in prior years 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 these deferred refundings at June 30, 2004 is \$403,637.

**2. Revenue bonds**

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are repaid from utility user charges. Revenue bonds outstanding at year end are \$181,240,000. The bonds have stated interest rates between 3.00% and 5.25% and are payable serially over the next 27 years. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 2,325,000	\$ 7,903,195
2006	2,420,000	8,738,605
2007	4,915,000	8,628,255
2008	5,110,000	8,436,523
2009	5,325,000	8,218,516
2010-2014	30,575,000	37,142,390
2015-2019	38,915,000	28,789,381
2020-2024	44,090,000	18,206,894
2025-2029	33,215,000	8,488,963
2030-2031	14,350,000	1,085,000
	<u>\$ 181,240,000</u>	<u>\$ 135,637,722</u>

A trust agreement, dated December 1, 1996 and amended by the First Amending 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, 2004.

**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 \$192,799,632. 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.

**Installment financing agreements**

The City has entered into an installment financing agreement, bearing interest at a rate of 6.40 percent to finance an amphitheater which is a governmental activities capital asset. The City has also issued variable rate certificates of participation to finance a new convention center complex. The variable rate at June 30, 2004 was 2.95%. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 500,249	\$ 2,106,819
2006	532,777	2,074,291
2007	567,420	2,039,648
2008	604,316	2,002,752
2009	643,611	1,963,457
2010-2014	3,902,958	9,132,380
2015-2019	939,248	8,157,820
2020-2024	-	8,112,500
2025-2029	-	8,112,500
2030-2034	55,000,000	5,743,503
	<u>\$ 62,690,579</u>	<u>\$ 49,445,670</u>

*Subsequent debt issuance:* On August 1, 2004, the City issued \$23,530,000 in certificates of participation to finance downtown improvement projects. The interest rates for this issuance range from 3.0% to 5.25%.

The City has entered into installment financing agreements, bearing interest at rates ranging from 2.6% to 5.85% to finance water and sewer improvements. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,374,451	\$ 500,992
2006	1,374,451	455,140
2007	1,374,451	410,066
2008	1,374,451	365,120
2009	1,374,451	319,677
2010-2014	5,188,053	959,778
2015-2019	2,917,203	224,912
2020-2024	165,000	4,290
	<u>\$ 15,142,511</u>	<u>\$ 3,239,975</u>

The City has entered into installment financing agreements to finance the Cabarrus Street and the South Street Parking Decks. These agreements bear interest at rates ranging from 4.2% to 6.6% with a variable rate component for the South Street Deck, 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 950,000	\$ 663,138
2006	965,000	611,589
2007	990,000	558,790
2008	1,010,000	504,600
2009	1,030,000	449,100
2010-2014	4,360,000	1,438,145
2015-2019	2,740,000	612,810
2020-2024	1,090,000	54,420
	<u>\$ 13,135,000</u>	<u>\$ 4,892,592</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, 2004 is \$294,719.



The City has issued certificates of participation, bearing interest at rates ranging from 3.7% to 5.0%, to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 3,857,495	\$ 573,188	\$ 892,505	\$ 178,850
2006	6,470,550	401,467	1,904,450	143,533
2007	3,828,112	172,747	1,531,888	69,128
	<u>\$ 14,156,157</u>	<u>\$ 1,147,402</u>	<u>\$ 4,328,843</u>	<u>\$ 391,511</u>

Portions of this debt were sold at premiums. This amount is included in the government-wide statement of net assets as long-term liabilities and is being amortized over the life of the debt. The unamortized balances at June 30, 2004 are \$478,087 for governmental activities and \$171,742 for business-type activities.

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 1,438,509	\$ 148,950	\$ 421,565	\$ 52,849
2006	939,705	103,723	441,920	32,493
2007	936,408	75,853	98,641	11,149
2008	25,971	47,224	104,066	5,723
2009	28,048	45,148	-	-
2010-2014	231,665	134,312	-	-
2015-2019	34,949	1,650	-	-
	<u>\$ 3,635,255</u>	<u>\$ 556,860</u>	<u>\$ 1,066,192</u>	<u>\$ 102,214</u>

#### **Reimbursement contracts**

Outstanding principal balances for reimbursement contracts at June 30, 2004 are \$44,447 for business-type activities and \$2,793 for governmental activities.

#### **Earned vacation pay**

At June 30, 2004, earned vacation pay consists of \$13,027,956 for governmental activities and \$1,235,675 for business-type activities.

**Landfill closure and 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 \$4,558,000 reported as landfill closure and postclosure liability as of June 30, 2004, represents the amount it would cost to perform remaining closure and postclosure care in 2004. 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 closure and postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial test as submitted to the North Carolina Department of Environment and Natural Resources on November 12, 2003.

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

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 138,880,000	41,693,150	29,170,000	\$ 151,403,150	\$ 11,689,914
Unamortized premiums - GO bonds	-	533,147	41,011	492,136	41,011
Deferred refundings - GO bonds	-	(1,470,938)	(113,149)	(1,357,789)	(113,149)
Installment financing agreements	31,226,439	56,826,741	7,571,189	80,481,991	5,796,253
Unamortized premiums on IFA	682,453	-	204,366	478,087	204,365
Reimbursement contracts	3,143	-	350	2,793	559
Earned vacation pay	11,988,996	8,610,618	7,571,658	13,027,956	7,571,658
Landfill postclosure	3,111,915	1,554,232	108,147	4,558,000	-
<b>Total governmental activities</b>	<b>\$ 185,892,946</b>	<b>107,746,950</b>	<b>44,553,572</b>	<b>\$ 249,086,324</b>	<b>\$ 25,190,611</b>
Business-type activities:					
General obligation bonds	\$ 34,940,000	9,861,850	13,410,000	\$ 31,391,850	\$ 4,215,086
Unamortized discount - GO bonds	(326,236)	-	(27,187)	(299,049)	(27,186)
Unamortized premium - GO bonds	-	303,294	23,330	279,964	23,330
Deferred refundings - GO bonds	(504,546)	(836,675)	(165,269)	(1,175,952)	(165,269)
Revenue bonds	74,495,000	108,980,000	2,235,000	181,240,000	2,325,000
Unamortized premium - Rev. bonds	-	3,959,786	146,659	3,813,127	146,659
Installment financing agreements	37,997,297	-	4,324,751	33,672,546	3,638,521
Unamortized premiums - IFA	233,947	-	62,205	171,742	62,205
Deferred refundings - IFA	(336,877)	-	(42,158)	(294,719)	(42,158)
Reimbursement contracts	49,115	1,094	5,762	44,447	5,762
Earned vacation pay	1,182,611	995,347	942,283	1,235,675	942,283
<b>Total business-type activities</b>	<b>\$ 147,730,311</b>	<b>123,264,696</b>	<b>20,915,376</b>	<b>\$ 250,079,631</b>	<b>\$ 11,124,233</b>

The current year additions to the governmental activities installment notes include noncash related financing activities in the amount of \$1,826,741.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$219,755 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, 2004, a liability for \$25,155 and \$23,417 is included in the water and sewer and parking facilities respectively. A current liability for \$5,661 is included in the housing bond fund.

### **6. Interest rate 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 1.05% at June 30, 2004, 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 2003-04, the City realized interest rate swap receipts of \$1,130,373 as the variable rate remained significantly lower than the fixed rate. At June 30, 2004, the swap had a positive fair value of \$1,051,862. Fair value was estimated by the counterparty using mark to market valuations. The City will be exposed to additional interest expense payments if the variable rate exceeds 3.26%. As of June 30, the City was not exposed to credit risk because the swap had a positive fair value. The swap counterparty at June 30, was rated Aa1 by Moody's Investors Service (Moody's) and AA- by Standard and Poor's (S&P). 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, 2004, 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 general obligation bonds debt service requirements as reported on page 32.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2005	\$ -	\$ 2,546,008	\$ (1,105,000)	\$ 1,441,008
2006	-	2,546,008	(1,105,000)	1,441,008
2007	-	2,546,008	(1,105,000)	1,441,008
2008	7,440,000	1,248,388	(975,310)	273,078
Total	<u>\$ 7,440,000</u>	<u>\$ 8,886,412</u>	<u>\$ (4,290,310)</u>	<u>\$ 4,596,102</u>

*Subsequent forward starting interest rate swap.* On April 1, 2004, the City entered into a forward starting swap transaction related to the remaining certificates of participation intended to be issued as part of the City's new convention center financing. The forward starting swap gives the City the right to chose from several options on the future date (January 20, 2005) set by the agreement. The options include terminating the swap or engaging in the swap transaction in conjunction with the issue of variable rate certificates of participation. At June 30, 2004, the swap had a positive fair value of \$2,596,480.

**G. Restricted assets**

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

	<u>Deposits</u>	<u>Unspent Debt Proceeds</u>
<u>Governmental</u>		
General fund	\$ -	\$ 5,073,694
Housing bond fund	-	4,313,185
New convention center complex fund	-	36,032,140
Nonmajor governmental funds	-	24,687,644
Total governmental	-	70,106,663
<u>Enterprise</u>		
Water and sewer fund	17,771,964	105,375,114
Parking facilities fund	-	357,029
Nonmajor enterprise funds	967,500	-
Total enterprise	18,739,464	105,732,143
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	7,019,442
Public utilities equipment replacement fund	-	2,644,981
Total internal service fund	-	9,664,423
Total	\$ 18,739,464	\$ 185,503,229

**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 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 \$17,926,381 reported for these two internal service funds at June 30, 2004, 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 2003-04 and 2002-2003 are as follows:

	<u>2004</u>	<u>2003</u>
Insurance claims payable, beginning of year	\$ 11,435,077	\$ 8,429,390
Current year claims and changes in estimates	27,015,319	20,505,044
Claim payments	<u>(20,524,015)</u>	<u>(17,499,357)</u>
Insurance claims payable, end of year	<u>\$ 17,926,381</u>	<u>\$ 11,435,077</u>

As previously noted, the risk management fund has deficit net assets at June 30, 2004 of \$8,443,694. 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, 2004. All actual known claims at June 30, 2004 are fully funded. The City is reviewing several options to address the deficit condition, including issuing debt and/or re-evaluating the level of funding.

At June 30, 2004, the City has cash reserves in the employee's health benefits fund of \$2.5 million to cover future risk in excess of recognized claims.

## ***B. Commitments and contingent liabilities***

### ***Commitments – Neuse River Waste Treatment Plant***

As a result of permit violations at its waste water treatment plant during 2001-02, the City is subject to a number of enforcement actions by state officials. These actions have caused fines to be paid and will cause future expenditures to expand and modernize the physical plant. The cost of this work could be substantial. The 2004-05 capital improvements budget includes \$33.85 million for on-going and future projects. These projects will be funded from operating revenues and revenue bond proceeds.

To date no environmental or public health claims have been brought against the City. However, the City is in active litigation with Material Recovery, Inc. concerning allegations by that company that the City damaged it by spreading inappropriate amounts of material from the settling basins at the waste water treatment plant. The City expects to prevail in this matter.

### ***Commitment - loan guarantees***

The City is loan guarantor in two development programs, as follows. 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.

Also, the City has provided a loan guaranty to a program established by the City and nine area financial institutions known as the small business success fund. The maximum amount of the guaranty is \$300,000. The guaranty provides funding to cover any loan losses incurred by the program, limited to thirty percent of the outstanding loans or \$300,000, whichever is less. At June 30, 2004, thirty percent of the outstanding loans totaled \$13,198.

### ***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 2003-04 obligation was \$638,144. It is estimated, at this time, that the future annual cost to the City will not exceed \$655,000.

### ***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 is 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.

### ***C. Jointly governed organizations***

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

***Triangle J Council of Governments.*** The City, in conjunction with three counties and 22 other municipalities are members of the Triangle J Council of Governments. The participating governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of \$76,625 to the council during the fiscal year ended June 30, 2004. 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 City has loaned the Raleigh Housing Authority funds to provide specific maintenance services. The loans are presently being repaid and are accounted for in the City's financial statements. The authority does not meet the criteria to be included in the City's financial reporting entity.

***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, 2004 the City appropriated \$49,000 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, 2004 the balance of the trust maintained by the County was \$2,290,187, which is not available to the City except for current and future projects jointly determined by the City and the County. During 2003-04, 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 \$10,049,565 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, 2004. 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, 2004. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

#### ***D. Employee retirement systems and pension plans***

##### ***North Carolina Local Government Employees' Retirement System***

*Plan description.* The City contributes to the statewide Local Government Employees' Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.78 percent, respectively, of annually covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$6,315,818, \$6,053,072, and \$5,741,606, 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, 2004 were \$2,407,449, which consisted of \$1,606,989 from the City and \$800,460 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, 2003, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	110
Current active employees	<u>650</u>
Total	<u>760</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 \$1,648,615, or 5.21 percent of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

*Annual pension cost and net pension obligation:*

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

Employer annual required contribution	\$ 1,428,523
Interest paid on pension obligation	(130,963)
Adjustment to annual required contribution	<u>123,636</u>
Annual pension cost	1,421,196
Employer contributions made for current fiscal year	<u>1,648,615</u>
Increase in net pension obligation	(227,419)
Net pension obligation beginning of fiscal year	<u>(1,806,387)</u>
Net pension obligation end of fiscal year	<u>\$ (2,033,806)</u>

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return and (b) projected salary increases ranging from 5.9 percent to 9.8 percent per year. Item (b) included an inflation component of 3.75 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2002 was 20 years.

*Trend Information:*

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation End of Year</u>
June 30, 2002	\$ 1,301,893	128.16%	\$ (1,542,866)
June 30, 2003	\$ 1,405,022	118.76%	\$ (1,806,387)
June 30, 2004	\$ 1,421,196	116.00%	\$ (2,033,806)

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*

***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 ABNO-AMRO with investment options being exercised by employees.

*Funding policy.* For each eligible employee who contributes a minimum of .3 percent of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.0 percent) into the 401a plan. During 2003-04, the City contributed \$1,927,121 to the plan.

***E. Other postemployment benefits***

City policy provides for post-employment 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 retirees over age 65, the City subsidizes the cost of a Blue Cross Blue Shield Medicare supplement plan by up to \$40 per month for each eligible retiree. 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, 2004, there were 633 City retirees receiving health care benefits, 202 of which also have dependent coverage. The City pays all of the cost of coverage for the retirees. In addition those who select to have dependent health care coverage pay for this at the City's group rate for employees. In addition, 161 City retirees are currently enrolled in the City medicare supplement plan. There are 972 City retirees who have life insurance benefits.

For the fiscal year ended June 30, 2004, the City paid \$2,343,566 for retiree health care coverage, \$76,720 for medicare supplement coverage, and \$181,452 for retiree life insurance coverage. Medical and life insurance claims paid on retirees for the fiscal year ended June 30, 2004 were \$3,788,785 and \$98,646, respectively.



**CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

The *Required Supplemental Financial Data* contains additional information required by generally accepted accounting principles.

Included are the following:

1. Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress
2. Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions



**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

**City of Raleigh**

**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>
1998*	\$ 3,354,728	\$ 9,466,479	\$ 6,111,751	35.4%	\$ 22,011,883	27.8%
1999*	3,409,122	10,620,023	7,210,901	32.1	24,933,594	28.9
2000*	3,654,553	14,516,388	10,861,835	25.2	26,391,242	41.2
2001*	3,953,406	15,395,706	11,442,300	25.7	28,860,534	39.7
2002*	4,146,793	16,081,235	11,934,442	25.8	30,285,779	39.4
2003*	4,220,540	16,914,130	12,693,590	24.9	31,666,230	40.1

**Notes:**

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

**City of Raleigh**

**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>
1999	\$ 987,319	88.8%
2000	1,089,836	111.2
2001	1,323,397	110.0
2002	1,306,663	127.7
2003	1,411,280	118.2
2004	1,428,523	115.4

**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, 2003
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*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost of living adjustments	N/A



**CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**DETAILED FINANCIAL STATEMENTS  
AND SCHEDULES**

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

Included are the following:

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



## CITY OF RALEIGH, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

### 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 tabs.





## **NONMAJOR GOVERNMENTAL FUNDS**

City of Raleigh

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,311,638	\$ 75,127,573	\$ 90,439,211
Assessments receivable, net of allowance for uncollectibles of \$30,419	-	577,958	577,958
Due from other governmental agencies	3,932,955	428,110	4,361,065
Accrued interest receivable	5,842	32,151	37,993
Sales tax receivable	34,796	321,157	355,953
Loans receivable	2,446,486	-	2,446,486
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	24,687,644	24,687,644
Total assets	<u>\$ 21,731,717</u>	<u>\$ 101,174,593</u>	<u>\$ 122,906,310</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 143,626	\$ 5,295,530	\$ 5,439,156
Accrued salaries and employee payroll taxes	32,925	-	32,925
Loan servicing escrow	307,943	-	307,943
Reimbursable facility fees	-	4,138,705	4,138,705
Claims payable and other liabilities	-	410,121	410,121
Due to other funds	993,827	1,000,000	1,993,827
Deferred revenue	2,446,486	577,958	3,024,444
Unearned revenue	205,753	219,757	425,510
Total liabilities	<u>4,130,560</u>	<u>11,642,071</u>	<u>15,772,631</u>
Fund balances:			
Reserved for new convention center project	10,323,319	-	10,323,319
Unreserved:			
Designated for subsequent year's appropriation	2,657,567	88,061,877	90,719,444
Designated for specific purposes	2,677,317	2,319,978	4,997,295
Undesignated	1,942,954	(849,333)	1,093,621
Total fund balances	<u>17,601,157</u>	<u>89,532,522</u>	<u>107,133,679</u>
Total liabilities and fund balances	<u>\$ 21,731,717</u>	<u>\$ 101,174,593</u>	<u>\$ 122,906,310</u>

City of Raleigh

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Combining Eliminations</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 20,772,449	\$ 550,250	\$ -	\$ 21,322,699
Developer participation	-	15,276	-	15,276
Assessments	-	443,818	-	443,818
Interest on investments	200,201	1,053,218	-	1,253,419
Facility fees	-	4,359,900	-	4,359,900
Rents	318,603	-	-	318,603
Program income	161,097	-	-	161,097
Miscellaneous other	30,267	2,104,515	-	2,134,782
Total revenues	<u>21,482,617</u>	<u>8,526,977</u>	<u>-</u>	<u>30,009,594</u>
<b>EXPENDITURES</b>				
General government	161,169	-	-	161,169
Community development services	1,406,151	-	-	1,406,151
Public works	655,155	-	-	655,155
Public safety	931,324	-	-	931,324
Solid waste services	2,886	-	-	2,886
Leisure services	634,296	-	-	634,296
Other expenditures	11,684	-	-	11,684
Capital outlay - installment note obligations	-	1,823,700	-	1,823,700
Capital outlay	66,944	43,467,387	-	43,534,331
Principal	-	662,667	-	662,667
Interest	-	90,205	-	90,205
Total expenditures	<u>3,869,609</u>	<u>46,043,959</u>	<u>-</u>	<u>49,913,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,613,008</u>	<u>(37,516,982)</u>	<u>-</u>	<u>(19,903,974)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	899,166	22,181,927	(4,501,435)	18,579,658
Transfers out	(10,291,830)	(2,794,660)	4,501,435	(8,585,055)
Installment obligations issued	-	1,823,700	-	1,823,700
Bonds issued	-	15,000,000	-	15,000,000
Total other financing sources (uses)	<u>(9,392,664)</u>	<u>36,210,967</u>	<u>-</u>	<u>26,818,303</u>
Net change in fund balances	8,220,344	(1,306,015)	-	6,914,329
Fund balance - beginning of year	9,380,813	90,838,537	-	100,219,350
Fund balance - ending of year	<u>\$ 17,601,157</u>	<u>\$ 89,532,522</u>	<u>\$ -</u>	<u>\$ 107,133,679</u>



## CITY OF RALEIGH, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

### 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, supplemental sales tax proceeds, housing development and bond funds, new convention center financing 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.

**SALES TAX FUND (NONMAJOR FUND)** - The Sales Tax Fund accounts for revenue from local option sales tax proceeds which is budgeted for basic governmental purposes.

**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 (MAJOR FUND)** - The Housing Bond Fund accounts for City housing development programs which are financed by general obligation bond issues.

**COMMUNITY DEVELOPMENT FUND (MAJOR 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.

*City of Raleigh*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2004**

	<u>Grants Fund</u>	<u>Sales Tax Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 499,192
Due from other governmental agencies	1,297,296	-
Accrued interest receivable	-	342
Sales tax receivable	30,829	-
Loans receivable	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,328,125</u>	<u>\$ 499,534</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 78,314	\$ 40,355
Accrued salaries and employee payroll taxes	20,787	-
Loan servicing escrow	-	-
Due to other funds	993,827	-
Deferred revenue	-	-
Unearned revenue	205,753	-
	<hr/>	<hr/>
Total liabilities	<u>1,298,681</u>	<u>40,355</u>
 Fund balances:		
Reserved for new convention center project	-	-
Unreserved:		
Designated for subsequent year's appropriation	-	454,445
Designated for specific purposes	-	-
Undesignated	29,444	4,734
	<hr/>	<hr/>
Total fund balances	<u>29,444</u>	<u>459,179</u>
Total liabilities and fund balances	<u>\$ 1,328,125</u>	<u>\$ 499,534</u>

<b>Housing Development Fund</b>	<b>Powell Bill Fund</b>	<b>Disaster Recovery Fund</b>	<b>New Convention Center Financing Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 2,679,619	\$ 4,516	\$ 2,508,695	\$ 9,619,616	\$ 15,311,638
-	-	1,936,083	699,576	3,932,955
1,368	5	-	4,127	5,842
3,967	-	-	-	34,796
2,446,486	-	-	-	2,446,486
<u>\$ 5,131,440</u>	<u>\$ 4,521</u>	<u>\$ 4,444,778</u>	<u>\$ 10,323,319</u>	<u>\$ 21,731,717</u>
\$ 9,957	\$ -	\$ 15,000	\$ -	\$ 143,626
12,138	-	-	-	32,925
307,943	-	-	-	307,943
-	-	-	-	993,827
2,446,486	-	-	-	2,446,486
-	-	-	-	205,753
<u>2,776,524</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>4,130,560</u>
-	-	-	10,323,319	10,323,319
2,203,122	-	-	-	2,657,567
-	-	2,677,317	-	2,677,317
151,794	4,521	1,752,461	-	1,942,954
<u>2,354,916</u>	<u>4,521</u>	<u>4,429,778</u>	<u>10,323,319</u>	<u>17,601,157</u>
<u>\$ 5,131,440</u>	<u>\$ 4,521</u>	<u>\$ 4,444,778</u>	<u>\$ 10,323,319</u>	<u>\$ 21,731,717</u>

**City of Raleigh**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<u>Grants Fund</u>	<u>Sales Tax Fund</u>	<u>Housing Development Fund</u>
<b>REVENUES</b>			
Intergovernmental	\$ 2,021,351	\$ -	\$ -
Interest on investments	-	17,037	28,693
Rents	-	-	318,603
Program income	-	-	161,097
Miscellaneous other	28,049	-	2,218
Total revenues	<u>2,049,400</u>	<u>17,037</u>	<u>510,611</u>
<b>EXPENDITURES</b>			
Current:			
General government	82,923	-	-
Community development services	446,119	-	878,680
Public works	655,155	-	-
Public safety	931,324	-	-
Solid waste services	2,886	-	-
Leisure services	372,088	-	-
Other expenditures	11,684	-	-
Capital outlay	-	66,944	-
Total expenditures	<u>2,502,179</u>	<u>66,944</u>	<u>878,680</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(452,779)</u>	<u>(49,907)</u>	<u>(368,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	452,779	-	446,387
Transfers out	-	(2,212,435)	(62,717)
Total other financing sources and uses	<u>452,779</u>	<u>(2,212,435)</u>	<u>383,670</u>
Net change in fund balances	-	(2,262,342)	15,601
Fund balances - beginning	<u>29,444</u>	<u>2,721,521</u>	<u>2,339,315</u>
Fund balances - ending	<u>\$ 29,444</u>	<u>\$ 459,179</u>	<u>\$ 2,354,916</u>



<u>Powell Bill Fund</u>	<u>Disaster Recovery Fund</u>	<u>New Convention Center Financing Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 7,841,162	\$ 659,845	\$ 10,250,091	\$ 20,772,449
46,565	-	107,906	200,201
-	-	-	318,603
-	-	-	161,097
-	-	-	30,267
<u>7,887,727</u>	<u>659,845</u>	<u>10,357,997</u>	<u>21,482,617</u>
-	78,246	-	161,169
-	81,352	-	1,406,151
-	-	-	655,155
-	-	-	931,324
-	-	-	2,886
-	262,208	-	634,296
-	-	-	11,684
-	-	-	66,944
<u>-</u>	<u>421,806</u>	<u>-</u>	<u>3,869,609</u>
<u>7,887,727</u>	<u>238,039</u>	<u>10,357,997</u>	<u>17,613,008</u>
-	-	-	899,166
<u>(7,982,000)</u>	<u>-</u>	<u>(34,678)</u>	<u>(10,291,830)</u>
<u>(7,982,000)</u>	<u>-</u>	<u>(34,678)</u>	<u>(9,392,664)</u>
(94,273)	238,039	10,323,319	8,220,344
<u>98,794</u>	<u>4,191,739</u>	<u>-</u>	<u>9,380,813</u>
<u>\$ 4,521</u>	<u>\$ 4,429,778</u>	<u>\$ 10,323,319</u>	<u>\$ 17,601,157</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
GRANTS FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
U.S. Department of Transportation	\$ 663,763	\$ 615,696	\$ 1,279,459	\$ 1,701,856	\$ (422,397)
Corporation for National and Community Service	154,197	325,639	479,836	634,921	(155,085)
U.S. Forest Service	1,236	10,830	12,066	18,500	(6,434)
U.S. Department of Justice	1,366,620	723,045	2,089,665	2,497,554	(407,889)
U.S. Environmental Protection Agency	187,351	18,675	206,026	1,200,000	(993,974)
U.S. Department of Agriculture	-	2,886	2,886	9,802	(6,916)
State of North Carolina	264,560	220,412	484,972	706,408	(221,436)
Wake County	208,360	104,168	312,528	380,408	(67,880)
	<u>2,846,087</u>	<u>2,021,351</u>	<u>4,867,438</u>	<u>7,149,449</u>	<u>(2,282,011)</u>
Miscellaneous other	15,498	28,049	43,547	97,921	(54,374)
Total revenues	<u>2,861,585</u>	<u>2,049,400</u>	<u>4,910,985</u>	<u>7,247,370</u>	<u>(2,336,385)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	615,795	447,779	1,063,574	1,390,074	(326,500)
Street improvement fund	7,650	-	7,650	7,650	-
Stormwater utility fund	-	5,000	5,000	5,000	-
Total other financing sources	<u>623,445</u>	<u>452,779</u>	<u>1,076,224</u>	<u>1,402,724</u>	<u>(326,500)</u>
Total revenues and other financing sources	<u>\$ 3,485,030</u>	<u>\$ 2,502,179</u>	<u>\$ 5,987,209</u>	<u>\$ 8,650,094</u>	<u>\$ (2,662,885)</u>
<b>EXPENDITURES</b>					
General government	\$ 377,150	\$ 82,923	\$ 460,073	\$ 1,498,361	\$ (1,038,288)
Community development services	213,695	446,119	659,814	949,026	(289,212)
Public works	882,908	655,155	1,538,063	2,223,464	(685,401)
Public safety	1,604,872	931,324	2,536,196	3,047,547	(511,351)
Solid waste services	-	2,886	2,886	9,802	(6,916)
Leisure services	406,405	372,088	778,493	908,169	(129,676)
Other	-	11,684	11,684	13,725	(2,041)
Total expenditures	<u>\$ 3,485,030</u>	<u>\$ 2,502,179</u>	<u>\$ 5,987,209</u>	<u>\$ 8,650,094</u>	<u>\$ (2,662,885)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 SALES TAX FUND  
 For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 17,037	\$ 17,037	\$ 25,000	\$ (7,963)
Total revenues	<u>\$ -</u>	<u>\$ 17,037</u>	<u>\$ 17,037</u>	25,000	<u>\$ (7,963)</u>
Fund balance appropriated				<u>5,736,380</u>	
				<u>\$ 5,761,380</u>	
<b>EXPENDITURES</b>					
Capital outlay	\$ 3,009,797	\$ 66,944	\$ 3,076,741	\$ 3,548,945	\$ (472,204)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	32,000	32,000	32,000	-
Miscellaneous capital improvements fund	<u>-</u>	<u>2,180,435</u>	<u>2,180,435</u>	<u>2,180,435</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>2,212,435</u>	<u>2,212,435</u>	<u>2,212,435</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,009,797</u>	<u>\$ 2,279,379</u>	<u>\$ 5,289,176</u>	<u>\$ 5,761,380</u>	<u>\$ (472,204)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 HOUSING DEVELOPMENT FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>				<u>Over (Under) Budget</u>
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Budget</u>	
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 28,693	\$ 28,693	\$ 40,000	\$ (11,307)
Rents	-	318,603	318,603	314,118	4,485
Program income	-	161,097	161,097	52,500	108,597
Miscellaneous other	-	2,218	2,218	-	2,218
Total revenues	<u>-</u>	<u>510,611</u>	<u>510,611</u>	<u>406,618</u>	<u>103,993</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from general fund	<u>-</u>	<u>446,387</u>	<u>446,387</u>	<u>446,387</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 956,998</u>	<u>\$ 956,998</u>	853,005	<u>\$ 103,993</u>
Fund balance appropriated				<u>3,046,736</u>	
				<u>\$ 3,899,741</u>	
<b>EXPENDITURES</b>					
Community development services	<u>\$ 744,359</u>	<u>\$ 878,680</u>	<u>\$ 1,623,039</u>	<u>\$ 3,837,024</u>	<u>\$ (2,213,985)</u>
<b>OTHER FINANCING USES</b>					
Transfers to general fund	<u>-</u>	<u>62,717</u>	<u>62,717</u>	<u>62,717</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 744,359</u>	<u>\$ 941,397</u>	<u>\$ 1,685,756</u>	<u>\$ 3,899,741</u>	<u>\$ (2,213,985)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 HOUSING BOND FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 38,826	\$ 38,826	\$ -	\$ 38,826
Program income	-	1,131,075	1,131,075	-	1,131,075
Miscellaneous other	-	18,800	18,800	-	18,800
Total revenues	<u>-</u>	<u>1,188,701</u>	<u>1,188,701</u>	<u>-</u>	<u>1,188,701</u>
<b>OTHER FINANCING SOURCES</b>					
Bonds issued	-	7,000,000	7,000,000	7,600,000	(600,000)
Premium on bonds issued	-	22,231	22,231	-	22,231
Total other financing sources	<u>-</u>	<u>7,022,231</u>	<u>7,022,231</u>	<u>7,600,000</u>	<u>(577,769)</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 8,210,932</u>	<u>\$ 8,210,932</u>	7,600,000	<u>\$ 610,932</u>
Fund balance appropriated				<u>7,407,148</u>	
				<u>\$ 15,007,148</u>	
<b>EXPENDITURES</b>					
Economic development programs	\$ 4,497,062	\$ 3,265,255	\$ 7,762,317	\$ 14,607,148	\$ (6,844,831)
<b>OTHER FINANCING USES</b>					
Transfer to general fund	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 4,497,062</u>	<u>\$ 3,665,255</u>	<u>\$ 8,162,317</u>	<u>\$ 15,007,148</u>	<u>\$ (6,844,831)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 COMMUNITY DEVELOPMENT FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
US Department of HUD	\$ 4,451,688	\$ 2,531,955	\$ 6,983,643	\$ 13,611,488	\$ (6,627,845)
State of North Carolina	20,324	61,252	81,576	114,000	(32,424)
Program income	<u>990,555</u>	<u>2,047,128</u>	<u>3,037,683</u>	<u>2,309,402</u>	<u>728,281</u>
Total revenues	<u>\$ 5,462,567</u>	<u>\$ 4,640,335</u>	<u>\$ 10,102,902</u>	<u>\$ 16,034,890</u>	<u>\$ (5,931,988)</u>
<b>EXPENDITURES</b>					
Community development services	<u>\$ 5,462,617</u>	<u>\$ 4,640,335</u>	<u>\$ 10,102,952</u>	<u>\$ 16,034,890</u>	<u>\$ (5,931,938)</u>

*City of Raleigh*

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 POWELL BILL FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
State of North Carolina	\$ 7,841,162	\$ 7,832,000	\$ 9,162
Interest on investments	46,565	50,000	(3,435)
Total revenues	<u>\$ 7,887,727</u>	<u>7,882,000</u>	<u>\$ 5,727</u>
Fund balance appropriated		<u>100,000</u>	
		<u>\$ 7,982,000</u>	
<b>OTHER FINANCING USES</b>			
Transfers to:			
General fund	\$ 5,661,000	\$ 5,661,000	\$ -
Street improvement fund	2,321,000	2,321,000	-
Total transfers out	<u>7,982,000</u>	<u>7,982,000</u>	<u>-</u>
Total other financing uses	<u>\$ 7,982,000</u>	<u>\$ 7,982,000</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 DISASTER RECOVERY FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
Federal Emergency Management Agency	\$ 8,692,571	\$ 494,884	\$ 9,187,455	\$ 6,560,359	\$ 2,627,096
State of North Carolina	<u>2,897,524</u>	<u>164,961</u>	<u>3,062,485</u>	<u>2,186,786</u>	<u>875,699</u>
Total revenues	<u>\$ 11,590,095</u>	<u>\$ 659,845</u>	<u>\$ 12,249,940</u>	8,747,145	<u>\$ 3,502,795</u>
Fund balance appropriated				<u>225,745</u>	
				<u>\$ 8,972,890</u>	
<b>EXPENDITURES</b>					
General government	\$ 18,304	\$ 78,246	\$ 96,550	\$ 306,513	\$ (209,963)
Community development services	133,130	81,352	214,482	303,000	(88,518)
Public works	55,975	-	55,975	63,536	(7,561)
Solid waste services	1,301,553	-	1,301,553	1,347,276	(45,723)
Leisure services	<u>6,108,481</u>	<u>262,208</u>	<u>6,370,689</u>	<u>6,952,565</u>	<u>(581,876)</u>
Total expenditures	<u>\$ 7,617,443</u>	<u>\$ 421,806</u>	<u>\$ 8,039,249</u>	<u>\$ 8,972,890</u>	<u>\$ (933,641)</u>



City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED WITH BUDGET  
NEW CONVENTION CENTER FINANCING FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Actual Current Year</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
Wake County	\$ 10,250,091	\$ 34,678	\$ 10,215,413
Interest on investments	<u>107,906</u>	<u>-</u>	<u>107,906</u>
Total revenues	<u>\$ 10,357,997</u>	<u>34,678</u>	<u>\$ 10,323,319</u>
<b>OTHER FINANCING USES</b>			
Transfer to general fund	<u>\$ 34,678</u>	<u>\$ 34,678</u>	<u>\$ -</u>



## CITY OF RALEIGH, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

### 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, the new convention center complex 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.

**CONVENTION CENTER AND MEMORIAL AUDITORIUM PROJECTS FUND (NONMAJOR FUND)** - The Convention Center and Memorial Auditorium Projects Fund accounts for all capital project costs related to the Convention Center and Memorial Auditorium Complex.

**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.

**NEW CONVENTION CENTER COMPLEX FUND (MAJOR FUND)** - The New Convention Center Complex Fund accounts for all capital project costs related to the New Convention Center Complex.

**City of Raleigh**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
June 30, 2004**

	<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	\$ 21,836,601	\$ 8,970,686	\$ 2,725,820	\$ 9,973,384
Assessments receivable, net of allowance for uncollectibles of \$30,419	577,958	-	-	-
Due from other governmental agencies	150,000	211,181	-	-
Accrued interest receivable	9,461	3,754	1,168	4,294
Sales tax receivable	64,841	56,863	1,113	56,047
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	19,238,767	-	-
Total assets	<u>\$ 22,638,861</u>	<u>\$ 28,481,251</u>	<u>\$ 2,728,101</u>	<u>\$ 10,033,725</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,160,384	\$ 2,461,323	\$ 107,334	\$ 268,740
Reimbursable facility fees	-	-	-	-
Claims payable and other liabilities	371,188	-	-	26,340
Due to other funds	-	-	-	-
Deferred revenue	577,958	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>2,109,530</u>	<u>2,461,323</u>	<u>107,334</u>	<u>295,080</u>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	19,832,683	25,769,922	2,561,483	9,663,074
Designated for specific purposes	696,648	250,006	59,284	75,571
Undesignated	-	-	-	-
Total fund balances	<u>20,529,331</u>	<u>26,019,928</u>	<u>2,620,767</u>	<u>9,738,645</u>
Total liabilities and fund balances	<u>\$ 22,638,861</u>	<u>\$ 28,481,251</u>	<u>\$ 2,728,101</u>	<u>\$ 10,033,725</u>

<u>Facility Fees Fund</u>	<u>Park Bond Fund</u>	<u>Miscellaneous Capital Improvements Fund</u>	<u>Convention Center and Memorial Auditorium Projects Fund</u>	<u>Stormwater Projects Fund</u>	<u>Technology Capital Projects Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 5,034,565	\$ 5,877,882	\$ 12,517,337	\$ 303,579	\$ 4,535,250	\$ 3,352,469	\$ 75,127,573
-	-	-	-	-	-	577,958
-	-	-	-	66,929	-	428,110
2,163	2,507	5,292	131	1,949	1,432	32,151
-	33,949	89,363	2,867	517	15,597	321,157
-	2,528,695	2,920,182	-	-	-	24,687,644
<u>\$ 5,036,728</u>	<u>\$ 8,443,033</u>	<u>\$ 15,532,174</u>	<u>\$ 306,577</u>	<u>\$ 4,604,645</u>	<u>\$ 3,369,498</u>	<u>\$ 101,174,593</u>
\$ -	\$ 140,900	\$ 824,925	\$ 155,910	\$ 61,276	\$ 114,738	\$ 5,295,530
4,138,705	-	-	-	-	-	4,138,705
12,566	-	-	-	-	27	410,121
-	-	-	1,000,000	-	-	1,000,000
-	-	-	-	-	-	577,958
-	219,757	-	-	-	-	219,757
<u>4,151,271</u>	<u>360,657</u>	<u>824,925</u>	<u>1,155,910</u>	<u>61,276</u>	<u>114,765</u>	<u>11,642,071</u>
-	7,729,364	14,707,249	-	4,543,369	3,254,733	88,061,877
885,457	353,012	-	-	-	-	2,319,978
-	-	-	(849,333)	-	-	(849,333)
<u>885,457</u>	<u>8,082,376</u>	<u>14,707,249</u>	<u>(849,333)</u>	<u>4,543,369</u>	<u>3,254,733</u>	<u>89,532,522</u>
<u>\$ 5,036,728</u>	<u>\$ 8,443,033</u>	<u>\$ 15,532,174</u>	<u>\$ 306,577</u>	<u>\$ 4,604,645</u>	<u>\$ 3,369,498</u>	<u>\$ 101,174,593</u>

**City of Raleigh**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<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	\$ -	\$ 61,181	\$ -	\$ -	\$ -
Developer participation	15,276	-	-	-	-
Assessments	384,244	-	59,574	-	-
Interest on investments	227,653	250,229	31,349	112,335	89,711
Facility Fees	-	-	-	-	4,359,900
Miscellaneous other	787,710	-	240,734	25,508	-
Total revenues	<u>1,414,883</u>	<u>311,410</u>	<u>331,657</u>	<u>137,843</u>	<u>4,449,611</u>
<b>EXPENDITURES</b>					
Street paving/sidewalk projects	6,903,519	10,914,848	227,158	-	-
Parks and recreation projects	-	-	-	3,389,642	-
Convention center and memorial auditorium	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Capital outlay - installment note obligations	-	-	-	1,823,700	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>6,903,519</u>	<u>10,914,848</u>	<u>227,158</u>	<u>5,213,342</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,488,636)</u>	<u>(10,603,438)</u>	<u>104,499</u>	<u>(5,075,499)</u>	<u>4,449,611</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	6,794,417	274,157	134,000	1,875,000	-
Transfers out	(1,539,817)	-	(36,009)	(1,193,251)	(5,550,000)
Installment note obligations issued	-	-	-	1,823,700	-
Bonds issued	-	10,000,000	-	-	-
Total other financing sources and uses	<u>5,254,600</u>	<u>10,274,157</u>	<u>97,991</u>	<u>2,505,449</u>	<u>(5,550,000)</u>
Net change in fund balances	(234,036)	(329,281)	202,490	(2,570,050)	(1,100,389)
Fund balance - beginning of year	20,763,367	26,349,209	2,418,277	12,308,695	1,985,846
Fund balance - ending of year	<u>\$ 20,529,331</u>	<u>\$ 26,019,928</u>	<u>\$ 2,620,767</u>	<u>\$ 9,738,645</u>	<u>\$ 885,457</u>

<b>Park Bond Fund</b>	<b>Miscellaneous Capital Improvements Fund</b>	<b>Convention Center and Memorial Auditorium 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>
\$ 21,243	\$ -	\$ -	\$ 467,826	\$ -	\$ -	\$ 550,250
-	-	-	-	-	-	15,276
-	-	-	-	-	-	443,818
68,384	197,064	3,301	53,401	19,791	-	1,053,218
-	-	-	-	-	-	4,359,900
2,003	616,099	419,221	13,240	-	-	2,104,515
<u>91,630</u>	<u>813,163</u>	<u>422,522</u>	<u>534,467</u>	<u>19,791</u>	<u>-</u>	<u>8,526,977</u>
-	-	-	-	-	-	18,045,525
4,689,513	-	-	-	-	-	8,079,155
-	-	107,152	-	-	-	107,152
-	-	-	559,894	-	-	559,894
-	14,201,515	-	-	-	-	14,201,515
-	-	-	-	2,474,146	-	2,474,146
-	-	-	-	-	-	1,823,700
662,667	-	-	-	-	-	662,667
90,205	-	-	-	-	-	90,205
<u>5,442,385</u>	<u>14,201,515</u>	<u>107,152</u>	<u>559,894</u>	<u>2,474,146</u>	<u>-</u>	<u>46,043,959</u>
<u>(5,350,755)</u>	<u>(13,388,352)</u>	<u>315,370</u>	<u>(25,427)</u>	<u>(2,454,355)</u>	<u>-</u>	<u>(37,516,982)</u>
592,851	15,048,435	140,000	-	3,970,484	(6,647,417)	22,181,927
-	(871,000)	-	(155,000)	(97,000)	6,647,417	(2,794,660)
-	-	-	-	-	-	1,823,700
5,000,000	-	-	-	-	-	15,000,000
<u>5,592,851</u>	<u>14,177,435</u>	<u>140,000</u>	<u>(155,000)</u>	<u>3,873,484</u>	<u>-</u>	<u>36,210,967</u>
242,096	789,083	455,370	(180,427)	1,419,129	-	(1,306,015)
7,840,280	13,918,166	(1,304,703)	4,723,796	1,835,604	-	90,838,537
<u>\$ 8,082,376</u>	<u>\$ 14,707,249</u>	<u>\$ (849,333)</u>	<u>\$ 4,543,369</u>	<u>\$ 3,254,733</u>	<u>\$ -</u>	<u>\$ 89,532,522</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STREET IMPROVEMENT FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over</u> <u>(Under)</u> <u>Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	\$ -
Developer participation	1,268,347	15,276	1,283,623	4,008,123	(2,724,500)
Assessments	-	384,244	384,244	210,000	174,244
Interest on investments	-	227,653	227,653	320,000	(92,347)
Miscellaneous other	74,242	787,710	861,952	500,000	361,952
<b>Total revenues</b>	<u>1,492,589</u>	<u>1,414,883</u>	<u>2,907,472</u>	<u>5,188,123</u>	<u>(2,280,651)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	561,408	561,408	561,408	-
Powell bill fund	-	2,321,000	2,321,000	2,321,000	-
Sidewalk fund	-	36,009	36,009	36,009	-
Facility fees fund	-	3,876,000	3,876,000	3,876,000	-
<b>Total other financing sources</b>	<u>-</u>	<u>6,794,417</u>	<u>6,794,417</u>	<u>6,794,417</u>	<u>-</u>
<b>Total revenues and other financing sources</b>	<u>\$ 1,492,589</u>	<u>\$ 8,209,300</u>	<u>\$ 9,701,889</u>	11,982,540	<u>\$ (2,280,651)</u>
Fund balance appropriated				<u>43,260,406</u>	
				<u>\$ 55,242,946</u>	
<b>EXPENDITURES</b>					
Street projects	<u>\$ 24,234,575</u>	<u>\$ 6,903,519</u>	<u>\$ 31,138,094</u>	<u>\$ 53,703,129</u>	<u>\$ (22,565,035)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	615,000	615,000	615,000	-
Street bond fund	-	274,157	274,157	274,157	-
Mass transit fund	-	650,660	650,660	650,660	-
<b>Total other financing uses</b>	<u>-</u>	<u>1,539,817</u>	<u>1,539,817</u>	<u>1,539,817</u>	<u>-</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 24,234,575</u>	<u>\$ 8,443,336</u>	<u>\$ 32,677,911</u>	<u>\$ 55,242,946</u>	<u>\$ (22,565,035)</u>



**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STREET BOND FUND  
 For the Fiscal Year Ended June 30, 2004**

	<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	\$ 312,206	\$ 61,181	\$ 373,387	\$ 510,000	\$ (136,613)
Developer participation	129,840	-	129,840	166,787	(36,947)
Interest on investments	192,091	250,229	442,320	750,000	(307,680)
Miscellaneous other	13,055	-	13,055	56,045	(42,990)
Total revenues	<u>647,192</u>	<u>311,410</u>	<u>958,602</u>	<u>1,482,832</u>	<u>(524,230)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from street improvement fund	-	274,157	274,157	274,157	-
Bond proceeds	<u>38,004,007</u>	<u>10,000,000</u>	<u>48,004,007</u>	<u>52,023,000</u>	<u>(4,018,993)</u>
Total other financing sources	<u>38,004,007</u>	<u>10,274,157</u>	<u>48,278,164</u>	<u>52,297,157</u>	<u>(4,018,993)</u>
Total revenues and other financing sources	<u>\$ 38,651,199</u>	<u>\$ 10,585,567</u>	<u>\$ 49,236,766</u>	53,779,989	<u>\$ (4,543,223)</u>
Fund balance appropriated				<u>32,418,388</u>	
				<u>\$ 86,198,377</u>	
<b>EXPENDITURES</b>					
Street projects	<u>\$ 44,878,017</u>	<u>\$ 10,914,848</u>	<u>\$ 55,792,865</u>	<u>\$ 86,198,377</u>	<u>\$ (30,405,512)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 SIDEWALK FUND  
 For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 31,349	\$ 31,349	\$ 30,000	\$ 1,349
Sidewalk paving assessment	-	59,574	59,574	50,000	9,574
Fees in lieu various	-	240,734	240,734	120,000	120,734
Total revenues	<u>-</u>	<u>331,657</u>	<u>331,657</u>	<u>200,000</u>	<u>131,657</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from facility fees fund	-	134,000	134,000	134,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 465,657</u>	<u>\$ 465,657</u>	334,000	<u>\$ 131,657</u>
Fund balance appropriated				<u>2,699,682</u>	
				<u>\$ 3,033,682</u>	
<b>EXPENDITURES</b>					
Sidewalk projects	<u>\$ 302,183</u>	<u>\$ 227,158</u>	<u>\$ 529,341</u>	<u>\$ 2,997,673</u>	<u>\$ (2,468,332)</u>
<b>OTHER FINANCING USES</b>					
Transfer to street improvement fund	-	36,009	36,009	36,009	-
Total expenditures and other financing uses	<u>\$ 302,183</u>	<u>\$ 263,167</u>	<u>\$ 565,350</u>	<u>\$ 3,033,682</u>	<u>\$ (2,468,332)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 PARK IMPROVEMENT FUND  
 For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 112,335	\$ 112,335	\$ 180,000	\$ (67,665)
Miscellaneous other	-	25,508	25,508	10,889	14,619
Total revenues	-	137,843	137,843	190,889	(53,046)
<b>OTHER FINANCING SOURCES</b>					
Installment obligations issued	-	1,823,700	1,823,700	1,823,700	-
Transfers from:					
General fund	-	335,000	335,000	335,000	-
Facility fees fund	-	1,540,000	1,540,000	1,540,000	-
Total other financing sources	-	3,698,700	3,698,700	3,698,700	-
Total revenues and other financing sources	\$ -	\$ 3,836,543	\$ 3,836,543	3,889,589	\$ (53,046)
Fund balance appropriated				19,579,652	
				\$ 23,469,241	
<b>EXPENDITURES</b>					
Capital outlay -					
installment obligations	\$ -	\$ 1,823,700	\$ 1,823,700	\$ 1,823,700	\$ -
Park improvement projects	7,399,151	3,389,642	10,788,793	20,452,290	(9,663,497)
Total expenditures	7,399,151	5,213,342	12,612,493	22,275,990	(9,663,497)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	561,000	561,000	561,000	-
Park bond fund	-	592,851	592,851	592,851	-
Convention center and memorial auditorium projects fund	-	39,400	39,400	39,400	-
Total other financing uses	-	1,193,251	1,193,251	1,193,251	-
Total expenditures and other financing uses	\$ 7,399,151	\$ 6,406,593	\$ 13,805,744	\$ 23,469,241	\$ (9,663,497)

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 FACILITY FEES FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 89,711	\$ 89,711	\$ 100,000	\$ (10,289)
Facility fees	-	4,359,900	4,359,900	3,721,000	638,900
Total revenues	<u>\$ -</u>	<u>\$ 4,449,611</u>	<u>\$ 4,449,611</u>	3,821,000	<u>\$ 628,611</u>
Fund balance appropriated				1,729,000	
				<u>\$ 5,550,000</u>	
<b>OTHER FINANCING USES</b>					
Transfers to:					
Street improvement fund	\$ -	\$ 3,876,000	\$ 3,876,000	\$ 3,876,000	\$ -
Sidewalk fund	-	134,000	134,000	134,000	-
Park improvement fund	-	1,540,000	1,540,000	1,540,000	-
Total other financing uses	<u>-</u>	<u>5,550,000</u>	<u>5,550,000</u>	<u>5,550,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,550,000</u>	<u>\$ 5,550,000</u>	<u>\$ 5,550,000</u>	<u>\$ -</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 PARK BOND FUND  
 For the Fiscal Year Ended June 30, 2004**

	<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	\$ -	\$ 21,243	\$ 21,243	\$ 241,000	\$ (219,757)
Wake County	-	-	-	980,000	(980,000)
Interest on investments	-	68,384	68,384	100,000	(31,616)
Miscellaneous income	1,650	2,003	3,653	2,003	1,650
Total revenues	<u>1,650</u>	<u>91,630</u>	<u>93,280</u>	<u>1,323,003</u>	<u>(1,229,723)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from					
park improvement fund	-	592,851	592,851	592,851	-
Bonds issued	<u>5,000,527</u>	<u>5,000,000</u>	<u>10,000,527</u>	<u>11,750,000</u>	<u>(1,749,473)</u>
Total other financing sources	<u>5,000,527</u>	<u>5,592,851</u>	<u>10,593,378</u>	<u>12,342,851</u>	<u>(1,749,473)</u>
Total revenues and other financing sources	<u>\$ 5,002,177</u>	<u>\$ 5,684,481</u>	<u>\$ 10,686,658</u>	13,665,854	<u>\$ (2,979,196)</u>
Fund balance appropriated				<u>10,910,564</u>	
				<u>\$ 24,576,418</u>	
<b>EXPENDITURES</b>					
Park projects	\$ 7,417,144	\$ 4,689,513	\$ 12,106,657	\$ 23,154,999	\$ (11,048,342)
Debt Service:					
Principal	554,667	662,667	1,217,334	1,217,334	-
Interest	<u>113,880</u>	<u>90,205</u>	<u>204,085</u>	<u>204,085</u>	<u>-</u>
Total expenditures	<u>\$ 8,085,691</u>	<u>\$ 5,442,385</u>	<u>\$ 13,528,076</u>	<u>\$ 24,576,418</u>	<u>\$ (11,048,342)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 MISCELLANEOUS CAPITAL IMPROVEMENTS FUND  
 For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ 65,428	\$ 197,064	\$ 262,492	\$ 185,988	\$ 76,504
Miscellaneous income	<u>1,877,089</u>	<u>616,099</u>	<u>2,493,188</u>	<u>2,090,356</u>	<u>402,832</u>
Total revenues	<u>1,942,517</u>	<u>813,163</u>	<u>2,755,680</u>	<u>2,276,344</u>	<u>479,336</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	5,443,000	5,443,000	5,443,000	-
Sales tax fund	-	2,180,435	2,180,435	2,180,435	-
Stormwater projects fund	-	155,000	155,000	155,000	-
General equipment replacement fund	-	2,600,000	2,600,000	2,600,000	-
Parking fund	-	<u>4,670,000</u>	<u>4,670,000</u>	<u>4,670,000</u>	-
	-	15,048,435	15,048,435	15,048,435	-
Bonds issued	-	-	-	8,500,000	(8,500,000)
Total other financing sources	<u>-</u>	<u>15,048,435</u>	<u>15,048,435</u>	<u>23,548,435</u>	<u>(8,500,000)</u>
Total revenues and other financing sources	<u>\$ 1,942,517</u>	<u>\$ 15,861,598</u>	<u>\$ 17,804,115</u>	25,824,779	<u>\$ (8,020,664)</u>
Fund balance appropriated				<u>19,309,043</u>	
				<u>\$ 45,133,822</u>	
<b>EXPENDITURES</b>					
Miscellaneous capital projects	<u>\$ 7,729,701</u>	<u>\$ 14,201,515</u>	<u>\$ 21,931,216</u>	<u>\$ 44,262,822</u>	<u>\$ (22,331,606)</u>
<b>OTHER FINANCING USES</b>					
Transfer to general fund	<u>-</u>	<u>871,000</u>	<u>871,000</u>	<u>871,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 7,729,701</u>	<u>\$ 15,072,515</u>	<u>\$ 22,802,216</u>	<u>\$ 45,133,822</u>	<u>\$ (22,331,606)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 CONVENTION CENTER AND MEMORIAL AUDITORIUM  
 PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 3,301	\$ 3,301	\$ -	\$ 3,301
Miscellaneous	-	84,869	84,869	-	84,869
Performing arts center donations	12,838,803	334,352	13,173,155	16,407,196	(3,234,041)
Total revenues	<u>12,838,803</u>	<u>422,522</u>	<u>13,261,325</u>	<u>16,407,196</u>	<u>(3,145,871)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	100,600	100,600	100,600	-
Park improvement fund	-	39,400	39,400	39,400	-
Total other financing sources	<u>-</u>	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 12,838,803</u>	<u>\$ 562,522</u>	<u>\$ 13,401,325</u>	16,547,196	<u>\$ (3,145,871)</u>
Fund balance appropriated				<u>19,272,077</u>	
				<u>\$ 35,819,273</u>	
<b>EXPENDITURES</b>					
Convention center and memorial auditorium projects	<u>\$ 34,739,564</u>	<u>\$ 107,152</u>	<u>\$ 34,846,716</u>	<u>\$ 35,819,273</u>	<u>\$ (972,557)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STORMWATER PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
State of North Carolina	\$ 2,534,188	\$ 467,826	\$ 3,002,014	\$ 4,173,334	\$ (1,171,320)
Interest on investments	-	53,401	53,401	100,000	(46,599)
Drainage petition fees	7,014	13,240	20,254	237,924	(217,670)
Total revenues	<u>\$ 2,541,202</u>	<u>\$ 534,467</u>	<u>\$ 3,075,669</u>	4,511,258	<u>\$ (1,435,589)</u>
Fund balance appropriated				7,589,107	
				<u>\$ 12,100,365</u>	
<b>EXPENDITURES</b>					
Stormwater projects	<u>\$ 5,403,895</u>	<u>\$ 559,894</u>	<u>\$ 5,963,789</u>	<u>\$ 11,945,365</u>	<u>\$ (5,981,576)</u>
<b>OTHER FINANCING USES</b>					
Transfer to miscellaneous capital improvements fund	-	155,000	155,000	155,000	-
Total expenditures and other financing uses	<u>\$ 5,403,895</u>	<u>\$ 714,894</u>	<u>\$ 6,118,789</u>	<u>\$ 12,100,365</u>	<u>\$ (5,981,576)</u>



**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 TECHNOLOGY CAPITAL PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 19,791	\$ 19,791	\$ 2,348,329	\$ (2,328,538)
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	-	3,970,484	3,970,484	3,970,484	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 3,990,275</u>	<u>\$ 3,990,275</u>	<u>\$ 6,318,813</u>	<u>\$ (2,328,538)</u>
<b>EXPENDITURES</b>					
Technology projects	\$ 529,223	\$ 2,474,146	\$ 3,003,369	\$ 6,221,813	\$ (3,218,444)
<b>OTHER FINANCING USES</b>					
Transfer to general fund	-	97,000	97,000	97,000	-
Total expenditures and other financing uses	<u>\$ 529,223</u>	<u>\$ 2,571,146</u>	<u>\$ 3,100,369</u>	<u>\$ 6,318,813</u>	<u>\$ (3,218,444)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 NEW CONVENTION CENTER COMPLEX FUND  
 For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 127,313	\$ 127,313	\$ -	\$ 127,313
<b>OTHER FINANCING SOURCES</b>					
Certificates of participation issued	-	49,871,650	49,871,650	49,862,104	9,546
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 49,998,963</u>	<u>\$ 49,998,963</u>	<u>\$ 49,862,104</u>	<u>\$ 136,859</u>
<b>EXPENDITURES</b>					
Debt issue costs	\$ -	\$ 566,660	\$ 566,660	\$ 566,660	\$ -
New convention center project	-	13,460,309	13,460,309	49,295,444	(35,835,135)
Total expenditures	<u>\$ -</u>	<u>\$ 14,026,969</u>	<u>\$ 14,026,969</u>	<u>\$ 49,862,104</u>	<u>\$ (35,835,135)</u>



## CITY OF RALEIGH, NORTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

### 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 mass transit, water and sewer utility, parking facilities and stormwater utility.



## ENTERPRISE FUNDS

**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 of the City. This fund also accounts for all capital projects financed by transit grant proceeds.

**WATER AND SEWER FUND (MAJOR FUND)** - The Water and Sewer Fund combines the operating, debt service and capital projects funds as follows:

**WATER AND SEWER OPERATING FUND** - The Water and Sewer Operating Fund accounts for the user charges, fees, other resources and all operating costs associated with the operation of the water and sewer systems of the City.

**WATER CAPITAL PROJECTS FUND** - The Water Capital Projects Fund accounts for transfers from other funds (primarily from water and sewer operating fund), developer participation, and all capital project costs in the construction of water capital improvement projects.

**SEWER CAPITAL PROJECTS FUND** - The Sewer Capital Projects Fund accounts for transfers from other funds (primarily from water and sewer operating fund), developer participation, and all capital project costs in the construction of sewer capital improvement projects.

**WATER AND SEWER REVENUE BOND FUND** - The Water and Sewer Revenue Bond Fund accounts for all water and sewer revenue bond proceeds and capital project costs in the construction of various utility capital improvement projects.

**WATER AND SEWER GENERAL OBLIGATION BOND FUND** - The Water and Sewer General Obligation Bond Fund accounts for all water and sewer general obligation bond proceeds and capital project costs in the construction of various utility capital improvement projects.

**PARKING FACILITIES FUND (MAJOR FUND)** - The Parking Facilities Fund accounts for the parking fee charges and all operating costs associated with the operation of all parking decks and lots owned by the City. This fund combines an operating and a capital projects fund as follows:

**PARKING FACILITIES OPERATING FUND** - The Parking Facilities Operating Fund accounts for the operations, debt service, and capital costs of all parking facilities.

**PARKING FACILITIES CAPITAL PROJECTS FUND** - The Parking Facilities Capital Projects Fund accounts for the capital costs of any parking facilities being constructed or improved.

**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.

City of Raleigh

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2004

	<u>Mass Transit Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,652,995	\$ 3,278,963	\$ 4,931,958
Customer receivables, net of allowance for uncollectibles of \$51,291	-	848,592	848,592
Due from other governmental agencies	964,827	-	964,827
Accrued interest receivable	-	1,709	1,709
Sales tax receivable	50,196	18,095	68,291
Inventories	294,690	-	294,690
Total current assets	<u>2,962,708</u>	<u>4,147,359</u>	<u>7,110,067</u>
Noncurrent assets:			
Restricted cash and cash equivalents	38,130	929,370	967,500
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	189,055	1,365,745	1,554,800
Buildings and machinery	3,798,718	-	3,798,718
Buses	16,741,103	-	16,741,103
Equipment	822,200	210,147	1,032,347
Furniture and fixtures	25,129	-	25,129
Improvements	900,908	-	900,908
Less accumulated depreciation	<u>(11,667,079)</u>	<u>(198,852)</u>	<u>(11,865,931)</u>
Total noncurrent assets	<u>11,837,153</u>	<u>2,306,410</u>	<u>14,143,563</u>
Total assets	<u>14,799,861</u>	<u>6,453,769</u>	<u>21,253,630</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	353,301	179,165	532,466
Accrued salaries and employee payroll taxes	2,104	18,758	20,862
Deferred contributions from other funds	1,365,555	-	1,365,555
Due to other funds	71,580	-	71,580
Total current liabilities	<u>1,792,540</u>	<u>197,923</u>	<u>1,990,463</u>
Noncurrent liabilities:			
Escrow and other deposits payable from restricted assets	38,130	929,370	967,500
Earned vacation pay	21,454	93,239	114,693
Total noncurrent liabilities	<u>59,584</u>	<u>1,022,609</u>	<u>1,082,193</u>
Total liabilities	<u>1,852,124</u>	<u>1,220,532</u>	<u>3,072,656</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,799,023	1,377,040	13,176,063
Unrestricted	1,148,714	3,856,197	5,004,911
Total net assets	<u>\$ 12,947,737</u>	<u>\$ 5,233,237</u>	<u>\$ 18,180,974</u>

City of Raleigh

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<u>Mass Transit Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
User charges	\$ 1,779,566	\$ 3,236,735	\$ 5,016,301
Other	335,218	14,700	349,918
Total operating revenues	<u>2,114,784</u>	<u>3,251,435</u>	<u>5,366,219</u>
<b>OPERATING EXPENSES</b>			
Administration	421,212	1,646,873	2,068,085
Materials, services and supplies	-	1,352,335	1,352,335
Other services	4,651,185	-	4,651,185
Management contract charges	8,314,756	-	8,314,756
Depreciation	1,491,303	9,474	1,500,777
Other	-	29,786	29,786
Total operating expenses	<u>14,878,456</u>	<u>3,038,468</u>	<u>17,916,924</u>
Operating income (loss)	<u>(12,763,672)</u>	<u>212,967</u>	<u>(12,550,705)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	40,678	40,678
Subsidy income - federal and state	4,360,910	-	4,360,910
Total nonoperating revenue (expense)	<u>4,360,910</u>	<u>40,678</u>	<u>4,401,588</u>
Income (loss) before contributions and transfers	<u>(8,402,762)</u>	<u>253,645</u>	<u>(8,149,117)</u>
Capital contributions	264,677	-	264,677
Transfers in	6,074,320	20,769	6,095,089
Transfers out	-	(213,940)	(213,940)
Change in net assets	<u>(2,063,765)</u>	<u>60,474</u>	<u>(2,003,291)</u>
Total net assets - beginning of year	<u>15,011,502</u>	<u>5,172,763</u>	<u>20,184,265</u>
Total net assets - end of year	<u>\$ 12,947,737</u>	<u>\$ 5,233,237</u>	<u>\$ 18,180,974</u>

City of Raleigh

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<u>Mass Transit Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,114,784	\$ 2,388,143	\$ 4,502,927
Net sales tax paid	(21,042)	(14,810)	(35,852)
Payments to employees	(440,807)	(1,626,681)	(2,067,488)
Payments to suppliers and service providers	(13,093,382)	(1,301,291)	(14,394,673)
Other receipts (payments)	-	14,700	14,700
Net cash used in operating activities	<u>(11,440,447)</u>	<u>(539,939)</u>	<u>(11,980,386)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers from (to) other funds	6,189,619	(208,940)	5,980,679
Operating grants received	4,677,191	-	4,677,191
Net cash provided by noncapital financing activities	<u>10,866,810</u>	<u>(208,940)</u>	<u>10,657,870</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and construction of capital assets	(5,465,464)	(1,272,501)	(6,737,965)
Capital grants and other capital contributions	4,905,422	-	4,905,422
Insurance proceeds	5,000	-	5,000
Escrow deposits	-	621,913	621,913
Net cash provided by capital and related financing activities	<u>(555,042)</u>	<u>(650,588)</u>	<u>(1,205,630)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	44,654	44,654
Net cash provided by investing activities	<u>-</u>	<u>44,654</u>	<u>44,654</u>
Net increase (decrease) in cash and cash equivalents/investments	(1,128,679)	(1,354,813)	(2,483,492)
Cash and cash equivalents/investments - beginning of year	2,819,804	5,563,146	8,382,950
Cash and cash equivalents/investments - end of year	<u>\$ 1,691,125</u>	<u>\$ 4,208,333</u>	<u>\$ 5,899,458</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (12,763,672)	\$ 212,967	\$ (12,550,705)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	1,491,303	9,474	1,500,777
Change in assets and liabilities			
Operating receivables	-	(848,592)	(848,592)
Sales tax receivable	(21,042)	(14,810)	(35,852)
Inventories	(55,971)	-	(55,971)
Accounts payable and other accrued liabilities	(89,183)	94,575	5,392
Escrow and other deposits	18,630	-	18,630
Earned vacation pay	(20,512)	6,447	(14,065)
Total adjustments	<u>1,323,225</u>	<u>(752,906)</u>	<u>570,319</u>
Net cash used in operating activities	<u>\$ (11,440,447)</u>	<u>\$ (539,939)</u>	<u>\$ (11,980,386)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	\$ 5,150,726	\$ 59,548	\$ 5,210,274
Net transfer of assets and liabilities from other funds	<u>\$ -</u>	<u>\$ 20,769</u>	<u>\$ 20,769</u>





## **SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ENTERPRISE FUNDS**

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

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
MASS TRANSIT FUND  
For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Farebox	\$ -	\$ 1,758,612	\$ 1,758,612	\$ 2,047,580	\$ (288,968)
Charter	-	20,954	20,954	30,000	(9,046)
Intergovernmental revenue:					
Federal Transit Administration	8,869,096	7,327,408	16,196,504	24,978,175	(8,781,671)
State of North Carolina	353,064	2,255,206	2,608,270	3,157,745	(549,475)
Miscellaneous other	145,000	340,218	485,218	527,308	(42,090)
Total revenues	<u>9,367,160</u>	<u>11,702,398</u>	<u>21,069,558</u>	<u>30,740,808</u>	<u>(9,671,250)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	5,536,621	5,536,621	5,886,621	(350,000)
Sales tax fund	974,198	-	974,198	974,655	(457)
Street improvement fund	2,885,283	650,660	3,535,943	3,535,943	-
Total other financing sources	<u>3,859,481</u>	<u>6,187,281</u>	<u>10,046,762</u>	<u>10,397,219</u>	<u>(350,457)</u>
Total revenues and other financing sources	<u>\$ 13,226,641</u>	<u>\$ 17,889,679</u>	<u>\$ 31,116,320</u>	41,138,027	<u>\$ (10,021,707)</u>
Fund balance appropriated				<u>1,596,663</u>	
				<u>\$ 42,734,690</u>	
<b>EXPENDITURES</b>					
Mass transit operating expenditures	\$ -	\$ 8,558,817	\$ 8,558,817	\$ 9,346,166	\$ (787,349)
ART program operating expenditures	-	2,249,769	2,249,769	2,192,006	57,763
Capital grant expenditures	17,900,901	2,913,817	20,814,718	31,196,518	(10,381,800)
Total expenditures	<u>\$ 17,900,901</u>	<u>\$ 13,722,403</u>	<u>\$ 31,623,304</u>	<u>\$ 42,734,690</u>	<u>\$ (11,111,386)</u>

Continued

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
MASS TRANSIT FUND  
For the Fiscal Year Ended June 30, 2004**

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

Total current year revenues - modified accrual basis	\$ 17,889,679
Total current year expenditures - modified accrual basis	<u>(13,722,403)</u>
Excess of revenues over expenditures	4,167,276
Adjustments to full accrual basis:	
Capital outlay	314,738
Decrease in federal and state receivables - capital projects	(4,957,026)
Increase in deferred contributions from other funds	(112,962)
Insurance proceeds from equipment loss	(5,000)
Depreciation	(1,491,303)
Vacation expense	<u>20,512</u>
Change in net assets per statement of revenues, expenses, and changes in fund net assets	<u><u>\$ (2,063,765)</u></u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS ) AND ACTUAL  
WATER AND SEWER OPERATING FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Water and sewer user charges	\$ 52,846,389	\$ 57,114,217	\$ (4,267,828)
Water and sewer services	695,335	710,771	(15,436)
Outside sewer connections	32,728	91,000	(58,272)
Water and sewer penalties	242,845	60,000	182,845
Water and sewer sales - municipalities	4,329,805	5,630,885	(1,301,080)
Capital facility charges	1,409,526	1,557,363	(147,837)
Water and sewer assessments	637,421	650,000	(12,579)
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	2,211,717	1,882,253	329,464
Miscellaneous other	845,867	855,896	(10,029)
Total operating revenues	<u>63,501,633</u>	<u>68,802,385</u>	<u>(5,300,752)</u>
<b>NONOPERATING REVENUES</b>			
Interest on investments	598,621	941,400	(342,779)
Other	565,363	576,536	(11,173)
Total nonoperating revenues	<u>1,163,984</u>	<u>1,517,936</u>	<u>(353,952)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from general fund	8,393	8,393	-
Refunding bonds issued	9,861,850	9,861,850	-
Premium on refunding bonds issued	303,294	303,294	-
Total other financing sources	<u>10,173,537</u>	<u>10,173,537</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 74,839,154</u>	80,493,858	<u>\$ (5,654,704)</u>
Fund balance appropriated		<u>6,331,174</u>	
		<u>\$ 86,825,032</u>	
<b>EXPENDITURES</b>			
<b>Public utilities:</b>			
Administration	\$ 3,341,202	\$ 3,425,869	\$ (84,667)
Water plant	13,607,759	15,158,758	(1,550,999)
Waste treatment plant	8,856,272	9,672,530	(816,258)
Utilities construction	7,194,825	7,874,684	(679,859)
Utilities maintenance	4,099,429	4,581,682	(482,253)
Meter	3,425,532	3,779,817	(354,285)
Warehouse	1,010,690	1,360,301	(349,611)
	<u>41,535,709</u>	<u>45,853,641</u>	<u>(4,317,932)</u>
<b>Special appropriations:</b>			
Reimbursement to general fund	7,892,936	7,892,936	-
Insurance and risk management charges	565,088	565,896	(808)
Other expenditures	519,412	779,386	(259,974)
	<u>8,977,436</u>	<u>9,238,218</u>	<u>(260,782)</u>

Continued

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS ) AND ACTUAL  
WATER AND SEWER OPERATING FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
<b>Debt service:</b>			
General obligations bonds:			
Principal	\$ 3,546,300	\$ 3,546,300	\$ -
Interest	1,026,178	4,078,050	(3,051,872)
Revenue bonds:			
Principal	2,235,000	2,235,000	-
Interest	3,592,931	3,592,931	-
Installment financing agreement	1,920,369	2,340,371	(420,002)
Other installment obligations	7,145	10,000	(2,855)
Other expenditures	210,547	258,841	(48,294)
	<u>12,538,470</u>	<u>16,061,493</u>	<u>(3,523,023)</u>
<b>OTHER EXPENDITURES</b>			
Refunds and other	<u>73,393</u>	<u>97,715</u>	<u>(24,322)</u>
Total expenditures	<u>63,125,008</u>	<u>71,251,067</u>	<u>(8,126,059)</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
General fund	178,300	178,300	-
Public utilities equipment replacement fund	98,990	98,990	-
Water capital projects fund	2,496,200	2,496,200	-
Sewer capital projects fund	2,503,800	2,503,800	-
Water and sewer revenue bond fund	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total transfers	5,477,290	5,477,290	-
Payment to refunded bond escrow agent	<u>10,096,675</u>	<u>10,096,675</u>	<u>-</u>
Total other financing uses	<u>15,573,965</u>	<u>15,573,965</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 78,698,973</u>	<u>\$ 86,825,032</u>	<u>\$ (8,126,059)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 24,987	\$ 24,987	\$ 40,000	\$ (15,013)
Developer participation: Ray Road sewer	15,582	-	15,582	23,894	(8,312)
Total revenues	<u>15,582</u>	<u>24,987</u>	<u>40,569</u>	<u>63,894</u>	<u>(23,325)</u>
<b>OTHER FINANCING SOURCES</b>					
State loan proceeds	-	-	-	2,900,000	(2,900,000)
Transfers from:					
Water and sewer operating fund	-	2,496,200	2,496,200	2,496,200	-
Water and sewer revenue bond fund	-	196,000	196,000	196,000	-
Water and sewer general obligation bond fund	-	79,000	79,000	79,000	-
Total other financing sources	<u>-</u>	<u>2,771,200</u>	<u>2,771,200</u>	<u>5,671,200</u>	<u>(2,900,000)</u>
Total revenues and other financing sources	<u>\$ 15,582</u>	<u>\$ 2,796,187</u>	<u>\$ 2,811,769</u>	5,735,094	<u>\$ (2,923,325)</u>
Fund balance appropriated				<u>9,313,310</u>	
				<u>\$ 15,048,404</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 4,301,269	\$ 5,915,632	\$ 10,216,901	\$ 14,708,072	\$ (4,491,171)
<b>OTHER FINANCING USES</b>					
Transfer to water and sewer revenue bond fund	-	340,332	340,332	340,332	-
Total expenditures and other financing uses	<u>\$ 4,301,269</u>	<u>\$ 6,255,964</u>	<u>\$ 10,557,233</u>	<u>\$ 15,048,404</u>	<u>\$ (4,491,171)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
SEWER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 80,212	\$ 80,212	\$ 40,000	\$ 40,212
Intergovernmental:					
US Environmental Protection Agency	115,000	-	115,000	115,000	-
Developer participation:					
Telemetry upgrade	-	10,212	10,212	20,424	(10,212)
Neuse outfall extension	-	-	-	66,668	(66,668)
Miscellaneous other	-	127,780	127,780	239,109	(111,329)
Total revenues	<u>115,000</u>	<u>218,204</u>	<u>333,204</u>	<u>481,201</u>	<u>(147,997)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Water and sewer operating fund	-	2,503,800	2,503,800	2,503,800	-
Water and sewer revenue bond fund	-	241,700	241,700	241,700	-
Water and sewer general obligation bond fund	-	126,400	126,400	126,400	-
State loan proceeds	<u>1,077,279</u>	<u>-</u>	<u>1,077,279</u>	<u>1,360,000</u>	<u>(282,721)</u>
Total other financing sources	<u>1,077,279</u>	<u>2,871,900</u>	<u>3,949,179</u>	<u>4,231,900</u>	<u>(282,721)</u>
Total revenues and other financing sources	<u>\$ 1,192,279</u>	<u>\$ 3,090,104</u>	<u>\$ 4,282,383</u>	4,713,101	<u>\$ (430,718)</u>
Fund balance appropriated				<u>11,939,209</u>	
				<u>\$ 16,652,310</u>	
<b>EXPENDITURES</b>					
Sewer capital projects	<u>\$ 5,201,956</u>	<u>\$ 5,365,138</u>	<u>\$ 10,567,094</u>	<u>\$ 16,531,010</u>	<u>\$ (5,963,916)</u>
<b>OTHER FINANCING USES</b>					
Transfers to water and sewer revenue bond fund	<u>-</u>	<u>121,300</u>	<u>121,300</u>	<u>121,300</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 5,201,956</u>	<u>\$ 5,486,438</u>	<u>\$ 10,688,394</u>	<u>\$ 16,652,310</u>	<u>\$ (5,963,916)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER REVENUE BOND FUND  
For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 102,381	\$ 102,381	\$ -	\$ 102,381
Developer participation	-	-	-	19,500	(19,500)
Total revenues	<u>-</u>	<u>102,381</u>	<u>102,381</u>	<u>19,500</u>	<u>82,881</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Water and sewer operating fund	-	200,000	200,000	200,000	-
Water capital projects fund	-	340,332	340,332	340,332	-
Sewer capital projects fund	-	121,300	121,300	121,300	-
	<u>-</u>	<u>661,632</u>	<u>661,632</u>	<u>661,632</u>	<u>-</u>
Bond proceeds	-	108,980,000	108,980,000	25,952,168	83,027,832
Premium on revenue bonds	-	3,959,786	3,959,786	-	3,959,786
Total other financing sources	<u>-</u>	<u>113,601,418</u>	<u>113,601,418</u>	<u>26,613,800</u>	<u>86,987,618</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 113,703,799</u>	<u>\$ 113,703,799</u>	26,633,300	<u>\$ 87,070,499</u>
Fund balance appropriated				<u>44,549,467</u>	
				<u>\$ 71,182,767</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 23,215,603	\$ 6,903,255	\$ 30,118,858	\$ 35,820,663	\$ (5,701,805)
Sewer capital projects	15,143,876	6,857,246	22,001,122	34,424,712	(12,423,590)
Debt Service:					
Principal	-	318,147	318,147	318,147	-
Interest	-	46,477	46,477	46,477	-
Bond issue costs	-	1,119,931	1,119,931	135,068	984,863
Total expenditures	<u>38,359,479</u>	<u>15,245,056</u>	<u>53,604,535</u>	<u>70,745,067</u>	<u>(17,140,532)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Water capital projects fund	-	196,000	196,000	196,000	-
Sewer capital projects fund	-	241,700	241,700	241,700	-
Total other financing uses	<u>-</u>	<u>437,700</u>	<u>437,700</u>	<u>437,700</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 38,359,479</u>	<u>\$ 15,682,756</u>	<u>\$ 54,042,235</u>	<u>\$ 71,182,767</u>	<u>\$ (17,140,532)</u>



City of Raleigh

**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, 2004**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 28,700	\$ 28,700	\$ -	\$ 28,700
Fund balance appropriated				3,775,254	
				<u>\$ 3,775,254</u>	
<b>EXPENDITURES</b>					
Water and sewer capital projects	\$ 1,100,405	\$ 164,950	\$ 1,265,355	\$ 3,569,854	\$ (2,304,499)
<b>OTHER FINANCING USES</b>					
Transfers to:					
Water capital projects fund	-	79,000	79,000	79,000	-
Sewer capital projects fund	-	126,400	126,400	126,400	-
	<u>-</u>	<u>205,400</u>	<u>205,400</u>	<u>205,400</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 1,100,405</u>	<u>\$ 370,350</u>	<u>\$ 1,470,755</u>	<u>\$ 3,775,254</u>	<u>\$ (2,304,499)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER FUNDS  
For the Fiscal Year Ended June 30, 2004**

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

Total current year revenues and other financing sources - modified accrual basis:	
Water and sewer operating fund	\$ 74,839,154
Water capital projects fund	2,796,187
Sewer capital projects fund	3,090,104
Water and sewer revenue bond fund	113,703,799
Water and sewer general obligation bond fund	28,700
Total current year expenditures and other financing uses - modified accrual basis:	
Water and sewer operating fund	(78,698,973)
Water capital projects fund	(6,255,964)
Sewer capital projects fund	(5,486,438)
Water and sewer revenue bond fund	(15,682,756)
Water and sewer general obligation bond fund	<u>(370,350)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	87,963,463
Adjustments to full accrual basis:	
Amortization of deferred costs	(64,702)
Bond and note principal payments	7,479,660
Bond and note proceeds	(112,023,392)
Capital contributions	8,533,784
Capital outlay	24,571,399
Capitalized interest	742,375
Depreciation	(13,828,507)
Interest expense accrual	(1,626,385)
Interest income accrual	5,585
Earned vacation pay expense	(61,087)
Other escrow expenditures	50,352
Revenue accruals from receivables	<u>2,884,892</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	<u>\$ 4,627,437</u>

*City of Raleigh*

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES OPERATING FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Parking fees	\$ 2,828,100	\$ 2,904,000	\$ (75,900)
Interest on investments	68,825	121,647	(52,822)
Total revenues	<u>2,896,925</u>	<u>3,025,647</u>	<u>(128,722)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from general fund	80,000	80,000	-
Total revenues and other financing sources	<u>\$ 2,976,925</u>	<u>3,105,647</u>	<u>\$ (128,722)</u>
Fund balance appropriated		<u>3,583,827</u>	
		<u>\$ 6,689,474</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 654,872</u>	<u>\$ 985,492</u>	<u>\$ (330,620)</u>
<b>DEBT SERVICE</b>			
Bond principal	785,000	785,000	-
Bond interest	426,413	446,413	(20,000)
Note principal	1,014,004	1,014,004	-
Note interest	321,907	739,565	(417,658)
Total debt service	<u>2,547,324</u>	<u>2,984,982</u>	<u>(437,658)</u>
<b>OTHER FINANCING USES</b>			
Transfers to :			
General fund	500,000	500,000	-
Miscellaneous capital projects fund	2,170,000	2,170,000	-
Parking facilities capital projects fund	49,000	49,000	-
Total other financing uses	<u>2,719,000</u>	<u>2,719,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 5,921,196</u>	<u>\$ 6,689,474</u>	<u>\$ (768,278)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 24,757	\$ 24,757	\$ -	\$ 24,757
Miscellaneous other	-	77,824	77,824	34,780	43,044
Total revenues	-	102,581	102,581	34,780	67,801
<b>OTHER FINANCING SOURCES</b>					
Transfer from parking facilities operating fund	-	49,000	49,000	49,000	-
Total revenues and other financing sources	\$ -	\$ 151,581	\$ 151,581	83,780	\$ 67,801
Fund balance appropriated				4,650,245	
				\$ 4,734,025	
<b>EXPENDITURES</b>					
Parking facilities capital projects	\$ 1,297,517	\$ 398,925	\$ 1,696,442	\$ 2,234,025	\$ (537,583)
<b>OTHER FINANCING USES</b>					
Transfer to miscellaneous capital projects fund	-	2,500,000	2,500,000	2,500,000	-
Total expenditures and other financing uses	\$ 1,297,517	\$ 2,898,925	\$ 4,196,442	\$ 4,734,025	\$ (537,583)

*City of Raleigh*

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES FUNDS  
For the Fiscal Year Ended June 30, 2004**

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

Total current year revenues and other financing sources - modified accrual basis (Parking facilities operating fund)	\$ 2,976,925
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities operating fund)	(5,921,196)
Total current year revenues and other financing sources - modified accrual basis (Parking facilities capital projects fund)	151,581
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities capital projects fund)	<u>(2,898,925)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(5,691,615)
Adjustments to full accrual basis:	
Depreciation	(1,009,360)
Capital outlay	196,803
Accrued interest expense	12,392
Amortization of deferred refunding and deferred issue costs	(67,255)
Bond principal	785,000
Note principal	1,014,004
Accrued interest income - arbitrage	(210)
Vacation expense	<u>(6,043)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	<u>\$ (4,766,284)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY OPERATING FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Actual Current Year</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
User charges	\$ 2,388,143	\$ 2,981,129	\$ (592,986)
Interest on investments	5,375	-	5,375
Total revenues	<u>\$ 2,393,518</u>	<u>2,981,129</u>	<u>\$ (587,611)</u>
Fund balance appropriated		<u>1,514,671</u>	
		<u>\$ 4,495,800</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 2,999,208</u>	<u>\$ 3,569,606</u>	<u>\$ (570,398)</u>
<b>OTHER FINANCING USES</b>			
Transfers to:			
General fund	144,194	144,194	-
Stormwater utility capital projects fund	<u>782,000</u>	<u>782,000</u>	<u>-</u>
Total other financing uses	<u>926,194</u>	<u>926,194</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,925,402</u>	<u>\$ 4,495,800</u>	<u>\$ (570,398)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2004**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 35,303	\$ 35,303	\$ -	\$ 35,303
Miscellaneous other	1,840	14,700	16,540	133,200	(116,660)
Total revenues	<u>1,840</u>	<u>50,003</u>	<u>51,843</u>	<u>133,200</u>	<u>(81,357)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from stormwater utility operating fund	-	782,000	782,000	782,000	-
Total revenues and other financing sources	<u>\$ 1,840</u>	<u>\$ 832,003</u>	<u>\$ 833,843</u>	915,200	<u>\$ (81,357)</u>
Fund balance appropriated				<u>3,552,187</u>	
				<u>\$ 4,467,387</u>	
<b>EXPENDITURES</b>					
Stormwater capital projects	\$ 33,696	\$ 1,361,835	\$ 1,395,531	\$ 4,397,641	\$ (3,002,110)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	64,746	64,746	64,746	-
Grants fund	-	5,000	5,000	5,000	-
Total other financing uses	<u>-</u>	<u>69,746</u>	<u>69,746</u>	<u>69,746</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 33,696</u>	<u>\$ 1,431,581</u>	<u>\$ 1,465,277</u>	<u>\$ 4,467,387</u>	<u>\$ (3,002,110)</u>

**City of Raleigh**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY FUNDS  
For the Fiscal Year Ended June 30, 2004**

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

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 2,393,518
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility operating fund)	(3,925,402)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	832,003
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	<u>(1,431,581)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(2,131,462)
Adjustments to full accrual basis:	
Capital outlay	1,332,049
Depreciation	(9,474)
Revenue accruals from receivables	848,592
Non cash transfer, equipment (net of accumulated depreciation)	<u>20,769</u>
Change in net assets per statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 60,474</u></u>





**CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**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.

**EMPLOYEE'S HEALTH BENEFITS FUND** - The Employee's 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.

City of Raleigh

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2004

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employee's Health Benefits Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 19,045	\$ 6,174,456	\$ 5,632,901
Accrued interest receivable	-	2,653	-
Sales tax receivable	36,583	220	-
Inventories	16,106	-	-
Insurance deposit	-	133,500	-
Deferred charges	-	-	-
Total current assets	<u>71,734</u>	<u>6,310,829</u>	<u>5,632,901</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	111,949	-	-
Less accumulated depreciation	<u>(85,273)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>26,676</u>	<u>-</u>	<u>-</u>
Total assets	<u>98,410</u>	<u>6,310,829</u>	<u>5,632,901</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	14,819	-	-
Accrued salaries and employee payroll taxes	1,656	-	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	14,754,523	3,171,858
Bonds, notes and loans payable	-	-	-
Unamortized premium	-	-	-
Total current liabilities	<u>16,475</u>	<u>14,754,523</u>	<u>3,171,858</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Unamortized premium	-	-	-
Earned vacation pay	<u>9,561</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>9,561</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>26,036</u>	<u>14,754,523</u>	<u>3,171,858</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	26,676	-	-
Unrestricted	<u>45,698</u>	<u>(8,443,694)</u>	<u>2,461,043</u>
Total net assets	<u>\$ 72,374</u>	<u>\$ (8,443,694)</u>	<u>\$ 2,461,043</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total June 30, 2004</b>
\$ -	\$ 1,407,750	\$ 34,589	\$ 13,268,741
-	601	-	3,254
73,482	60,781	172,315	343,381
-	-	617,208	633,314
-	-	-	133,500
19,041	-	-	19,041
<u>92,523</u>	<u>1,469,132</u>	<u>824,112</u>	<u>14,401,231</u>
7,019,442	2,644,981	-	9,664,423
-	-	230,912	230,912
32,639,708	9,047,972	799,075	42,598,704
(19,663,427)	(4,525,012)	(736,027)	(25,009,739)
<u>19,995,723</u>	<u>7,167,941</u>	<u>293,960</u>	<u>27,484,300</u>
<u>20,088,246</u>	<u>8,637,073</u>	<u>1,118,072</u>	<u>41,885,531</u>
62,491	27,966	415,113	520,389
-	-	38,230	39,886
22,842	3,574	-	26,416
-	-	326	17,926,707
3,857,495	892,505	-	4,750,000
204,365	62,205	-	266,570
<u>4,147,193</u>	<u>986,250</u>	<u>453,669</u>	<u>23,529,968</u>
10,298,662	3,436,338	-	13,735,000
273,722	109,537	-	383,259
-	-	210,194	219,755
<u>10,572,384</u>	<u>3,545,875</u>	<u>210,194</u>	<u>14,338,014</u>
<u>14,719,577</u>	<u>4,532,125</u>	<u>663,863</u>	<u>37,867,982</u>
5,361,478	2,667,355	293,960	8,349,469
7,191	1,437,593	160,249	(4,331,920)
<u>\$ 5,368,669</u>	<u>\$ 4,104,948</u>	<u>\$ 454,209</u>	<u>\$ 4,017,549</u>

*City of Raleigh*

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employee's Health Benefits Fund</b>
<b>OPERATING REVENUES</b>			
Charges for services - internal	\$ 764,707	\$ 4,102,000	\$ 19,502,123
Other charges	-	131,104	-
Total operating revenues	<u>764,707</u>	<u>4,233,104</u>	<u>19,502,123</u>
<b>OPERATING EXPENSES</b>			
Administration	129,708	364,755	2,097,481
Materials, services and supplies	615,800	-	-
Claims	-	10,570,591	16,444,728
Premiums	-	904,900	-
Depreciation	8,197	-	-
Other	1,913	-	-
Total operating expenses	<u>755,618</u>	<u>11,840,246</u>	<u>18,542,209</u>
Operating income (loss)	<u>9,089</u>	<u>(7,607,142)</u>	<u>959,914</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	65,602	39,281
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>65,602</u>	<u>39,281</u>
Income (loss) before transfers	9,089	(7,541,540)	999,195
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	9,089	(7,541,540)	999,195
Total net assets, beginning of year	63,285	(902,154)	1,461,848
Total net assets, end of year	<u>\$ 72,374</u>	<u>\$ (8,443,694)</u>	<u>\$ 2,461,043</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total</b>
\$ 6,612,136	\$ 1,927,131	\$ 8,199,956	\$ 41,108,053
55,172	19,162	-	205,438
<u>6,667,308</u>	<u>1,946,293</u>	<u>8,199,956</u>	<u>41,313,491</u>
-	-	2,639,485	5,231,429
-	-	5,742,254	6,358,054
-	-	-	27,015,319
-	-	-	904,900
4,732,601	1,378,676	78,639	6,198,113
141,394	-	5,838	149,145
<u>4,873,995</u>	<u>1,378,676</u>	<u>8,466,216</u>	<u>45,856,960</u>
<u>1,793,313</u>	<u>567,617</u>	<u>(266,260)</u>	<u>(4,543,469)</u>
65,689	46,665	(10,522)	206,715
(580,674)	(175,150)	-	(755,824)
(23,543)	-	-	(23,543)
<u>(538,528)</u>	<u>(128,485)</u>	<u>(10,522)</u>	<u>(572,652)</u>
1,254,785	439,132	(276,782)	(5,116,121)
-	98,990	3,264	102,254
<u>(2,600,000)</u>	<u>-</u>	<u>-</u>	<u>(2,600,000)</u>
(1,345,215)	538,122	(273,518)	(7,613,867)
6,713,884	3,566,826	727,727	11,631,416
<u>\$ 5,368,669</u>	<u>\$ 4,104,948</u>	<u>\$ 454,209</u>	<u>\$ 4,017,549</u>

**City of Raleigh**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b>Print Services Fund</b>	<b>Risk Management Fund</b>	<b>Employee's Health Benefits Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 769,228	\$ 4,233,104	\$ 19,502,123
Net sales tax received (paid)	(2,656)	(56)	-
Payments to employees	(127,922)	-	-
Payments to suppliers and service providers	(645,202)	(385,969)	(2,097,481)
Internal activity - payments from (to) other funds	-	-	-
Claims paid	-	(4,663,824)	(15,860,191)
Premiums paid	-	(904,900)	-
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	<u>(6,552)</u>	<u>(1,721,645)</u>	<u>1,544,451</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers from (to) other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and construction of capital assets	(6,250)	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(6,250)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	70,608	39,281
Net cash provided (used) in investing activities	<u>-</u>	<u>70,608</u>	<u>39,281</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(12,802)</u>	<u>(1,651,037)</u>	<u>1,583,732</u>
Cash and cash equivalents/investments			
Beginning of year	31,847	7,825,493	4,049,169
End of year	<u>\$ 19,045</u>	<u>\$ 6,174,456</u>	<u>\$ 5,632,901</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 9,089	\$ (7,607,142)	\$ 959,914
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	8,197	-	-
Amortization	-	-	-
Change in assets and liabilities:			
Operating receivables	4,521	-	-
Sales tax receivable	(2,656)	(56)	-
Inventories	(3,393)	-	-
Accounts payable and other accrued liabilities	(22,766)	5,885,553	584,537
Earned vacation pay	456	-	-
Nonoperating receipts/payments	-	-	-
Total adjustments	<u>(15,641)</u>	<u>5,885,497</u>	<u>584,537</u>
Net cash provided by (used in) operating activities	<u>\$ (6,552)</u>	<u>\$ (1,721,645)</u>	<u>\$ 1,544,451</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>
\$ 6,612,136	\$ 1,927,131	\$ 8,199,956	\$ 41,243,678
(31,818)	(29,994)	(36,177)	(100,701)
-	-	(2,611,216)	(2,739,138)
-	-	(5,648,196)	(8,776,848)
18,783	7,530	-	26,313
-	-	-	(20,524,015)
-	-	-	(904,900)
(91,144)	6,079	(5,838)	(90,903)
<u>6,507,957</u>	<u>1,910,746</u>	<u>(101,471)</u>	<u>8,133,486</u>
(2,600,000)	98,990	3,264	(2,497,746)
<u>(2,600,000)</u>	<u>98,990</u>	<u>3,264</u>	<u>(2,497,746)</u>
(5,323,754)	(2,595,020)	(7,335)	(7,932,359)
(6,296,851)	(1,618,149)	-	(7,915,000)
(803,682)	(241,386)	-	(1,045,068)
<u>(12,424,287)</u>	<u>(4,454,555)</u>	<u>(7,335)</u>	<u>(16,892,427)</u>
(158,013)	(27,054)	(10,522)	(85,700)
<u>(158,013)</u>	<u>(27,054)</u>	<u>(10,522)</u>	<u>(85,700)</u>
(8,674,343)	(2,471,873)	(116,064)	(11,342,387)
15,693,785	6,524,604	150,653	34,275,551
<u>\$ 7,019,442</u>	<u>\$ 4,052,731</u>	<u>\$ 34,589</u>	<u>\$ 22,933,164</u>
\$ 1,793,313	\$ 567,617	\$ (266,260)	\$ (4,543,469)
4,732,601	1,378,676	78,639	6,198,113
19,043	-	-	19,043
18,783	7,530	-	30,834
(31,818)	(29,994)	(36,177)	(100,701)
-	-	(75,802)	(79,195)
(422)	(13,083)	198,057	6,631,876
-	-	72	528
(23,543)	-	-	(23,543)
<u>4,714,644</u>	<u>1,343,129</u>	<u>164,789</u>	<u>12,676,955</u>
<u>\$ 6,507,957</u>	<u>\$ 1,910,746</u>	<u>\$ (101,471)</u>	<u>\$ 8,133,486</u>
<u>\$ 374,602</u>	<u>\$ 230,846</u>	<u>\$ -</u>	<u>\$ 605,448</u>





CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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 two agency funds which account for activities of the City's general supplemental retirement plan, the law enforcement officers' special separation allowance, the county-wide room occupancy tax, and the CIAA Tournament and Capital Area Sports Foundation.



## **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 Funds:**

**OCCUPANCY TAX FUND** - The Occupancy Tax Fund accounts for the collection of the county-wide six percent room occupancy tax and the monthly transmittal of the funds to Wake County.

**CIAA STEERING COMMITTEE FUND** - The CIAA Steering Committee Fund accounts for the fundraising and promotional activities of the CIAA Tournament Steering Committee and the Capital Area Sports Foundation.

*City of Raleigh*

**COMBINING STATEMENT OF NET ASSETS  
PENSION TRUST FUNDS  
June 30, 2004**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total June 30, 2004</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,246,220	\$ 5,013,727	\$ 19,259,947
Accrued interest receivable	-	2,150	2,150
Total assets	<u>\$ 14,246,220</u>	<u>\$ 5,015,877</u>	<u>\$ 19,262,097</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' retirement benefits	<u>\$ 14,246,220</u>	<u>\$ 5,015,877</u>	<u>\$ 19,262,097</u>

**City of Raleigh**

**COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
For the Fiscal Year Ended June 30, 2004**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 1,976,760	\$ 1,648,615	\$ 3,625,375
Interest	117,988	49,914	167,902
Net increase (decrease) in the fair value of investments	1,137,096	(1,415)	1,135,681
Less investment expense	(13,190)	-	(13,190)
Total additions	<u>3,218,654</u>	<u>1,697,114</u>	<u>4,915,768</u>
<b>DEDUCTIONS</b>			
Benefits	734,679	1,688,674	2,423,353
Withdrawals and forfeitures	49,272	-	49,272
Total deductions	<u>783,951</u>	<u>1,688,674</u>	<u>2,472,625</u>
Change in net assets restricted for:			
Employees' retirement benefits	2,434,703	8,440	2,443,143
Net assets, beginning of year	11,811,517	5,007,437	16,818,954
Net assets, end of year	<u>\$ 14,246,220</u>	<u>\$ 5,015,877</u>	<u>\$ 19,262,097</u>

*City of Raleigh*

**COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2004**

	<u>Occupancy Tax</u>	<u>CIAA Steering Committee</u>	<u>Total June 30, 2004</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,307	\$ 39,483	\$ 43,790
Accrued interest receivable	<u>2</u>	<u>-</u>	<u>2</u>
Total assets	<u>\$ 4,309</u>	<u>\$ 39,483</u>	<u>\$ 43,792</u>
<b>Liabilities</b>			
Due to other governmental agencies	\$ 4,193	\$ -	\$ 4,193
Due to other funds	116	-	116
Due to other agencies	-	33,038	33,038
Accounts payable	<u>-</u>	<u>6,445</u>	<u>6,445</u>
Total liabilities	<u>\$ 4,309</u>	<u>\$ 39,483</u>	<u>\$ 43,792</u>

*City of Raleigh*

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS**

**For the Fiscal Year Ended June 30, 2004**

	<b>Balance June 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2004</b>
<b><u>OCCUPANCY TAX FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 10,180,214	\$ 10,175,907	\$ 4,307
Accrued interest receivable	-	2	-	2
Due from other governmental agencies	177	-	177	-
	<u>\$ 177</u>	<u>\$ 10,180,216</u>	<u>\$ 10,176,084</u>	<u>\$ 4,309</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 177	\$ -	\$ 177	\$ -
Due to other governmental agencies	-	10,180,100	10,175,907	4,193
Due to other funds	-	116	-	116
	<u>\$ 177</u>	<u>\$ 10,180,216</u>	<u>\$ 10,176,084</u>	<u>\$ 4,309</u>
<b><u>CIAA STEERING COMMITTEE FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,043	\$ 1,385,879	\$ 1,355,439	\$ 39,483
<b>LIABILITIES</b>				
Due to other agencies	\$ 2,575	\$ 1,025,253	\$ 994,790	\$ 33,038
Accounts payable	6,468	360,626	360,649	6,445
	<u>\$ 9,043</u>	<u>\$ 1,385,879</u>	<u>\$ 1,355,439</u>	<u>\$ 39,483</u>
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,043	\$ 11,566,093	\$ 11,531,346	\$ 43,790
Accrued interest receivable	-	2	-	2
Due from other governmental agencies	177	-	177	-
	<u>\$ 9,220</u>	<u>\$ 11,566,095</u>	<u>\$ 11,531,523</u>	<u>\$ 43,792</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ -	\$ 10,180,100	\$ 10,175,907	\$ 4,193
Due to other funds	-	116	-	116
Due to other agencies	2,575	1,025,253	994,790	33,038
Accounts payable	6,645	360,626	360,826	6,445
	<u>\$ 9,220</u>	<u>\$ 11,566,095</u>	<u>\$ 11,531,523</u>	<u>\$ 43,792</u>



CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

CAPITAL ASSETS USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS

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



# **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**



## City of Raleigh

### CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE As of June 30, 2004

Capital assets:	
Land	\$ 120,845,798
Buildings and machinery	124,027,149
Streets & sidewalks	463,785,105
Equipment	36,834,314
Furniture & fixtures	2,870,279
Improvements - general and parks	157,266,561
Construction in progress	<u>15,400,965</u>
Total	<u>\$ 921,030,171</u>
Investment in capital assets from:	
General revenue	\$ 213,632,906
State revenue	58,546,498
Federal grants	12,781,213
G.O. bonds and other debt proceeds	266,756,827
Donations and participation	17,392,974
Contributed property	168,649,662
Amounts prior to 1987 for which source is unknown	<u>183,270,091</u>
Total	<u>\$ 921,030,171</u>

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



# City of Raleigh

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY For the Fiscal Year Ended June 30, 2004

	<u>LAND</u>	<u>BUILDINGS</u>	<u>STREETS AND SIDEWALKS</u>
General government:			
City manager	\$ -	\$ -	\$ -
Personnel	-	-	-
Administrative services	-	-	-
Finance	-	-	-
Information services	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>
Community development services:			
Community development	10,371,641	107,755	47,838
Planning	-	-	-
Inspections	-	-	-
Community services	-	-	-
Total community development services	<u>10,371,641</u>	<u>107,755</u>	<u>47,838</u>
Public works:			
Central engineering	2,886,075	-	-
Transportation	<u>36,140,242</u>	<u>19,396,849</u>	<u>462,922,047</u>
Total public works	<u>39,026,317</u>	<u>19,396,849</u>	<u>462,922,047</u>
Public safety:			
Emergency communications center	-	654,311	-
Police	-	850,509	-
Fire	<u>523,396</u>	<u>13,661,886</u>	<u>-</u>
Total public safety	<u>523,396</u>	<u>15,166,706</u>	<u>-</u>
Solid waste services	<u>2,772,456</u>	<u>15,331</u>	<u>-</u>
Leisure services:			
Convention Center and Memorial			
Auditorium	21,235,590	37,134,160	-
Walnut Creek Amphitheater	1,250,047	13,420,210	-
Parks and recreation	45,666,351	38,786,138	815,220
Visitors and convention bureau	<u>-</u>	<u>-</u>	<u>-</u>
Total leisure services	<u>68,151,988</u>	<u>89,340,508</u>	<u>815,220</u>
Total governmental funds capital assets	<u>\$ 120,845,798</u>	<u>\$ 124,027,149</u>	<u>\$ 463,785,105</u>

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

<u>EQUIPMENT</u>	<u>FURNITURE AND FIXTURES</u>	<u>IMPROVEMENTS</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
\$ 45,249	\$ -	\$ -	\$ -	\$ 45,249
30,571	4,022	3,799	-	38,392
345,602	2,093	354,508	-	702,203
1,155,465	48,827	199,034	-	1,403,326
1,269,545	57,017	916,755	1,429,676	3,672,993
<u>2,846,432</u>	<u>111,959</u>	<u>1,474,096</u>	<u>1,429,676</u>	<u>5,862,163</u>
20,906	6,469	1,607,783	-	12,162,392
-	15,250	-	-	15,250
783,802	67,494	-	-	851,296
7,051	19,735	1,267	-	28,053
<u>811,759</u>	<u>108,948</u>	<u>1,609,050</u>	<u>-</u>	<u>13,056,991</u>
396,187	6,771	3,824,622	192,587	7,306,242
5,591,238	-	28,934,080	9,598,411	562,582,867
<u>5,987,425</u>	<u>6,771</u>	<u>32,758,702</u>	<u>9,790,998</u>	<u>569,889,109</u>
1,228,292	327,922	690,229	-	2,900,754
7,227,711	337,812	914,072	111,334	9,441,438
8,379,964	46,762	1,239,141	909,013	24,760,162
<u>16,835,967</u>	<u>712,496</u>	<u>2,843,442</u>	<u>1,020,347</u>	<u>37,102,354</u>
4,113,252	-	788,145	-	7,689,184
1,247,221	1,641,247	46,393,208	1,406,779	109,058,205
238,357	-	237,045	-	15,145,659
3,689,207	38,673	71,162,873	1,753,165	161,911,627
1,064,694	250,185	-	-	1,314,879
<u>6,239,479</u>	<u>1,930,105</u>	<u>117,793,126</u>	<u>3,159,944</u>	<u>287,430,370</u>
<u>\$ 36,834,314</u>	<u>\$ 2,870,279</u>	<u>\$ 157,266,561</u>	<u>\$ 15,400,965</u>	<u>\$ 921,030,171</u>

## City of Raleigh

### SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY For the Fiscal Year Ended June 30, 2004

	BALANCE JUNE 30, 2003	ADDITIONS	TRANSFERS	DEDUCTIONS	BALANCE JUNE 30, 2004
General government:					
City manager	\$ 45,249	\$ -	\$ -	\$ -	\$ 45,249
Personnel	38,392	-	-	-	38,392
Administrative services	559,556	116,881	25,766	-	702,203
Finance	1,204,597	222,103	-	23,374	1,403,326
Information services	2,057,559	185,758	-	-	2,243,317
Total general government	<u>3,905,353</u>	<u>524,742</u>	<u>25,766</u>	<u>23,374</u>	<u>4,432,487</u>
Community development services:					
Community development	12,158,790	3,602	-	-	12,162,392
Planning	15,250	-	-	-	15,250
Inspections	851,296	-	-	-	851,296
Community services	8,318	19,735	-	-	28,053
Total community development services	<u>13,033,654</u>	<u>23,337</u>	<u>-</u>	<u>-</u>	<u>13,056,991</u>
Public works:					
Central engineering	6,922,877	385,022	(176,955)	17,289	7,113,655
Transportation	525,197,498	21,226,009	6,811,149	250,199	552,984,457
Total public works	<u>532,120,375</u>	<u>21,611,031</u>	<u>6,634,194</u>	<u>267,488</u>	<u>560,098,112</u>
Public safety:					
Emergency communications	1,871,724	951,601	77,429	-	2,900,754
Police	8,490,251	779,931	120,408	60,486	9,330,104
Fire	23,361,964	489,185	-	-	23,851,149
Total public safety	<u>33,723,939</u>	<u>2,220,717</u>	<u>197,837</u>	<u>60,486</u>	<u>36,082,007</u>
Solid waste services	<u>7,846,738</u>	<u>7,165</u>	<u>-</u>	<u>164,719</u>	<u>7,689,184</u>
Leisure services:					
Convention Center and Memorial Auditorium	95,495,175	12,156,251	-	-	107,651,426
Walnut Creek Amphitheater	15,145,659	-	-	-	15,145,659
Parks and recreation	143,308,194	16,252,488	634,745	36,965	160,158,462
Visitors and convention bureau	1,314,879	-	-	-	1,314,879
Total leisure services	<u>255,263,907</u>	<u>28,408,739</u>	<u>634,745</u>	<u>36,965</u>	<u>284,270,426</u>
Construction in progress	<u>10,164,480</u>	<u>12,939,172</u>	<u>(7,702,688)</u>	<u>-</u>	<u>15,400,964</u>
Total general fixed assets	<u>\$ 856,058,446</u>	<u>\$ 65,734,903</u>	<u>\$ (210,146)</u>	<u>\$ 553,032</u>	<u>\$ 921,030,171</u>

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



CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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.



## **OTHER SCHEDULES**

**City of Raleigh**

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2004**

Maturities on all long-term obligations are:

Fiscal Year Ended June 30	Water and Sewer		Enterprise Parking Facilities		Other Enterprise	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,440,086	\$ 967,833	\$ 775,000	\$ 391,250	\$ -	\$ -
2006	3,408,273	783,621	770,000	353,700	-	-
2007	3,312,383	625,867	770,000	316,400	-	-
2008	2,830,629	495,619	680,000	279,100	-	-
2009	2,150,249	388,706	665,000	246,300	-	-
2010-2014	6,349,202	856,283	3,360,000	780,350	-	-
2015-2019	1,811,028	85,612	1,070,000	66,200	-	-
2020-2021	-	-	-	-	-	-
<b>Total General Obligation Bonded Debt</b>	<b>23,301,850</b>	<b>4,203,541</b>	<b>8,090,000</b>	<b>2,433,300</b>	<b>-</b>	<b>-</b>
<b>Revenue Bonds:</b>						
2005	2,325,000	7,903,195	-	-	-	-
2006	2,420,000	8,738,605	-	-	-	-
2007	4,915,000	8,628,255	-	-	-	-
2008	5,110,000	8,436,523	-	-	-	-
2009	5,325,000	8,218,516	-	-	-	-
2010-2014	30,575,000	37,142,390	-	-	-	-
2015-2019	38,915,000	28,789,381	-	-	-	-
2020-2024	44,090,000	18,206,894	-	-	-	-
2025-2029	33,215,000	8,488,963	-	-	-	-
2030-2031	14,350,000	1,085,000	-	-	-	-
<b>Total Revenue Bonded Debt</b>	<b>181,240,000</b>	<b>135,637,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long-Term Obligations:</b>						
<b>Installment Financing Agreement:</b>						
2005	1,374,451	500,992	950,000	663,138	-	-
2006	1,374,451	455,140	965,000	611,589	-	-
2007	1,374,451	410,066	990,000	558,790	-	-
2008	1,374,451	365,120	1,010,000	504,600	-	-
2009	1,374,451	319,677	1,030,000	449,100	-	-
2010-2014	5,188,053	959,778	4,360,000	1,438,145	-	-
2015-2019	2,917,203	224,912	2,740,000	612,810	-	-
2020-2024	165,000	4,290	1,090,000	54,420	-	-
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
	<b>15,142,511</b>	<b>3,239,975</b>	<b>13,135,000</b>	<b>4,892,592</b>	<b>-</b>	<b>-</b>



General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 11,689,914	\$ 6,298,514	\$ -	\$ -	\$ 15,905,000	\$ 7,657,597
11,571,727	5,713,500	-	-	15,750,000	6,850,821
11,307,617	5,249,360	-	-	15,390,000	6,191,627
11,039,371	4,818,285	-	-	14,550,000	5,593,004
11,114,751	4,397,950	-	-	13,930,000	5,032,956
45,890,798	15,834,631	-	-	55,600,000	17,471,264
38,938,972	7,015,211	-	-	41,820,000	7,167,023
9,850,000	698,600	-	-	9,850,000	698,600
<u>151,403,150</u>	<u>50,026,051</u>	<u>-</u>	<u>-</u>	<u>182,795,000</u>	<u>56,662,892</u>
-	-	-	-	2,325,000	7,903,195
-	-	-	-	2,420,000	8,738,605
-	-	-	-	4,915,000	8,628,255
-	-	-	-	5,110,000	8,436,523
-	-	-	-	5,325,000	8,218,516
-	-	-	-	30,575,000	37,142,390
-	-	-	-	38,915,000	28,789,381
-	-	-	-	44,090,000	18,206,894
-	-	-	-	33,215,000	8,488,963
-	-	-	-	14,350,000	1,085,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,240,000</u>	<u>135,637,722</u>
500,249	2,106,819	4,750,000	752,038	7,574,700	4,022,987
532,777	2,074,291	8,375,000	545,000	11,247,228	3,686,020
567,420	2,039,648	5,360,000	241,875	8,291,871	3,250,379
604,316	2,002,752	-	-	2,988,767	2,872,472
643,611	1,963,457	-	-	3,048,062	2,732,234
3,902,958	9,132,380	-	-	13,451,011	11,530,303
939,248	8,157,820	-	-	6,596,451	8,995,542
-	8,112,500	-	-	1,255,000	8,171,210
-	8,112,500	-	-	-	8,112,500
<u>55,000,000</u>	<u>5,743,503</u>	<u>-</u>	<u>-</u>	<u>55,000,000</u>	<u>5,743,503</u>
<u>62,690,579</u>	<u>49,445,670</u>	<u>18,485,000</u>	<u>1,538,913</u>	<u>109,453,090</u>	<u>59,117,150</u>

continued

**City of Raleigh**

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2004**

Maturities on all long-term obligations are:

	<b>Enterprise</b>					
	<b>Water and Sewer</b>		<b>Parking Facilities</b>		<b>Other Enterprise</b>	
<u>Other Long-Term Obligations:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
(Continued):						
Other Installment Obligations:						
2005	\$ 332,941	\$ 31,683	\$ 88,624	\$ 21,166	\$ -	\$ -
2006	348,422	16,202	93,498	16,291	-	-
2007	-	-	98,641	11,149	-	-
2008	-	-	104,066	5,723	-	-
2009	-	-	-	-	-	-
2010-2014	-	-	-	-	-	-
2015-2019	-	-	-	-	-	-
	<u>681,363</u>	<u>47,885</u>	<u>384,829</u>	<u>54,329</u>	<u>-</u>	<u>-</u>
Other:						
Reimbursement Contracts	44,447	-	(1) -	-	-	-
Earned Vacation Pay	1,107,074	-	(2) 13,908	-	(2) 114,693	- (2)
Landfill Closure and Postclosure Costs	-	-	-	-	-	-
	<u>1,151,521</u>	<u>-</u>	<u>13,908</u>	<u>-</u>	<u>114,693</u>	<u>-</u>
Total Other Long-Term Obligations	<u>16,975,395</u>	<u>3,287,860</u>	<u>13,533,737</u>	<u>4,946,921</u>	<u>114,693</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 221,517,245</u>	<u>\$ 143,129,123</u>	<u>\$ 21,623,737</u>	<u>\$ 7,380,221</u>	<u>\$ 114,693</u>	<u>\$ -</u>

**Notes:**

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

General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,438,509	\$ 148,950	\$ -	\$ -	\$ 1,860,074	\$ 201,799
939,705	103,723	-	-	1,381,625	136,216
936,408	75,853	-	-	1,035,049	87,002
25,971	47,224	-	-	130,037	52,947
28,048	45,148	-	-	28,048	45,148
231,665	134,312	-	-	231,665	134,312
34,949	1,650	-	-	34,949	1,650
<u>3,635,255</u>	<u>556,860</u>	<u>-</u>	<u>-</u>	<u>4,701,447</u>	<u>659,074</u>
2,793	- (1)	-	-	47,240	- (1)
12,808,201	- (2)	219,755	- (2)	14,263,631	- (2)
<u>4,558,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,558,000</u>	<u>-</u>
<u>17,368,994</u>	<u>-</u>	<u>219,755</u>	<u>-</u>	<u>18,868,871</u>	<u>-</u>
<u>83,694,828</u>	<u>50,002,530</u>	<u>18,704,755</u>	<u>1,538,913</u>	<u>133,023,408</u>	<u>59,776,224</u>
<u>\$ 235,097,978</u>	<u>\$ 100,028,581</u>	<u>\$ 18,704,755</u>	<u>\$ 1,538,913</u>	<u>\$ 497,058,408</u>	<u>\$ 252,076,838</u>

## City of Raleigh

### SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS For the Fiscal Year Ended June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2003</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Housing - Series 1991	6.00 - 6.50	12/1/91	\$ 1,350,000	\$ -
Housing - Series 1992B Taxable	8.20 - 8.25	4/1/92	1,150,000	-
Street/Sidewalk - Series 1994	5.40	9/1/94	300,000	-
Housing, Series 1994B Taxable	7.75 - 8.00	9/1/94	1,975,000	-
Parks, Series 1996	5.20 - 5.30	6/1/96	19,690,000	-
Housing, Series 1996	5.40 - 5.75	6/1/96	1,495,000	-
Fire Station, Series 1996	5.20 - 5.30	6/1/96	1,410,000	-
Public Improvement Refunding, Series 1997	4.25 - 5.00	10/1/97	15,170,000	-
Housing, Series 1997	6.70	10/1/97	3,170,000	-
G. O. Refunding, Series 1998	4.00 - 4.20	12/1/98	5,400,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/1/98	18,200,000	-
Public Improvement, Series 2002	4.00 - 5.00	6/1/02	9,400,000	-
Public Improvement, Series 2002A	3.00 - 4.50	12/1/02	2,900,000	-
Public Improvement, Series 2002B	3.00 - 4.50	12/1/02	43,000,000	-
Public Improvement Refunding, Series 2002C	2.00 - 4.00	12/1/02	14,270,000	-
Public Improvement, Series 2004	2.00 - 4.00	3/1/04	-	15,000,000
Public Improvement Refunding, Series 2004A	2.00 - 4.00	3/1/04	-	17,338,150
Housing, Series 2004B	3.125 - 4.375	3/1/04	-	7,000,000
Housing Refunding, Series 2004B	3.125 - 4.00	3/1/04	-	2,355,000
Total General Obligation Bonded Debt			<u>138,880,000</u>	<u>41,693,150</u>
<u>OTHER GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			8,160,285	55,000,000
Other Installment Obligations			2,613,146	1,826,741
Reimbursement Contracts - Streets			3,143	-
Earned Vacation Pay			11,769,769	8,460,886
Landfill Closure and Postclosure Costs			<u>3,111,915</u>	<u>1,554,232</u>
Total Other General Governmental Long-Term Obligations			<u>25,658,258</u>	<u>66,841,859</u>
Total General Governmental Long-Term Obligations			<u>\$ 164,538,258</u>	<u>\$ 108,535,009</u>

#### Notes:

- (1) Includes defeasance of bonds from sale of refunding bonds on March 16, 2004.
- (2) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2004-05 as the amount paid for 2003-04.

<u>Payments During Fiscal 2003-04</u>		<u>Principal Balance June 30, 2004</u>	<u>Due Fiscal 2004-2005</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 1,350,000 (1)	\$ 47,700 (1)	-	\$ -	\$ -	\$ -
1,150,000 (1)	94,475 (1)	-	-	-	-
300,000	16,200	-	-	-	-
200,000	155,100	1,775,000	250,000	139,600	389,600
16,685,000 (1)	632,503 (1)	3,005,000	1,500,000	156,260	1,656,260
115,000	82,972	1,380,000	115,000	76,762	191,762
1,200,000 (1)	45,098 (1)	210,000	105,000	10,920	115,920
2,640,000	738,700	12,530,000	2,590,000	626,500	3,216,500
150,000	212,390	3,020,000	150,000	202,340	352,340
305,000	217,050	5,095,000	655,000	204,850	859,850
950,000	788,550	17,250,000	950,000	747,700	1,697,700
300,000	426,950	9,100,000	300,000	414,950	714,950
100,000	114,500	2,800,000	100,000	111,500	211,500
1,225,000	1,710,688	41,775,000	1,225,000	1,673,938	2,898,938
2,500,000	479,862	11,770,000	2,430,000	411,112	2,841,112
-	-	15,000,000	450,000	563,875	1,013,875
-	-	17,338,150	219,914	577,448	797,362
-	-	7,000,000	355,000	295,121	650,121
-	-	2,355,000	295,000	85,638	380,638
<u>29,170,000</u>	<u>5,762,738</u>	<u>151,403,150</u>	<u>11,689,914</u>	<u>6,298,514</u>	<u>17,988,428</u>
469,706	671,281	62,690,579	500,249	2,106,819	2,607,068
804,632	145,321	3,635,255	1,438,509	148,950	1,587,459
350	42	2,793	559	112	671
7,422,454	-	12,808,201	7,422,454 (2)	-	7,422,454
108,147	-	4,558,000	-	-	-
<u>8,805,289</u>	<u>816,644</u>	<u>83,694,828</u>	<u>9,361,771</u>	<u>2,255,881</u>	<u>11,617,652</u>
<u>\$ 37,975,289</u>	<u>\$ 6,579,382</u>	<u>\$ 235,097,978</u>	<u>\$ 21,051,685</u>	<u>\$ 8,554,395</u>	<u>\$ 29,606,080</u>

**City of Raleigh**

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS  
For the Fiscal Year Ended June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2003</u>	<u>Issued During Year</u>
<b><u>WATER AND SEWER</u></b>				
<b><u>GENERAL OBLIGATION BONDS PAYABLE</u></b>				
Water Series 1996	5.20 - 5.30	6/1/96	\$ 7,525,000	\$ -
Sanitary Sewer Series 1996	5.20 - 5.30	6/1/96	4,485,000	-
Sanitary Sewer Refunding, Series 1997	4.25 - 5.00	10/1/97	11,130,000	-
Sanitary Sewer Refunding, Series 2002C	2.00 - 4.00	12/01/02	2,925,000	-
Water Refunding, Series 2004A	2.00 - 4.00	3/1/04	-	6,187,620
Sanitary Sewer Refunding, Series 2004A	2.00 - 4.00	3/1/04	-	3,674,230
Total Water and Sewer General Obligation Debt			<u>26,065,000</u>	<u>9,861,850</u>
<b><u>REVENUE BONDS PAYABLE</u></b>				
Water/Sewer, Series 1996	4.40 - 5.25	12/01/96	32,245,000	-
Water/Sewer, Series 1999	4.00 - 4.75	1/1/99	20,555,000	-
Water/Sewer, Series 2001	3.70 - 5.25	1/1/01	21,695,000	-
Water/Sewer, Series 2004	3.00 - 5.00	5/4/04	-	108,980,000
Total Water and Sewer Revenue Debt			<u>74,495,000</u>	<u>108,980,000</u>
<b><u>OTHER WATER AND SEWER LONG TERM OBLIGATIONS</u></b>				
Installment Financing Agreement			16,516,962	-
Other Installment Obligations			999,510	-
Reimbursement Contracts - Water and Sewer Lines			49,115	1,094
Earned Vacation Pay			1,045,988	869,686
Total Other Water and Sewer Long-Term Obligations			<u>18,611,575</u>	<u>870,780</u>
Total Water and Sewer Long-Term Obligations			<u>119,171,575</u>	<u>119,712,630</u>
<b><u>PARKING FACILITIES FUND</u></b>				
Parking Facilities Refunding 1997	4.25 - 5.00	10/1/97	2,205,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/1/97	6,670,000	-
Total Parking Facilities General Obligation Bonded Debt			<u>8,875,000</u>	<u>-</u>
<b><u>OTHER PARKING FACILITIES LONG-TERM OBLIGATIONS</u></b>				
Installment Financing Agreements			14,065,000	-
Other Installment Obligations			468,833	-
Earned Vacation Pay			7,865	14,043
Total Other Parking Facilities Long-Term Obligations			<u>14,541,698</u>	<u>14,043</u>
Total Parking Facilities Long-Term Obligations			<u>23,416,698</u>	<u>14,043</u>
<b><u>OTHER ENTERPRISE LONG-TERM OBLIGATIONS</u></b>				
Mass Transit Earned Vacation Pay			41,966	13,300
Stormwater Earned Vacation Pay			86,792	98,318
Total Other Enterprise Long-Term Obligations			<u>128,758</u>	<u>111,618</u>
Total Enterprise Long-Term Obligations			<u>\$ 142,717,031</u>	<u>\$ 119,838,291</u>

**NOTE:**

(1) Includes defeasance of bonds from sale of refunding bonds on March 16, 2004.

(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 2003-04		Principal Balance June 30, 2004	Due Fiscal 2004-05		
Principal	Interest		Principal	Interest	Total
\$ 6,380,000 (1)	\$ 241,555 (1)	\$ 1,145,000	\$ 570,000	\$ 59,540	\$ 629,540
3,795,000 (1)	144,296 (1)	690,000	345,000	35,880	380,880
1,935,000	541,988	9,195,000	1,905,000	459,750	2,364,750
515,000	98,376	2,410,000	495,000	84,213	579,213
-	-	6,187,620	78,483	206,079	284,562
-	-	3,674,230	46,603	122,371	168,974
<u>12,625,000</u>	<u>1,026,215</u>	<u>23,301,850</u>	<u>3,440,086</u>	<u>967,833</u>	<u>4,407,919</u>
1,050,000	1,655,293	31,195,000	1,095,000	1,608,044	2,703,044
615,000	940,624	19,940,000	640,000	916,024	1,556,024
570,000	997,014	21,125,000	590,000	975,638	1,565,638
-	-	108,980,000	-	4,403,489	4,403,489
<u>2,235,000</u>	<u>3,592,931</u>	<u>181,240,000</u>	<u>2,325,000</u>	<u>7,903,195</u>	<u>10,228,195</u>
1,374,451	545,919	15,142,511	1,374,451	500,992	1,875,443
318,147	46,477	681,363	332,941	31,683	364,624
5,762	1,383	44,447	5,762	1,152	6,914
808,600	-	1,107,074	808,600 (2)	-	808,600
<u>2,506,960</u>	<u>593,779</u>	<u>16,975,395</u>	<u>2,521,754</u>	<u>533,827</u>	<u>3,055,581</u>
<u>17,366,960</u>	<u>5,212,925</u>	<u>221,517,245</u>	<u>8,286,840</u>	<u>9,404,855</u>	<u>17,691,695</u>
385,000	107,363	1,820,000	375,000	91,000	466,000
400,000	319,050	6,270,000	400,000	300,250	700,250
<u>785,000</u>	<u>426,413</u>	<u>8,090,000</u>	<u>775,000</u>	<u>391,250</u>	<u>1,166,250</u>
930,000	296,123	13,135,000	950,000	663,138	1,613,138
84,004	25,786	384,829	88,624	21,166	109,790
8,000	-	13,908	8,000 (2)	-	8,000
<u>1,022,004</u>	<u>321,909</u>	<u>13,533,737</u>	<u>1,046,624</u>	<u>684,304</u>	<u>1,730,928</u>
<u>1,807,004</u>	<u>748,322</u>	<u>21,623,737</u>	<u>1,821,624</u>	<u>1,075,554</u>	<u>2,897,178</u>
33,812	-	21,454	33,812 (2)	-	33,812
91,871	-	93,239	91,871 (2)	-	91,871
<u>125,683</u>	<u>-</u>	<u>114,693</u>	<u>125,683</u>	<u>-</u>	<u>125,683</u>
<u>\$ 19,299,647</u>	<u>\$ 5,961,247</u>	<u>\$ 243,255,675</u>	<u>\$ 10,234,147</u>	<u>\$ 10,480,409</u>	<u>\$ 20,714,556</u>

*City of Raleigh*

**SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS  
For the Fiscal Year Ended June 30, 2004**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2003</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>CERTIFICATES OF PARTICIPATION</u>				
Equipment Acquisition Project, Series 1999	3.70 - 4.75%	2/1/99	\$ 3,380,000	\$ -
Equipment Acquisition Project, Series 2001	5.00	5/1/01	9,280,000	-
Equipment Acquisition Project, Series 2003	2.50 - 5.00	4/1/03	<u>13,740,000</u>	<u>-</u>
Total Certificates of Participation			<u>26,400,000</u>	<u>-</u>
<u>OTHER INTERNAL SERVICE LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			9,105	8,036
Earned Vacation Pay - Vehicle Fleet Services			<u>210,122</u>	<u>141,696</u>
Total Other Internal Service Long-Term Obligations			<u>219,227</u>	<u>149,732</u>
Total Internal Service Long-Term Obligations			<u>\$ 26,619,227</u>	<u>\$ 149,732</u>

(1) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2004-05 as the amount paid for 2003-04.



<u>Payments During Fiscal 2003-04</u>		<u>Principal Balance June 30, 2004</u>	<u>Due Fiscal 2004-2005</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 3,380,000	\$ 62,530	\$ -	\$ -	\$ -	\$ -
2,940,000	390,500	6,340,000	3,090,000	239,750	3,407,000
<u>1,595,000</u>	<u>592,038</u>	<u>12,145,000</u>	<u>1,660,000</u>	<u>512,288</u>	<u>2,172,288</u>
7,915,000	1,045,068	18,485,000	4,750,000	752,038	5,579,288
7,580	-	9,561	7,580 (1)	-	7,580
<u>141,624</u>	<u>-</u>	<u>210,194</u>	<u>141,624 (1)</u>	<u>-</u>	<u>141,624</u>
149,204	-	219,755	149,204	-	149,204
<u>\$ 8,064,204</u>	<u>\$ 1,045,068</u>	<u>\$ 18,704,755</u>	<u>\$ 4,899,204</u>	<u>\$ 752,038</u>	<u>\$ 5,728,492</u>



**CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**STATISTICAL DATA SECTION**

The *Statistical Data Section* includes schedules illustrating ten-year financial trends as extracted from current and prior years' financial reports and other supplemental information relevant to the City. The statistical schedules reflect social and economic data, financial trends and the fiscal capacity of the City.



## **STATISTICAL DATA**

**City of Raleigh**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>General Government</b>	<b>Community Development Services</b>	<b>Public Works (1)</b>	<b>Public Safety</b>	<b>Solid Waste Services</b>
1995	\$ 22,181,545	\$ 13,792,704	\$ -	\$ 41,619,630	\$ 17,404,673
1996	21,701,934	14,167,569	-	43,388,108	15,665,908
1997	20,216,000	19,176,013	-	45,863,280	11,435,616
1998	20,538,153	20,658,941	-	48,247,344	11,904,960
1999	22,918,190	22,868,372	-	51,791,043	13,051,569
2000	18,985,829	43,927,047	-	70,352,893	14,824,339
2001	20,784,677	39,993,456	-	78,845,334	16,546,626
2002	21,467,743	37,531,139	-	84,400,320	17,337,397
2003	21,644,565	40,791,264	-	91,497,831	19,851,942
2004	23,591,313	19,626,133	19,758,092	95,662,045	18,279,900

**Notes:**

Includes general and special revenue funds. Total general governmental expenditures, including general capital projects funds expenditures, are \$304,524,254. Administrative costs charged to water and sewer are netted as general governmental expenditures.

(1) During FY04, the City consolidated Central Engineering and Transportation as Public Works. These departments were previously reported in this schedule as components of the Community Development Services function.

<u>Leisure Services</u>	<u>Economic Development Programs</u>	<u>Capital Outlay</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
\$ 16,970,524	\$ 4,983,575	\$ 4,945,475	\$ 9,117,108	\$ 12,814,525	\$ 143,829,759
16,982,862	5,713,480	3,519,683	9,632,728	13,546,770	144,319,042
19,272,951	4,703,696	5,394,032	11,309,649	15,369,248	152,740,485
21,236,612	6,306,902	9,072,095	13,111,538	15,115,850	166,192,395
22,592,751	7,318,542	8,386,231	19,014,798	16,574,892	184,516,388
27,339,358	2,924,159	3,966,482	915,153	17,851,456	201,086,716
29,339,006	3,129,912	4,163,264	105,154	16,020,825	208,928,254
31,979,123	2,314,517	863,664	185,766	15,984,039	212,063,708
41,683,037	3,592,462	298,088	58,507	16,427,251	235,844,947
45,672,107	3,265,255	69,985	11,684	18,516,812	244,453,326

## City of Raleigh

### GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Inter- governmental</u>	<u>Local Sales Tax</u>	<u>Occupancy and Prepared Food Taxes</u> (1)
1995	\$ 73,379,634	\$ 29,912,567	\$ 28,581,353	\$ 6,262,027
1996	73,621,764	28,293,141	31,495,957	6,411,689
1997	76,774,058	37,723,969	34,202,089	7,656,827
1998	81,724,633	35,370,460	36,521,239	-
1999	83,734,150	34,703,909	39,303,692	-
2000	88,300,818	46,402,263	40,598,796	-
2001	96,360,232	41,135,536	42,521,655	-
2002	102,133,580	29,608,048	39,864,791	-
2003	107,415,558	48,879,951 (2)	45,994,276 (2)	-
2004	113,562,889	44,104,016	52,156,194	-

#### Notes:

Includes general and special revenue funds. Total general governmental revenues, including general capital projects funds revenues, are \$282,410,215

- (1) Elimination of revenues reflects an accounting change resulting from enabling state legislation effective July 1, 1997.
- (2) Re-stated for the effects of the prior period adjustment as per note 1.D.8 page 24.

<b>Licenses and <u>Fees</u></b>	<b>Interest on <u>Investments</u></b>	<b>Fines, Forfeits, and Penalties</b>	<b><u>Other</u></b>	<b><u>Total</u></b>
\$ 9,029,053	\$ 6,047,180	\$ 1,336,452	\$ 17,922,379	\$ 172,470,645
10,420,034	7,238,544	1,261,652	18,717,637	177,460,418
10,175,922	6,195,445	886,475	19,022,480	192,637,265
11,443,526	6,868,701	1,200,984	20,575,685	193,705,228
13,366,809	5,735,594	1,205,984	20,783,676	198,833,814
14,050,839	6,433,920	1,039,135	21,820,395	218,646,166
15,673,942	8,798,810	673,443	22,630,742	227,794,360
15,438,638	3,998,582	694,113	23,167,765	214,905,517
17,621,078	2,869,312	592,297	26,731,888	250,104,360 (2)
19,983,897	2,561,191	186,250	41,201,488	273,755,925

**City of Raleigh**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Year of Levy</u>	<u>Gross Levy</u>	<u>Gross Collected Current</u>	<u>Percent Collected Current</u>	<u>Collected Prior Levies</u>	<u>Total Collected</u>	<u>Percent Total Collected to Current Levy</u>
1995	1994	\$ 74,406,900	\$ 72,913,205	97.99%	\$ 1,333,142	\$ 74,246,347	99.78%
1996	1995	74,331,409	72,780,759	97.91	1,179,305	73,960,064	99.50
1997	1996	77,914,252	76,050,012	97.61	1,379,623	77,429,635	99.38
1998	1997	82,601,696	80,681,394	97.68	1,535,949	82,217,343	99.53
1999	1998	84,575,694	82,599,104	97.66	1,688,929	84,288,033	99.66
2000	1999	89,412,222	87,244,673	97.58	1,678,845	88,923,518	99.45
2001	2000	98,015,562	95,868,328	97.81	1,830,027	97,698,355	99.68
2002	2001	103,396,486	101,218,246	97.89	1,807,735	103,025,981	99.64
2003	2002	109,098,511	106,644,754	97.75	1,781,368	108,426,122	99.38
2004	2003	113,860,824	111,948,548	98.32	2,394,831	114,343,379	100.42

(1)

**Notes:**

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 114,343,379
Penalties collected	545,742
Rebates and waived taxes	<u>(1,326,232)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 113,562,889</u>



**City of Raleigh**

**ASSESSED VALUE OF ALL TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Corporate Excess</b>	<b>Total</b>
1995	\$ 10,089,010,167	\$ 2,356,274,039	\$ 455,511,391	\$ 12,900,795,597
1996	10,496,369,079	2,608,227,774	463,186,753	13,567,783,606
1997	10,991,596,569	3,022,687,489	421,726,911	14,436,010,969
1998	11,490,116,461	3,385,081,770	453,243,053	15,328,441,284
1999	12,002,015,510	3,638,218,459	428,245,202	16,068,479,171
2000	12,609,958,034	3,800,597,785	597,704,468	17,008,260,287
2001	20,745,733,139	4,161,172,981	722,269,639	25,629,175,759 *
2002	21,697,404,571	4,257,693,284	817,311,860	26,772,409,715
2003	22,961,869,431	4,441,009,363	784,992,492	28,187,871,286
2004	24,076,592,868	4,544,692,023	758,867,560	29,380,152,451

**Notes:**

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.

\*Increase due to revaluation of property every eight years.

2002 and 2003 are re-stated for errors in compiling real property assessed values. As previously reported these values were overstated as follows: 2002 - \$587,916,104; and 2003 - \$594,562,757.

**CITY OF RALEIGH**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

(PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30</b>	<b>City Rate</b>	<b>Wake County Rate</b>	<b>Total</b>
1995	\$ .5725	\$ .7600	\$ 1.3325
1996	.5440	.6300	1.1740
1997	.5375	.6300	1.1675
1998	.5375	.6300	1.1675
1999	.5250	.6300	1.1550
2000	.5250	.7300	1.2550
2001 (1)	.3850	.5640	.9490
2002	.3850	.5640	.9490
2003	.3850	.5640	.9490
2004	.3850	.6040	.9890

**Notes:**

(1) Tax rate decrease due to revaluation.

**Other Tax Data:**

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

There is a State statutory tax rate 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.

## City of Raleigh

### COMPARISON OF CITY OF RALEIGH AND WAKE COUNTY ASSESSED VALUES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Assessed Value</u>		<u>Ratio of City to County</u>
	<u>City of Raleigh</u>	<u>Wake County</u>	
1995	\$ 12,900,795,597	\$ 30,205,217,044	42.71%
1996	13,567,783,606	33,695,988,760	40.27
1997	14,436,010,969	34,337,422,702	42.04
1998	15,328,441,284	36,715,051,446	41.75
1999	16,068,479,171	41,132,691,825	39.06
2000	17,008,260,287	41,458,793,931	41.02
2001	25,629,175,759	59,525,494,337	43.06
2002	26,772,409,715 (1)	63,367,829,910	42.25 (1)
2003	28,187,871,286 (1)	66,454,852,090	42.42 (1)
2004	29,380,152,451	68,319,704,765	43.00

(1) Re-stated for compiling errors as noted on page 123.

## City of Raleigh

### ANALYSIS OF CURRENT TAX LEVY CITY - WIDE LEVY For the Fiscal Year Ended June 30, 2004

	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	\$ 28,366,539,914	\$ .3850	\$ 109,382,391	\$ 102,844,335	\$ 6,538,056
Registered motor vehicles taxed at prior year's rate	923,866,299	.3850	3,529,457	-	3,529,457
	<u>29,290,406,213</u>		<u>112,911,848</u>	<u>102,844,335</u>	<u>10,067,513</u>
Discoveries:					
Prior years' taxes	<u>89,746,238</u>	(1)	<u>397,393</u>	<u>393,666</u>	<u>3,727</u>
Total property valuation	<u>\$ 29,380,152,451</u>				
Deferred and waived			379,056	379,056	-
Penalty			172,527	172,527	-
Rebates			<u>(642,924)</u>	<u>(442,829)</u>	<u>(200,095)</u>
Net levy			113,217,900	103,346,755	9,871,145
Uncollected taxes at June 30,2004			<u>(1,912,276)</u>	<u>(710,197)</u>	<u>(1,202,079)</u>
Current year's taxes collected			<u>\$ 111,305,624</u>	<u>\$ 102,636,558</u>	<u>\$ 8,669,066</u>
Current levy collection percentage			<u>98.31%</u>	<u>99.31%</u>	<u>87.82%</u>

#### Notes:

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

**City of Raleigh**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2004**

<u>Fiscal Year Ended June 30</u>	<u>Taxes Receivable June 30, 2003</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2004 (1)</u>
1995 & Prior	\$ 629,707	\$ -	\$ 22,308	\$ 607,399
1996	242,102	-	25,370	216,732
1997	297,961	-	30,992	266,969
1998	275,449	-	37,665	237,784
1999	301,945	-	45,346	256,599
2000	366,872	-	77,885	288,987
2001	372,175	-	92,530	279,645
2002	577,082	-	193,691	383,391
2003	2,452,978	-	1,869,044	583,934
2004	<u>-</u>	<u>113,860,824</u>	<u>111,948,548</u>	<u>1,912,276</u>
<b>TOTALS</b>	<u><b>\$ 5,516,271</b></u>	<u><b>\$ 113,860,824</b></u>	<u><b>\$ 114,343,379</b></u>	<u><b>\$ 5,033,716</b></u>

(2)

**Notes:**

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$1,738,334).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 114,343,379
Penalties collected	545,742
Rebates and waived taxes	<u>(1,326,232)</u>
Ad valorem taxes collected per general fund financial statements	<u><b>\$ 113,562,889</b></u>

**City of Raleigh**

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended <u>June 30</u></b>	<b><u>Population</u></b>	<b>Taxable Property Assessed <u>Value</u></b>	<b>8% Debt <u>Limit</u></b>
1995	243,345	\$ 12,900,795,597	\$ 1,032,063,648
1996	251,609	13,567,783,606	1,085,422,688
1997	266,035	14,436,010,969	1,154,880,878
1998	273,011	15,328,441,284	1,226,275,303
1999	280,132	16,068,479,171	1,285,478,334
2000	286,834	17,008,260,287	1,360,660,823
2001	294,843	25,629,175,759	2,050,334,061
2002	311,053	26,772,409,715 (3)	2,141,792,777 (3)
2003	316,979	28,187,871,286 (3)	2,255,029,703 (3)
2004	328,880	29,380,152,451	2,350,412,196

**Note:**

Population data for 2004 is an estimate of the City's Department of Planning. The United States Bureau of Census established the 2000 population as 276,093.

(1) This total includes all general obligation bonded debt. Gross and net per capita debt for governmental activities bonded debt at June 30, 2004 is as follows:

	<u>Gross</u>	<u>Net</u>
General Governmental Bonded Debt	<u>\$ 151,403,150</u>	<u>\$ 150,728,196</u>
Per Capita Bonded Debt	<u>\$ 460</u>	<u>\$ 458</u>

(2) Represents gross bonded debt less allowable statutory deductions.

(3) Re-stated for compiling errors as noted on page 123.

	<b>Gross Bonded Debt</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Taxable Property Assessed Value</b>	<b>Per Capita Bonded Debt</b>	
	<u>(1)</u>	<u>(2)</u>		<u>Gross</u>	<u>Net</u>
\$	140,585,000	\$ 116,635,000	1.0 %	\$ 578	\$ 479
	178,345,000	155,552,072	1.2	709	618
	165,320,000	146,135,332	1.0	621	549
	167,125,000	150,721,154	1.0	612	552
	175,705,000	161,510,684	1.0	627	577
	161,015,000	148,659,070	0.9	561	518
	146,415,000	135,390,452	0.5	497	459
	142,040,000	132,374,118	0.5 (3)	457	435
	173,820,000	165,323,532	0.6 (3)	548	522
	182,795,000	174,787,426	0.6	556	531

# City of Raleigh

## STATEMENT OF LEGAL DEBT MARGIN June 30, 2004

Assessed valuation - June 30, 2004		<u>\$ 29,380,152,451</u>
Debt limit - eight (8%) percent of assessed valuation	\$ 2,350,412,196	

### Gross Debt

Outstanding general obligation		
Bonded debt:		
Governmental activities bonds	\$ 151,403,150	
Water bonds	7,332,620	
Sewer bonds	15,969,230	
Parking deck bonds	8,090,000	
	<u>182,795,000</u>	
General obligation bonds		
Authorized not Issued:		
Governmental activities	85,250,000	
	<u>85,250,000</u>	
Other:		
Installment financing agreements	90,968,090	
Other installment obligations	4,701,447	
Equipment fund certificates of participation	18,485,000	
Reimbursement contracts - streets	2,793	
Reimbursement contracts - water and sewer	44,447	
	<u>114,201,777</u>	
Gross debt	<u>382,246,777</u>	

### Statutory Deductions

Bonded debt included in gross debt incurred for water	7,332,620	
Uncollected special assessments levied for local improvements for which gross debt was incurred to the extent to be applied to the payment of such gross debt	<u>674,954</u>	
	<u>8,007,574</u>	
Net debt		<u>374,239,203</u>
Legal debt margin		<u>\$ 1,976,172,993</u>



# City of Raleigh

## SCHEDULE OF DIRECT AND OVERLAPPING DEBT June 30, 2004

	<u>Bonded Debt</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt - City of Raleigh (1)	\$ 151,403,150	100.00%	\$ 151,403,150
Overlapping Debt: (2)			
Wake County General Improvement Bonds (3)	<u>1,123,210,000</u>	42.94% (4)	<u>482,306,374</u>
Total Direct and Overlapping Debt	<u>\$ 1,274,613,150</u>		<u>\$ 633,709,524</u>

### Notes:

- (1) This total includes only general governmental obligation bonds. Water and sewer bonds and parking facility bonds are not included.
- (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 \$1,027,773,667 of Wake County School Bonds; but does not include Hospital bonds, as these bonds are payable solely from hospital revenues.
- (4) Percentage of direct and overlapping debt is based on June 30, 2004 assessed valuation of the City of Raleigh (\$29,380,152,451) as compared to the June 30, 2004 assessed valuation of Wake County (\$68,427,053,895).

**City of Raleigh**

**RATIO OF ANNUAL GENERAL DEBT SERVICE EXPENDITURES  
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Other Expenses</b>	<b>Total</b>	<b>Total General Expenditures (1)</b>	<b>Ratio of General Debt Service to Total General Expenditures</b>
1995	\$ 5,720,000	\$ 4,914,256	\$ 5,778	\$ 10,640,034	\$ 143,829,759	7.4 %
1996	5,730,000	4,868,926	3,775	10,602,701	144,319,042	7.4
1997	5,955,000	6,243,645	4,335	12,202,980	152,740,485	8.0
1998	6,115,000	5,902,046	85,528	12,102,574	166,192,395	7.3
1999	7,890,000	5,980,188	135,667	14,005,855	184,516,388	7.6
2000	8,600,000	5,895,797	76,686	14,572,483	201,086,716	7.2
2001	8,560,000	5,541,353	59,146	14,160,499	208,928,254	6.8
2002	9,145,000	5,109,077	168,682	14,422,759	212,063,708	6.8
2003	9,855,000	4,814,711	265,381	14,935,092	235,844,947	6.3
2004	10,640,000	5,762,738	457,270	16,860,008	244,453,226	6.9

**Note:**

(1) Includes general and special revenue funds.

**City of Raleigh**

**SCHEDULE OF REVENUE BOND COVERAGE  
WATER AND SEWER REVENUE BONDS  
For the Fiscal Year Ended June 30, 2004**

Fiscal Year Ended (1)	Gross Revenues	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage	Required Coverage
				Principal	Interest	Total		
<u>Parity Debt Service Coverage (3)</u>								
1997	\$ 38,766,974	\$ 24,396,590	\$ 14,370,384	\$ 250,000	\$ 694,376	\$ 944,376	15.21	1.25
1998	42,980,846	28,335,465	14,645,381	1,070,000	2,147,064	3,217,064	4.55	1.25
1999	51,092,288	28,833,598	22,258,690	1,105,000	2,113,547	3,218,547	6.92	1.25
2000	53,442,428	32,760,930	20,681,498	1,135,000	3,232,702	4,367,702	4.74	1.25
2001	57,337,535	36,870,339	20,467,196	1,725,000	3,012,533	4,737,533	4.32	1.25
2002	63,911,622	42,112,440	21,799,182	2,215,000	4,140,667	6,355,667	3.43	1.25
2003	59,464,009	46,909,635	12,554,374	2,395,000	3,874,439	6,269,439	2.00	1.25
2004	77,080,192 (5)	51,521,220	25,558,972	2,485,000	3,709,006	6,194,006	4.13	1.20
<u>All Water and Sewer Debt Service Coverage (4)</u>								
1997	\$ 38,766,974	\$ 24,396,590	\$ 14,370,384	\$ 6,855,000	\$ 4,034,971	\$ 10,889,971	1.32	1.00
1998	42,980,846	28,335,465	14,645,381	7,385,000	5,040,122	12,425,122	1.18	1.00
1999	51,092,288	28,833,598	22,258,690	6,455,000	4,758,353	11,213,353	1.99	1.00
2000	53,442,428	32,760,930	20,681,498	6,408,051	5,656,737	12,064,788	1.71	1.00
2001	57,337,535	36,870,339	20,467,196	7,093,051	5,279,894	12,372,945	1.65	1.00
2002	63,911,622	42,112,440	21,799,182	7,378,051	6,364,756	13,742,807	1.59	1.00
2003	59,464,009	46,909,635	12,554,374	7,165,851	5,682,828	12,848,679	0.98	1.00
2004	67,481,967	51,521,220	15,960,747	6,974,451	5,165,065	12,139,516	1.31	1.00

**NOTES:**

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999, January 1, 2001 and May 4, 2004.
- (2) Operating expenses are exclusive of depreciation and interest expense.
- (3) Parity debt service includes interest and principal of revenue bonds and certain State loans.
- (4) All water and sewer debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds.
- (5) The City entered into the First Amendment 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%.

**City of Raleigh**

**SCHEDULE OF ASSESSMENTS RECEIVABLE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Assessments Receivable Beginning <u>of Period</u></b>	<b><u>Billings</u></b>	<b><u>Collections and Other Reductions</u></b>	<b>Assessments Receivable End of <u>Year</u></b>
1995	\$ 3,104,537	\$ 851,910	\$ 1,023,129	\$ 2,933,318
1996	2,933,318	1,129,790	1,253,467	2,809,641
1997	2,809,641	119,104	719,060	2,209,685
1998	2,209,685	689,474	777,598	2,121,561
1999	2,121,561	737,730	1,087,819	1,771,472
2000	1,771,472	965,281	864,453	1,872,300
2001	1,872,300	1,816,741	1,313,442	2,375,599
2002	2,375,599	702,429	954,935	2,123,093
2003	2,123,093	859,230	1,158,256	1,824,067
2004	1,824,067	559,234	810,250	1,573,051

**Note:**

Assessments receivable at June 30, 2004 consists of

Water and sewer assessments receivable	\$ 571,318
Other assessments receivable	<u>1,001,733</u>
Total	<u>\$ 1,573,051</u>



**City of Raleigh**

**INSURANCE COVERAGE**

June 30, 2004

<u>TYPE OF POLICY</u>	<u>TYPE OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u>	<u>TERM OF POLICY</u>	<u>ANNUAL PREMIUM</u>
General Property	All Risk: Buildings and Contents	Coverage Limits: \$450,714,000 Deductible Per Occurrence: \$100,000	July 1, 2003 to June 30, 2004	\$367,545
Property - Other	All Risk	Coverage Limits: \$12,847,000 Deductible Per Occurrence: \$50,000	July 1, 2003 to June 30, 2004	\$10,663
Inland Marine: Municipal Equipment Computer Equipment Fine Arts Pool Cover	All Risk: Property Damage	Actual Cash Value Less Depreciation Coverage Limits: Municipal Equipment \$22,283,495 Computer Equipment \$3,582,383 Fine Arts \$130,000 Pool Cover \$131,000 Deductible Per Occurrence: Municipal Equipment \$25,000 Computer Equipment \$25,000 Fine Arts \$2,500 Pool Cover \$2,500	July 1, 2003 to June 30, 2004	\$20,902
Boiler and Machinery	All Risk: Pressure Vessels, HVAC Systems, Production Equipment	Coverage Limits: \$5,000,000 Deductible Per Occurrence: \$100,000	July 1, 2003 to June 30, 2004	\$14,824
General Liability	Bodily Injury or Property Damage Arising From Premises/Operations and Products	Coverage Limits: \$1,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2003 to June 30, 2004	\$75,681
Police	Police: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2003 to June 30, 2004	\$70,491
Vehicle Liability	City-Owned Vehicles: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2003 to June 30, 2004	\$82,739
Umbrella Liability	Excess Liability Coverage General, Police , and Vehicle	Coverage Limits: \$10,000,000	July 1, 2003 to June 30, 2004	\$52,674
Physical Damage	All Fleet Vehicles: Fire, Theft and Vandalism	Coverage Limits: \$51,025,365 Deductible Per Occurrence: \$25,000	July 1, 2003 to June 30, 2004	\$12,627
Aggregate Stop-Loss	Bodily Injury and Property Damage	Annual Aggregate: \$3,000,000	July 1, 2003 to June 30, 2004	Included Above In GL
Public Officials Liability	All Employees, Council and Boards: Wrongful Acts			Self - Insured
Public Official Blanket Bond	Dishonest or Fraudulent Acts of Employees Handling Money or Property	Coverage Limits: \$500,000 Deductible Per Occurrence: \$1,000	July 1, 2003 to June 30, 2004	\$2,017

**City of Raleigh**

**INSURANCE COVERAGE**

June 30, 2004

<u>TYPE OF POLICY</u>	<u>TYPE OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u>	<u>TERM OF POLICY</u>	<u>ANNUAL PREMIUM</u>
Public Official Bond	Tax Collector: City Taxes Finance Director	Coverage Limits: \$150,000	July 1, 2003 to June 30, 2004	\$1,600
Medical Professional Liability	City Nurses	Coverage Limits: \$1,000,000 per person \$3,000,000 per occurrence	July 1, 2003 to June 30, 2004	\$137
Special Program Liability	Grandfather Mountain Recreation Program: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 annually \$500,000 per occurrence	May 22, 2003 to May 22, 2004	\$500
Money and Securities	Selected Locations Handling Negotiable Funds: Premise and Off-Premise	Coverage Limits Per Location: \$4,100 or \$50,000 Deductible Per Occurrence: \$500 or \$1,000	August 1, 2003 to July 31, 2004	\$2,120
Workers' Compensation	All Employees: All Benefits Allowed by Law	Self-Insured Retention Per Occurrence: \$1,000,000 Excess Coverage: \$1,000,000 Employers Liability: \$1,000,000	July 1, 2003 to June 30, 2004	\$82,260
Statue	Multi-Peril External Cause	Statue: Deductible: \$1,000	September 1, 2003 to August 31, 2004	\$626

## City of Raleigh

### DEMOGRAPHIC CHARACTERISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended	Population	Per Capita Income	Unemployment Rate	School Enrollment ADM	Retail Sales (5)	
					(In Billions)	
<u>June 30</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>City</u>	<u>County</u>
1995	243,345	24,852	3.0	76,273	5.019	7.649
1996	251,609	27,069	2.5	80,646	5.493	8.441
1997	266,035	28,758	2.0	85,542	6.119	9.670
1998	273,011	30,525	1.6	89,074	6.437	10.319
1999	280,132	32,054	1.5	92,566	6.914	11.536
2000	286,834	32,537	1.6	94,295	7.026	11.614
2001	294,843	32,998	3.1	97,348	7.524	12.546
2002	311,053	33,293	5.5	101,967	7.012	12.017
2003	316,979	N/A	5.2	107,448	7.297	12.402
2004	328,880	N/A	4.0	112,158	N/A	N/A

#### Notes:

- (1) The City's Planning Department estimates the 2004 population to be 328,880. The United States Bureau of Census established the 2000 population as 276,093. The nationwide census resulted in a reduction in the City's estimate of population as has been reported in prior years.
- (2) Per capita income for the Raleigh-Durham SMSA.  
Data for 2003 and 2004 are not available.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis
- (3) Estimated percentage of unemployment in Wake County.  
Source: North Carolina Employment Security Commission.
- (4) ADM = Average daily membership - (final ADM). Includes thirteen charter schools.  
Source: North Carolina Department of Public Instruction, Statistical Research and Data Center
- (5) Source: North Carolina Department of Revenue, Sales and Use Tax Division, Tax Research Division.  
Data for 2004 is not available.



## City of Raleigh

### PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	Property Value (1)	Commercial Construction (2)		Residential Construction (2)		Bank Deposits (3)
		Number of Permits	Value	Number of Permits	Value	
1995	\$ 12,900,795,597	1,185	\$ 195,647,516	3,642	\$ 294,566,077	\$ 3,636,608,000
1996	13,567,783,606	1,349	334,033,422	3,853	354,115,298	3,621,257,000
1997	14,436,010,969	1,322	312,281,711	4,366	321,023,215	3,771,729,000
1998	15,328,441,284	1,409	408,385,493	4,380	354,301,654	4,074,241,000
1999	16,068,479,171	1,662	497,648,410	5,507	627,106,349	4,528,758,000
2000	17,008,260,287	1,522	497,664,132	5,067	652,441,455	6,832,513,000
2001	25,629,175,759	1,621	583,051,394	5,924	733,566,327	7,829,170,000
2002	26,772,409,715 (4)	1,257	423,679,211	6,244	544,853,112	8,538,970,000
2003	28,187,871,286 (4)	1,213	349,853,178	6,054	654,562,382	9,358,621,000
2004	29,380,152,451	1,193	453,114,173	6,501	791,019,932	N/A

#### Notes:

(1) Source: Wake County

(2) Source: City of Raleigh Inspections Department. All figures include governmental construction.

(3) "Bank Deposits" include deposits with savings and loans (and exclude credit unions) for the combined Raleigh and Wake County area. Data for 2004 is not available. Source: North Carolina State Banking Commission.

(4) Re-stated for compiling errors as noted on page 123.

**City of Raleigh**

**PRINCIPAL TAXPAYERS  
June 30, 2004**

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Progress Energy	Utility	\$ 341,822,932	1.16%
Highwoods Realty, Limited Partnership	Real estate	174,894,881	0.60
CVM Associates	Real estate	170,805,503	0.58
Bellsouth Telephone and Telegraph Company	Utility	167,047,257	0.57
Cisco Systems, Inc.	Technology Systems	145,763,762	0.50
UDRT of North Carolina, LLC	Real estate	116,333,662	0.40
JG North Raleigh, LLC	Real estate	95,668,474	0.33
Prudential Insurance Co. of America	Insurance	94,700,488	0.32
First Citizens Bank & Trust Co.	Banking/real estate	76,225,391	0.26
Ajinomoto USA Inc.	Pharmaceuticals	<u>60,803,596</u>	<u>0.21</u>
		<u>\$ 1,444,065,946</u>	<u>4.93%</u>

**Note:**

Above assessed valuations are as of January 1, 2003 and the associated tax levies were due in the fiscal year ended June 30, 2004.

## ***City of Raleigh***

### **MISCELLANEOUS STATISTICS**

**June 30, 2004**

Population: 328,880

Date of incorporation: Established 1792 by an act of the North Carolina General Assembly

Form of government: Council/Manager

Area: 128.9 square miles

Miles of streets: 1,118.07

Number of street lights: 30,628

Fire protection:

Number of stations: 26

Number of firemen and officers: 506  
(exclusive of volunteer firefighters)

Police protection:

Number of stations: 9 (1) headquarters, (6) sub-stations, (2) training center

Number of policemen and officers: 716

Municipal water department:

Number of consumers: 131,312

Average daily consumption: 54.00 MGD

Miles of water mains: 1,380

Sewers:

Sanitary sewers: 1,468 miles

Average daily flow: 44.01 MGD

Recreation and Parks:

Number of major parks: 70

Total acreage of parkland, open space, greenways and lakes: 8,010

Number of staffed centers: 24

Neighborhood centers: 8

Park sites: 186

Greenway tracts: 466

Aquatic facilities: 8

Culture:

Number of libraries: 17

Number of volumes: 1,509,046

Employees: 3,081



**CITY OF RALEIGH, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SINGLE AUDIT SECTION**

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



**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, 2004, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error and fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 22, 2004.

**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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or an other matter that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 04-1.

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

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

*Cherry, Bekaert + Holland LLP*

Raleigh, North Carolina  
October 22, 2004



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

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

**Compliance**

We have audited the compliance of the City of Raleigh, North Carolina (the City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, which is described in the accompanying Schedule of Findings and Questioned Costs as Item 04-2.

## Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

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

## Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is 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.

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

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

*Cherry, Bekaert + Holland LLP*

Raleigh, North Carolina  
October 22, 2004





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

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

**Compliance**

We have audited the compliance of the City of Raleigh, North Carolina (the City), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2004. 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, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, which is described in the accompanying Schedule of Findings and Questioned Costs as Item 04-3.

## **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

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

## **Schedule of Expenditures of Federal and State Awards**

We have audited the financial statements of the City as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is 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.

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

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

*Cherry, Bekaert & Holland LLP*

Raleigh, North Carolina  
October 22, 2004



# **SINGLE AUDIT SCHEDULES**

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs:						
Federal Transit Administration						
Planning Assistance - Section 9	20.507	NC-90-2297	\$ 192,764	\$ 191,575	\$ -	\$ 191,575
Planning Assistance - Section 9	20.507	NC-90-2319	69,193	35,584	-	35,584
Planning Assistance - Section 9	20.507	NC-90-2341	168,616	-	96,517	96,517
Capital Assistance - Section 9	20.507	NC-90-0220	2,277,257	2,142,566	-	2,142,566
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,100,698	173,435	2,274,133
Capital Assistance - Section 9	20.507	NC-90-0256	6,232,233	5,949,503	59,101	6,008,604
Capital Assistance - Section 9	20.507	NC-90-0279	2,838,195	1,858,776	99,417	1,958,193
Capital Assistance - Section 9	20.507	NC-90-0297	2,605,520	1,947,584	284,497	2,232,081
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	-	27,562	27,562
Capital Assistance - Section 9	20.507	NC-90-0319	2,165,834	211,823	1,582,521	1,794,344
Capital Assistance - Section 9	20.507	NC-90-0341	2,402,640	-	110,432	110,432
Capital Assistance - Section 3	20.507	NC-03-0059	400,000	-	-	-
			<u>25,408,748</u>	<u>14,438,109</u>	<u>2,433,482</u>	<u>16,871,591</u>
Passed-Through N.C. Department of Transportation:						
Federal Transit Administration						
Planning Assistance - Section 8	20.505	PTD 03-08-009	69,432	69,432	-	69,432
Planning Assistance - Section 8	20.505	PTD 04-08-009	69,423	-	69,423	69,423
			<u>138,855</u>	<u>69,432</u>	<u>69,423</u>	<u>138,855</u>
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	8.54403	636,736	338,924	51,466	390,390
Section 104(f) Technical Assistance	20.205	6300000502	579,869	-	391,192	391,192
			<u>1,216,605</u>	<u>338,924</u>	<u>442,658</u>	<u>781,582</u>
Total U.S. Department of Transportation			<u>26,764,208</u>	<u>14,846,465</u>	<u>2,945,563</u>	<u>17,792,028</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program						
	94.011	439-S006/15	259,742	112,603	135,434	248,037
	94.011	439-S006/16	259,742	-	129,848	129,848
			<u>519,484</u>	<u>112,603</u>	<u>265,282</u>	<u>377,885</u>
Retired Senior Volunteers Program						
	94.002	440-S025/20	57,718	41,594	14,157	55,751
	94.002	440-S025/21	57,718	-	46,199	46,199
			<u>115,436</u>	<u>41,594</u>	<u>60,356</u>	<u>101,950</u>
Total Corporation for National Service			<u>634,920</u>	<u>154,197</u>	<u>325,638</u>	<u>479,835</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant Program						
	14.218	B95MC370009	2,459,000	2,455,825	3,175	2,459,000
	14.218	B96MC370009	2,416,000	2,394,362	3,452	2,397,814
	14.218	B99MC370009	2,336,000	2,308,739	27,210	2,335,949
	14.218	B00MC370009	2,365,000	2,307,772	25,791	2,333,563
	14.218	B01MC370009	2,446,000	1,906,805	422,668	2,329,473
	14.218	B02MC370009	2,420,000	1,265,133	422,501	1,687,634
	14.218	B03MC370009	2,814,000	-	338,364	338,364
			<u>17,256,000</u>	<u>12,638,636</u>	<u>1,243,161</u>	<u>13,881,797</u>
HOME Grant Program						
	14.239	M96MC370206	950,000	858,637	81,083	939,720
	14.239	M98MC370206	994,000	956,523	36,482	993,005
	14.239	M99MC370206	1,074,000	860,743	213,257	1,074,000
	14.239	M00MC370206	1,073,000	575,488	351,111	926,599
	14.239	M01MC370206	1,191,000	359,383	177,593	536,976
	14.239	M02MC370206	1,188,000	(245,493)	543,005	297,512
	14.239	M03MC370206	1,448,995	-	(113,737) (1)	(113,737)
			<u>7,918,995</u>	<u>3,365,281</u>	<u>1,288,794</u>	<u>4,654,075</u>
Total U.S. Department of Housing and Urban Development			<u>25,174,995</u>	<u>16,003,917</u>	<u>2,531,955</u>	<u>18,535,872</u>

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Direct Programs:						
Cops More	16.710	01CLWX0010	685,248	605,320	33,910	639,230
Cops in Schools	16.710	02SHWX0717	122,087	41,224	60,678	101,902
			<u>807,335</u>	<u>646,544</u>	<u>94,588</u>	<u>741,132</u>
LLE Block Grant Program	16.592	02LBBX2438	461,908	225,570	166,691	392,261
LLE Block Grant Program	16.592	03LBBX2766	288,176	-	158,432	158,432
			<u>750,084</u>	<u>225,570</u>	<u>325,123</u>	<u>550,693</u>
Weed & Seed Program	16.595	01WSQX0092	225,000	204,880	9,730	214,610
Weed & Seed Program	16.595	01WSQX0092	225,000	165,509	52,770	218,279
Weed & Seed Program	16.595	01WSQX0092	225,000	-	122,382	122,382
Weed & Seed Program	16.595	N/A	53,161	48,160	-	48,160
Weed & Seed Program	16.595	N/A	50,000	30,000	9,581	39,581
			<u>778,161</u>	<u>448,549</u>	<u>194,463</u>	<u>643,012</u>
Passed-Through N.C. Department of Crime Control and Public Safety:						
VOCA - Domestic Violence Social Worker		092102010V771	113,352	36,593	72,400	108,993
Juvenile Cyber Tech Investigations		092101003H874	48,624	9,363	36,472	45,835
			<u>161,976</u>	<u>45,956</u>	<u>108,872</u>	<u>154,828</u>
Total U.S. Department of Justice			<u>2,497,556</u>	<u>1,366,619</u>	<u>723,046</u>	<u>2,089,665</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>						
Direct Programs:						
Brownfields Assessment Grant	66.811	BP984864-99-0	200,000	186,433	9,009	195,442
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	919	9,666	10,585
Vulnerability Assessment Study	66.476	HS-82006801	115,000	115,000	-	115,000
			<u>1,315,000</u>	<u>302,352</u>	<u>18,675</u>	<u>321,027</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Direct Programs:						
Solid Waste Services WHIP Grant	10.914	72453232162	9,802	-	2,886	2,886
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborhoods"	10.664	ATB2003-35	10,000	1,236	8,764	10,000
USFS - "Raleigh Neighborhoods"	10.664	F04037	8,500	-	2,066	2,066
			<u>18,500</u>	<u>1,236</u>	<u>10,830</u>	<u>12,066</u>
Total U.S. Department of Agriculture			<u>28,302</u>	<u>1,236</u>	<u>13,716</u>	<u>14,952</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
Passed-Through N.C. Department of Crime Control and Public Safety:						
Public Assistance - 2002 Ice Storm	97.036	1448-DR-NC	9,733,379	9,238,496	494,883	9,733,379
Public Assistance - Hurricane Isabel	97.036	1490-DR-NC	866,944	-	866,944	866,944
			<u>10,600,323</u>	<u>9,238,496</u>	<u>1,361,827</u>	<u>10,600,323</u>
Total Expenditures of Federal Awards			<u>\$ 67,015,304</u>	<u>\$ 41,913,282</u>	<u>\$ 7,920,420</u>	<u>\$ 49,833,702</u>

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF STATE AWARDS:						
<u>N. C. DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Planning Assistance		PTD 02-09-007	\$ 24,095	\$ 23,947	\$ -	\$ 23,947
Public Transportation Planning Assistance		PTD 03-09-007	8,649	4,448	-	4,448
Public Transportation Planning Assistance		PTD 04-09-009	21,077	-	12,065	12,065
Public Transportation Planning Assistance		PTD 03-08-009	8,679	8,679	-	8,679
Public Transportation Planning Assistance		PTD 04-09-009	8,677	-	8,677	8,677
Public Transportation Capital Assistance		PTD 98-09-007	146,457	129,621	7	129,628
Public Transportation Capital Assistance		PTD 99-09-004	166,817	124,387	21,680	146,067
Public Transportation Capital Assistance		PTD 00-09-007	640,829	605,488	7,387	612,875
Public Transportation Capital Assistance		PTD 01-09-007	189,282	73,568	7,306	80,874
Public Transportation Capital Assistance		PTD 02-09-007	364,360	-	2,773	2,773
Public Transportation Capital Assistance		NC-03-0059	50,000	-	-	-
Public Transportation Maintenance Assistance Program - Operating		04SM013	2,249,469	-	2,249,469	2,249,469
Greenskills Project		E-3800	50,000	7,656	22,892	30,548
Leesville Road Extension		9.8052061	150,000	150,000	-	150,000
Capital Boulevard at Durant Road		9.8052059	125,000	125,000	-	125,000
Capital Boulevard at Perry Creek Road		9.8052066	135,000	37,206	-	37,206
Duraleigh Road at U.S. 70		9.8052058	150,000	150,000	-	150,000
Western Boulevard Landscaping		E-2973-E	100,000	-	61,181	61,181
Rose Lane Bridge		8.2406001	880,000	698,542	-	698,542
Stonybrook Drive Bridge Design		-	443,334	-	66,929	66,929
GHSP Traffic Sign Grant		-	4,033	-	3,556	3,556
GHSP Helmet Grant		-	3,542	-	3,542	3,542
Powell Bill		-	7,841,162	-	7,841,162	7,841,162
Total N. C. Department of Transportation			13,760,462	2,138,542	10,308,626	12,447,168
<u>N.C. HOUSING FINANCE AGENCY</u>						
Job Training Grant		-	114,000	20,324	61,252	81,576
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
Disaster Assistance - December 2002 Ice Storm		1448-DR-NC	3,244,460	3,079,498	164,962	3,244,460
Disaster Assistance - Hurricane Isabel		1490-DR-NC	288,981	-	288,981	288,981
Pre-Disaster Mitigation Assistance		PDM-PL-02-33	15,000	4,500	10,500	15,000
Fire Department Hazmat Grant		HS-TE-02-1105	90,900	-	90,611	90,611
Fire Department Hazmat Grant		HS-TE-02-4113	21,730	-	-	-
Child Development Program		092103018AD824	42,560	-	18,115	18,115
Youth Gang Violence Prevention		092102P11AK207	13,905	-	6,062	6,062
Project Safe Neighborhoods		092103001AZ121	10,000	-	-	-
Total N. C. Department of Crime Control and Public Safety			3,727,536	3,083,998	579,231	3,663,229
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Water Construction Loan #HLRXF01093		-	2,900,000	873,593	755,764	1,629,357
NCCWMTF - Neuse River Trust Acquisition Project		1998-A-104	2,850,000	1,835,649	400,997	2,236,646
PARTF - Buffalo Road Park		2003-316	241,000	-	21,243	21,243
Emmissions Reduction Grant		EA200028	218,111	175,683	41,189	216,872
Soil Erosion Engineering Program		L04002	2,244	-	903	903
Total N. C. Department of Environment and Natural Resources			6,211,355	2,884,925	1,220,096	4,105,021
<u>N. C. DEPARTMENT OF INSURANCE</u>						
Child Safety Seat Program		-	7,500	-	7,262	7,262

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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>N. C. DEPARTMENT OF CULTURAL RESOURCES</u>						
Visual Arts Program		-	3,000	2,365	(865)	1,500
Public Art Program		FY04-0640	3,000	-	3,000	3,000
Total N.C. Department of Cultural Resources			6,000	2,365	2,135	4,500
Total Expenditures of State Awards			\$ 23,826,853	\$ 8,130,154	\$ 12,178,602	\$ 20,308,756
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Special Populations Program			\$ 76,366	\$ -	\$ 76,366	\$ 76,366
Open Space Program			200,000	131,994	4,200	136,194
Foster Grandparents Program			14,000	-	14,000	14,000
Retired Senior Volunteer Program			1,583	-	1,583	1,583
Child Development Program			7,093	-	3,019	3,019
LLE Block Grant Program			5,000	-	5,000	5,000
			304,042	131,994	104,168	236,162
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Biodiesel Fuel Grant			41,000	308	-	308
Total Expenditures of Other Awards			\$ 345,042	\$ 132,302	\$ 104,168	\$ 236,470
Total Expenditures - All Awards			\$ 91,187,199	\$ 50,175,738	\$ 20,203,190	\$ 70,378,928

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose 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, 2004. 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, 2004 is \$-0-.

(1) Negative current year expenditures in the HOME grant program represent program income in excess of expenditures for the M03 grant year.









CITY OF RALEIGH, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

---

Management response: The City anticipates continued collection of all long-term pledges and, ultimately, the complete elimination of the deficit fund balance in the convention center and memorial auditorium capital projects fund. The City agrees that additional reserve funding will be required in the risk management internal service fund.

### III – Federal Award Findings and Questioned Costs

*Department of Justice*

**Finding #:** 04-2

Nonmaterial noncompliance

**Program Name:** Local Law Enforcement Block Grant

Criteria: The LLEBG grant agreement specifically states that reporting is to be done within 45 days of quarter end.

Condition: Based upon the reporting dates for each quarter end, the June 30, 2004 report was submitted after the 45 day deadline.

Effect: The City may not be able to draw down funds until their reporting is brought up to date.

Cause: The City did not timely file the report.

Questioned Costs: None.

Recommendation: The City should develop a system of policies and procedures for ensuring that the LLEBG report is timely filed.

Management Response: The report in question was submitted Monday, August 16, 2004 rather than Saturday, August 14, 2004. Henceforth, reports with weekend or holiday deadline dates will be submitted the previous business day rather than the following business day.

### IV – State Award Findings and Questioned Costs

*NC Department of Transportation*

**Finding #:** 04-3

Nonmaterial noncompliance

**Program Name:** Powell Bill

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

CITY OF RALEIGH, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2004

---

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

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

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

Questioned Costs: Approximately \$1,000.

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

Management Response: The City will implement procedures to identify and exclude installation of new fire hydrants as Powell Bill expenditures.

CITY OF RALEIGH, NORTH CAROLINA  
**CORRECTIVE ACTION PLAN**  
Year Ended June 30, 2004

---

**II – Financial Statement Findings**

**Finding #:** 04-1

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

**Corrective Action Plan:** The City anticipates continued collection of all long-term pledges and, ultimately, the complete elimination of the deficit fund balance in the convention center and memorial auditorium capital projects fund. The City agrees that additional reserve funding will be required in the risk management internal service fund.

**Proposed Completion Date:** Fiscal 2004-2005.

**II – Federal and State Awards Findings and Questioned Costs**

**Finding #:** 04-2

**Name of Contact Person:** John House, Internal Audits Manager

**Corrective Action Plan:** Procedures have been implemented to assure that all future LLEBG reports are completed timely.

**Proposed Completion Date:** Fiscal 2004-2005.

**Finding #:** 04-3

**Name of Contact Person:** John House, Internal Audits Manager

**Corrective Action Plan:** Procedures will be implemented to identify and exclude installation of new fire hydrants as Powell Bill expenditures.

**Proposed Completion Date:** Fiscal 2004-2005.

CITY OF RALEIGH, NORTH CAROLINA  
**SUMMARY OF PRIOR YEAR FINDINGS**  
Year Ended June 30, 2004

---

**Finding 03-1**

This is a recurring finding in 2004 (Finding 04-1).

**Finding 03-2**

Management has resolved this finding in 2004.



## **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.raleigh-nc.org](http://www.raleigh-nc.org)

