



CITY OF RALEIGH



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF RALEIGH, NORTH CAROLINA

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

# CCR





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FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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



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### RALEIGH CITY COUNCIL - 2004-2005



**Charles C. Meeker**  
MAYOR

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

**Michael Regan**  
DISTRICT A

**Jessie Taliaferro**  
DISTRICT B

**Thomas Crowder**  
DISTRICT D

**Philip R. Isley**  
DISTRICT E

**Tommy Craven**  
AT LARGE

**Joyce Kekas**  
AT LARGE

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

### 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**



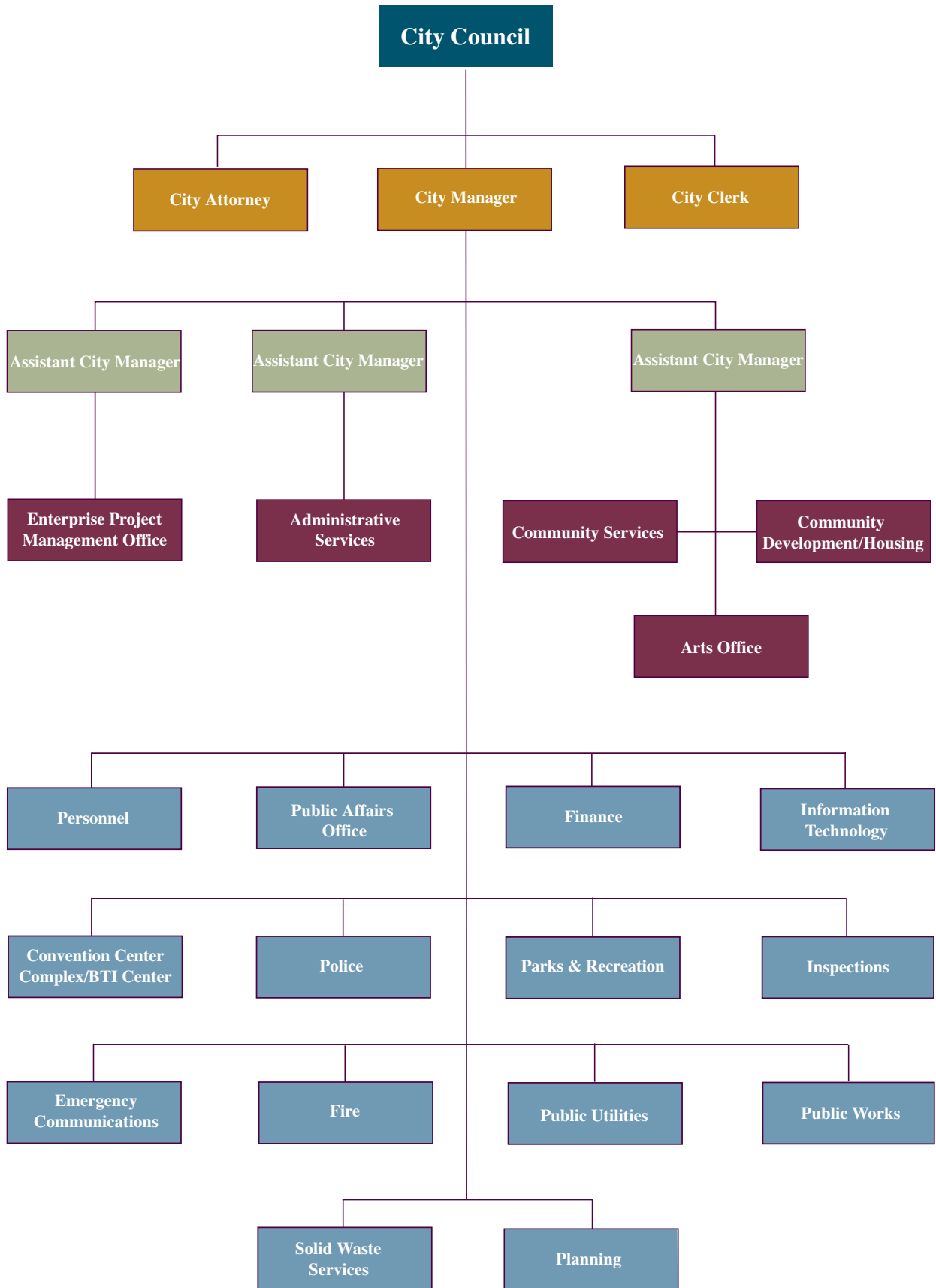
J. Russell Allen  
City Manager



Perry E. James, III  
Chief Financial Officer



### CITY-WIDE ORGANIZATIONAL CHART





October 21, 2005



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

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2005. 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, 2005, 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, 2005 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 133 square miles and has an estimated population of 342,194. 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.

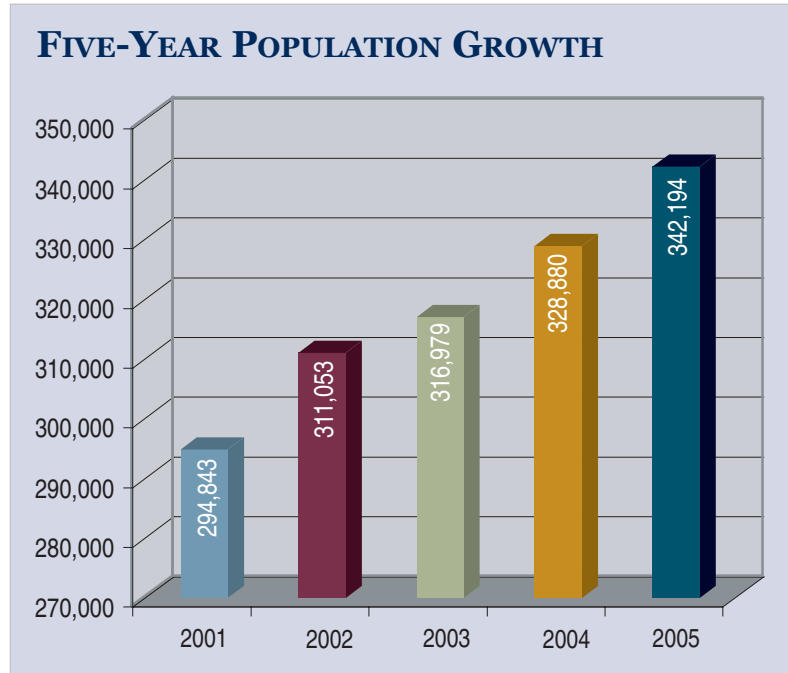
The North Carolina General Assembly purchased land for the original site of the City for the specific purpose of being the Capital of North Carolina. The City was established in 1792 by an act of the General Assembly and has utilized a

council-manager form of government since 1947. The Mayor and two Council members are elected at-large, and the remaining five Council members are elected from five districts within the City. The Mayor and Council members serve two-year terms and all have an equal vote. The City Council sets policies, enacts ordinances and appoints the City Manager. The City Manager administers the daily operations and programs of the City through the department heads, other staff members and employees.

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

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

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



## ECONOMIC CONDITIONS AND OUTLOOK

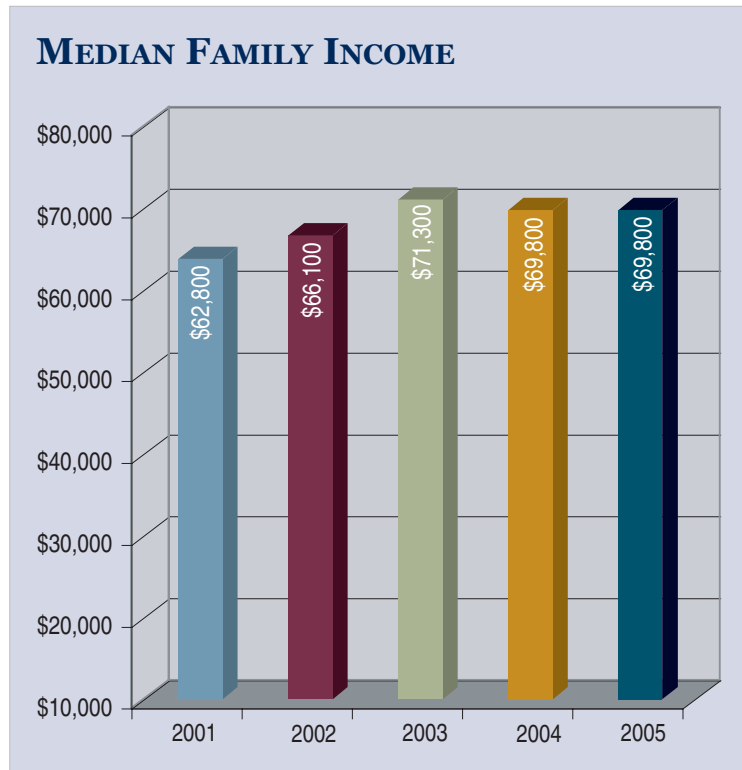
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Raleigh is one of the fastest growing areas in the country. A great economy, top universities, and outstanding health care facilities are some of the attributes that attract people to the area. The mild climate, diverse work force and proximity to Research Triangle Park, a nationally recognized center for research and light manufacturing adjacent to the City, combine to make the City a great place to live. The City has experienced significant growth in population, land area and commercial activity for a number of years. As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers, including State government, higher education, light manufacturing and retail trade. The City is the home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in North Carolina.

The 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 over 800 geographical areas in 2004 that the City ranks third in the percentage of adults with a high school diploma (91%) and third in percentage of adults with bachelors degrees (50%). That same survey found that the City ranks seventh in median household income (\$47,878), fifth in median family income (\$64,908), and 35th in median monthly housing costs for homeowners with mortgages (\$1,204).

Recent statistical analyses continue to show the Raleigh metropolitan area to be one of the leading per capita income areas in the state and the nation. Latest per capita income for Wake County reflects per capita income higher than the state and national per capita personal income. The latest median family income numbers from the City of Raleigh planning department show that the Raleigh-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.

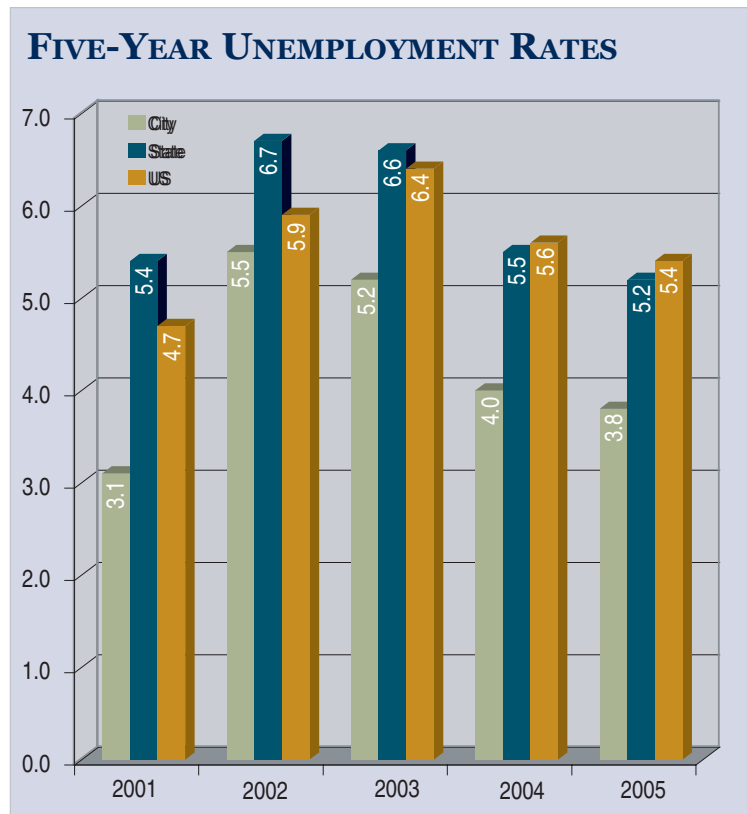


For the sixth consecutive year, total construction in Raleigh was over \$1 billion. In calendar year 2004, 49 major companies announced either new operations or expansions of present operations in Wake County with an announced estimated dollar investment of over \$178 million. This represents an estimated 2,569 new jobs added to the workforce in Wake County. As a result, the June, 2005 unemployment rate was 3.8 percent as compared to 5.2 percent statewide and 5.4 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 131 organizations including those of International Business Machines Corporation, Nortel, Glaxo-Smithkline, BNR Corporation, MCNC (formerly the Micro Electronics Center), Research Triangle Institute, United States Environmental Protection Agency and National Institute of Environmental Health Services. The research institutions of the Park employ an estimated 44,000 employees with an annual payroll in excess of \$2.7 billion.

An estimated 11.5 million people visited Raleigh during 2004-05 for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the RBC Center, Walnut Creek Amphitheater, Memorial Auditorium, The Progress Energy Center for Performing Arts, The Exploris Museum and IMAX Theater, numerous state museums, and several major retail shopping malls. The RBC Center is home for the National Hockey League's Carolina Hurricanes and North Carolina State University's Wolfpack basketball team. Memorial Auditorium hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South. Adjacent to Memorial Auditorium, the Progress Energy Center for Performing Arts, formerly the BTI Center, is the home of both the North Carolina Symphony and the Carolina Ballet, and provides three performing arts theaters.

The City is continuing its efforts with respect to downtown development including the construction of a new convention center facility and other projects. Construction of the 500,000 square foot convention center facility is underway with completion expected in spring 2008. The City is currently demolishing the existing civic center in conjunction with the construction of the new convention center hotel on a portion of that land. The New Convention Center project budget is \$212 million, which includes a \$20 million public participation in the hotel. Installment financing obligations of

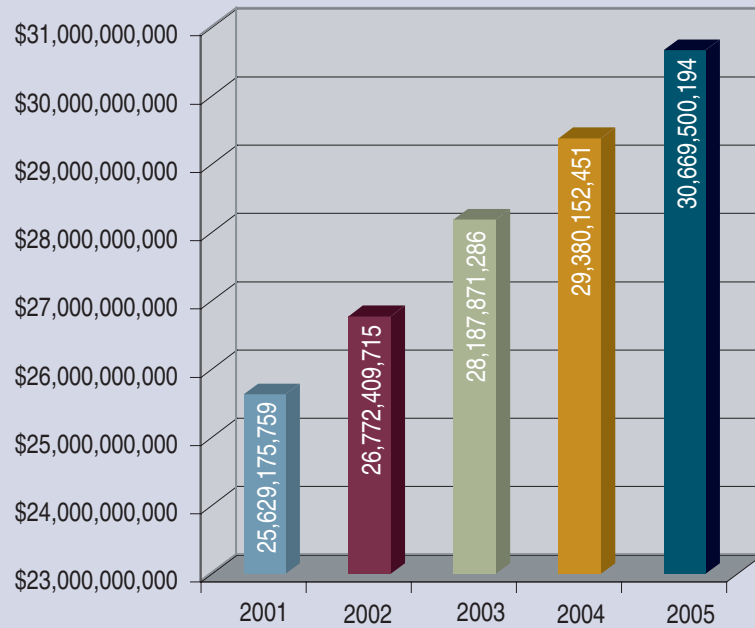


\$243 million, which includes construction financing costs, have been issued for this project. Debt service funding is available from local hotel occupancy and prepared food and beverage taxes. In addition, a 980 space underground parking facility is being planned in conjunction with the new convention center facility, the headquarters hotel and other potential area development. This \$30 million project is scheduled for completion in 2007. Debt service funding for the financing of this project is expected to come from parking revenues.

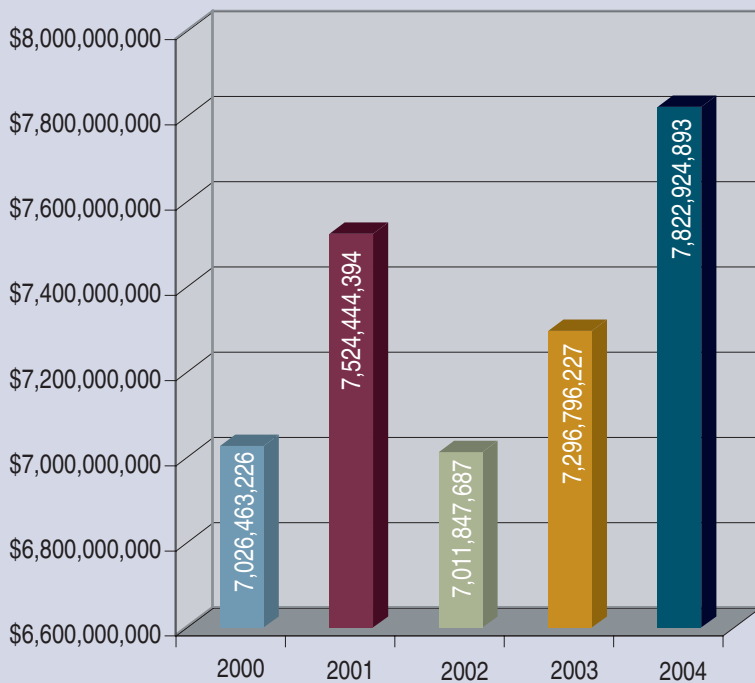
The downtown area is experiencing a number of other significant development projects including completion of a new headquarters building and parking deck by Progress Energy. The City has entered into a long-term capital lease for the parking deck which is located adjacent to an existing City parking deck. The City has completed a "Livable Streets," planning study which recommended the Fayetteville Street Renaissance project. This project 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. This \$11 million project is underway with completion scheduled for May 2006 for Phase I.

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 moderate. The City closely monitors its resources and has

**FIVE-YEAR ASSESSED VALUES**



**RETAIL SALES**





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.

## ***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 3 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 2-year budget perspective, with the first year being the current adopted budget and the 2nd year being the budget plan for the subsequent year. The budgets are set to meet both continuing City program requirements plus supplemental additions needed in response to new capital infrastructure included in the CIP budget.

A key financial goal of the City for many years has been the maintenance of a 14% undesignated fund balance level in the General Fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2005 results built into the 2005-06 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.

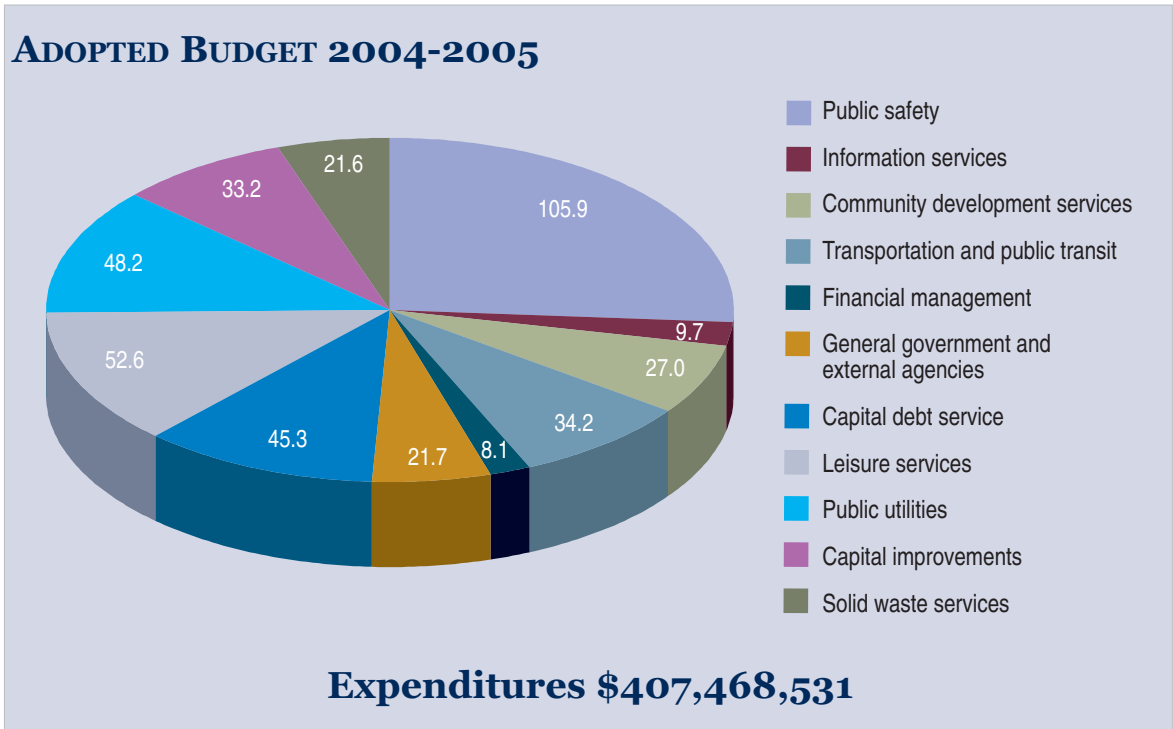
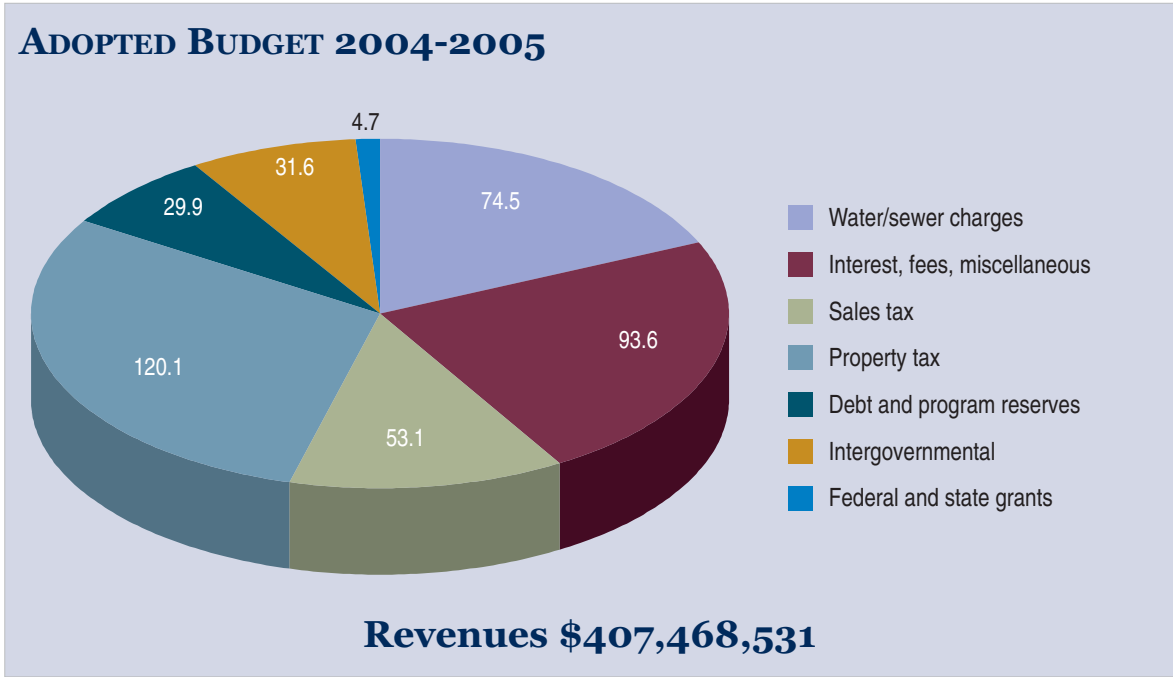
## ***Major Initiatives***

### **For the Year 2004-05**

Budget trends for 2004-05 included annual budget growth for operating and capital programs of approximately 7.5 percent. 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 within the utilities operating fund. All major City programs were continued. Other major features of the 2004-05 operating budget included moderate adjustments to privilege license fees and inspection fees. Also included was 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 will save the City approximately \$4 million annually.



Capital improvements in 2004-05 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. The adopted capital improvement budget for 2004-05 was \$213.7 million. Utility revenue bonds, general government general obligation bonds, and other installment debt fund \$182.8 million of this budget.







### For the Future

The fiscal year 2005-06 budget was recommended and adopted, in accordance with the biannual budget policy. The tax rate remained at \$.3950. However, water and sewer rates were again increased 9% in order to adequately maintain both parity debt coverage and fund balance goals with the utilities operating fund. The combined operating and capital budget adopted for 2005-06 was \$457,436,354.

Other major features of the 2005-06 operating budget included a \$1.30 increase to the monthly recycling fee, which is linked to doubling services from bi-weekly to weekly collections. A net of 118 new positions are authorized, including 48 in public utilities. This staff growth is consistent with on-going system mergers and service demand increase.

The capital improvements budget for 2005-06 includes funding for new and/or continued projects totaling \$130,532,381. These include traditional project funding for transportation, utilities, parks, stormwater, housing, and general improvements. FY06 funding sources include appropriations of \$97.3 million in water and sewer revenue bonds (\$67.2 million) and general government general obligation bonds (\$30.1 million). Additional debt authorizations and/or capital funding sources will be required for certain capital projects planned in the capital improvement plan. A review of the facility fee structure to generate additional revenues for future pay-as-you-go streets and parks projects is underway. Also, in October 2005, City voters approved a \$60 million street bond and a \$20 million affordable housing bond. This debt issue will require a two-cent increase in the property tax rate.

### 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 2004 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.

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, 2004

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.



*Nancy L. Zielke*

President

*Jeffrey R. Emer*

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, 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 21, 2005 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 21, 2005



## 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, 2005. 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

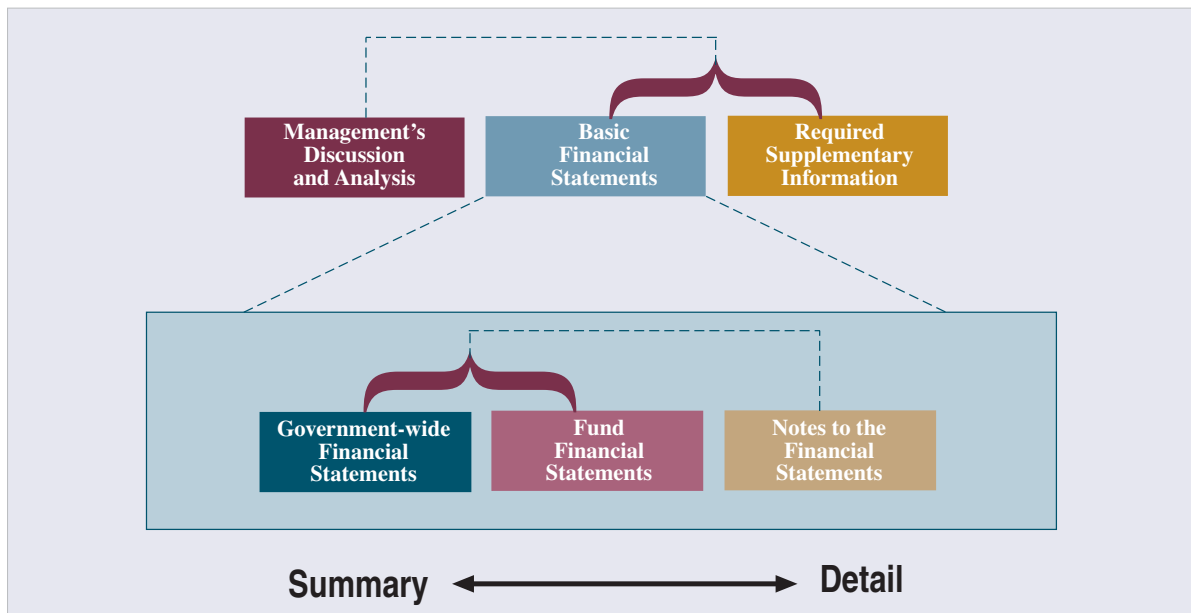
- The assets of the City of Raleigh exceeded its liabilities at the close of the most recent fiscal year by \$1.2 billion (*net assets*). Of this amount, \$187.9 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$237.5 million. Approximately 75.5% of this total amount, \$179.2 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 \$74.4 million or 32 percent of total general fund expenditures. Of that amount, \$41.6 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 \$225.2 million during the current fiscal year. The issuance of new debt (\$294.9 million) exceeded principal repayments (\$70.8 million) by \$224.1 million. Other long-term obligations (earned vacation pay, landfill post-closure care, and other) increased by \$1.1 million.
- The City issued \$41.9 million in water and sewer refunding bonds, resulting in a reduction in debt service payments of \$2.1 million.
- The City also issued \$188.4 million in certificates of participation for the construction of a new convention center complex and participation in the headquarters hotel. The City also issued \$28.5 million in certificates of participation for construction of an underground parking facility for the new convention center.
- The City issued \$33.6 million in certificates of participation for various downtown improvements projects including the purchase of One Exchange Plaza, a leasehold interest in the Progress Energy Parking Deck and various other downtown improvements.
- 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's net assets increased by \$56.6 million.
- On a government-wide basis for business-type activities, the City's net assets increased by \$24.9 million.
- On a government-wide basis, the City had claims payable of \$23.8 million at June 30, 2005. This liability includes \$19.6 million in property and workers compensation claims from the City's risk management internal service fund. The net deficit of this fund, \$ 13.9 million at June 30, 2005, is included in the City's total unrestricted net assets of \$ 187.9 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, the convention center and parking enterprise.
- Fiduciary fund statements provide information about the financial relationships – like the retirement plan for the City’s employees – in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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







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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 48 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Raleigh's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found on pages 49 - 50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 51 - 105 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 (\$973.5 million or 78.7 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	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 301.4	\$ 315.8	\$ 248.2	\$ 438.0	\$ 549.6	\$ 753.8
Capital assets	526.7	581.1	652.4	718.6	1,179.1	1,299.7
<b>Total assets</b>	<b>828.1</b>	<b>896.9</b>	<b>900.6</b>	<b>1,156.6</b>	<b>1,728.7</b>	<b>2,053.5</b>
Long-term debt outstanding	193.8	198.2	305.4	526.2	499.2	724.4
Other liabilities	42.4	50.6	30.9	40.9	73.3	91.5
<b>Total liabilities</b>	<b>236.2</b>	<b>248.8</b>	<b>336.3</b>	<b>567.1</b>	<b>572.5</b>	<b>815.9</b>
Invested in capital assets, net of related debt	442.9	440.3	456.2	533.2	899.1	973.5
Restricted	65.6	76.2	-	-	65.6	76.2
Unrestricted	83.1	131.6	108.4	56.3	191.5	187.9
<b>Total net assets</b>	<b>\$ 591.6</b>	<b>\$ 648.1</b>	<b>\$ 564.6</b>	<b>\$ 589.5</b>	<b>\$ 1,156.2</b>	<b>\$ 1,237.6</b>

An additional portion of the City's net assets (\$76.2 million or 6.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$187.9 million or 15.2 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. However, total unrestricted net assets (\$187.9 million) does include \$13.9 million deficit net assets from the City's risk management internal service fund. 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 as well as projected incurred but not reported claims. The City is reviewing several options to address the overall deficit condition, including reevaluating the level of funding received from the City's operating funds. Beginning in 2005, the City retained a third party contractor to administer the claims. Through more aggressive claims management the City also expects to achieve an improved loss experience.

The City's net assets increased by \$81.4 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	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenues:						
Charges for services	\$ 32.2	\$ 36.1	\$ 88.2	\$ 109.2	\$ 120.4	\$ 145.3
Operating grants and contributions	24.1	25.2	4.5	4.4	28.6	29.6
Capital grants and contributions	18.3	61.9	9.1	22.7	27.4	84.6
General revenues:						
Property taxes	113.3	120.8			113.3	120.8
Other taxes	83.0	89.8			83.0	89.8
Grants and contributions not restricted to specific programs	1.0	0.9			1.0	0.9
Other	4.4	7.1	1.2	7.0	5.6	14.1
Total revenues	<u>276.3</u>	<u>341.8</u>	<u>103.0</u>	<u>143.3</u>	<u>379.3</u>	<u>485.1</u>
Expenses:						
General government	32.5	30.7			32.5	30.7
Community development services	17.1	19.3			17.1	19.3
Public works	39.0	43.8			39.0	43.8
Public safety	95.6	104.3			95.6	104.3
Solid waste services	19.4	21.7			19.4	21.7
Leisure services	37.3	36.6			37.3	36.6
Economic development programs	3.3	2.6			3.3	2.6
Interest on long-term debt	7.8	9.3			7.8	9.3
Water and sewer			71.7	75.7	71.7	75.7
Convention center			16.2	22.6	16.2	22.6
Mass transit			14.9	16.6	14.9	16.6
Parking facilities			2.6	4.7	2.6	4.7
Stormwater			3.0	3.3	3.0	3.3
Total expenses	<u>252.0</u>	<u>268.3</u>	<u>108.4</u>	<u>122.9</u>	<u>360.4</u>	<u>391.2</u>
Increase in net assets before transfers	24.3	73.5	(5.4)	20.4	18.9	93.9
Transfers	(3.0)	(17.0)	3.0	17.0	-	-
Special item, loss on impairment	-	-	-	(12.5)	-	(12.5)
Increase in net assets	21.3	56.5	(2.4)	24.9	18.9	81.4
Net assets, beginning of year	<u>570.3</u>	<u>591.6</u>	<u>567.0</u>	<u>564.6</u>	<u>1,137.3</u>	<u>1,156.2</u>
Net assets, end of year	<u>\$ 591.6</u>	<u>\$ 648.1</u>	<u>\$ 564.6</u>	<u>\$ 589.5</u>	<u>\$ 1,156.2</u>	<u>\$ 1,237.6</u>

*Change in net assets.* The City's total revenues were \$485.1 million. Thirty percent of the City's revenue comes from charges for services; another twenty-five percent comes from property taxes. Other taxes account for nineteen percent and most of the rest is state and federal grants and other contributions.

The total cost of all programs and services was \$391.2 million. The City's expenses cover a range of services, with twenty-seven percent related to public safety (police, fire and emergency communications), nineteen percent to utilities (water and sewer), and eleven percent related to public works.

## GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$341.8 million, while total expenses were \$268.3 million. The increase in net assets for governmental activities (after transfers of \$17.0 million) was \$56.5 million in 2005.

The property tax rate increased from \$0.385 to \$0.395 (per \$100 valuation of taxable property) in 2005. Property tax revenues increased \$7.5 million to \$120.8 million due to the tax rate increase and annexation and general economic growth and development in the City. Property taxes represent 35.3% of total governmental revenues. Other taxes, which accounted for 26.3% of total governmental revenues, increased \$6.8 million from 2004.

### REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

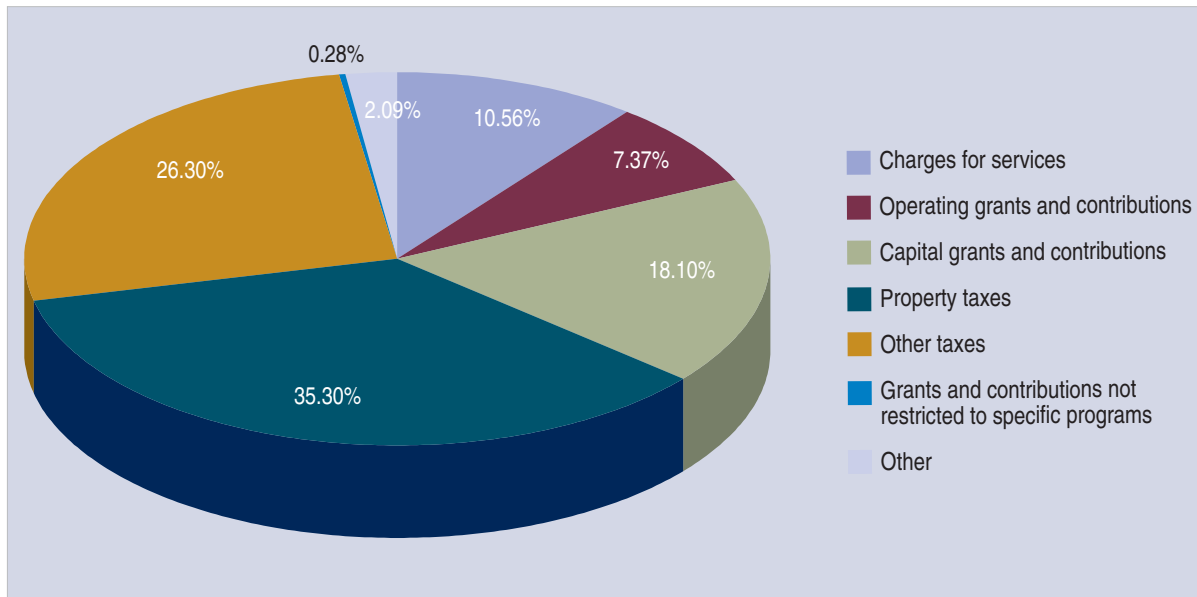


Table 3 presents the cost of each of the City's four largest governmental activities programs – public safety, public works, leisure services, and general government – as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the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



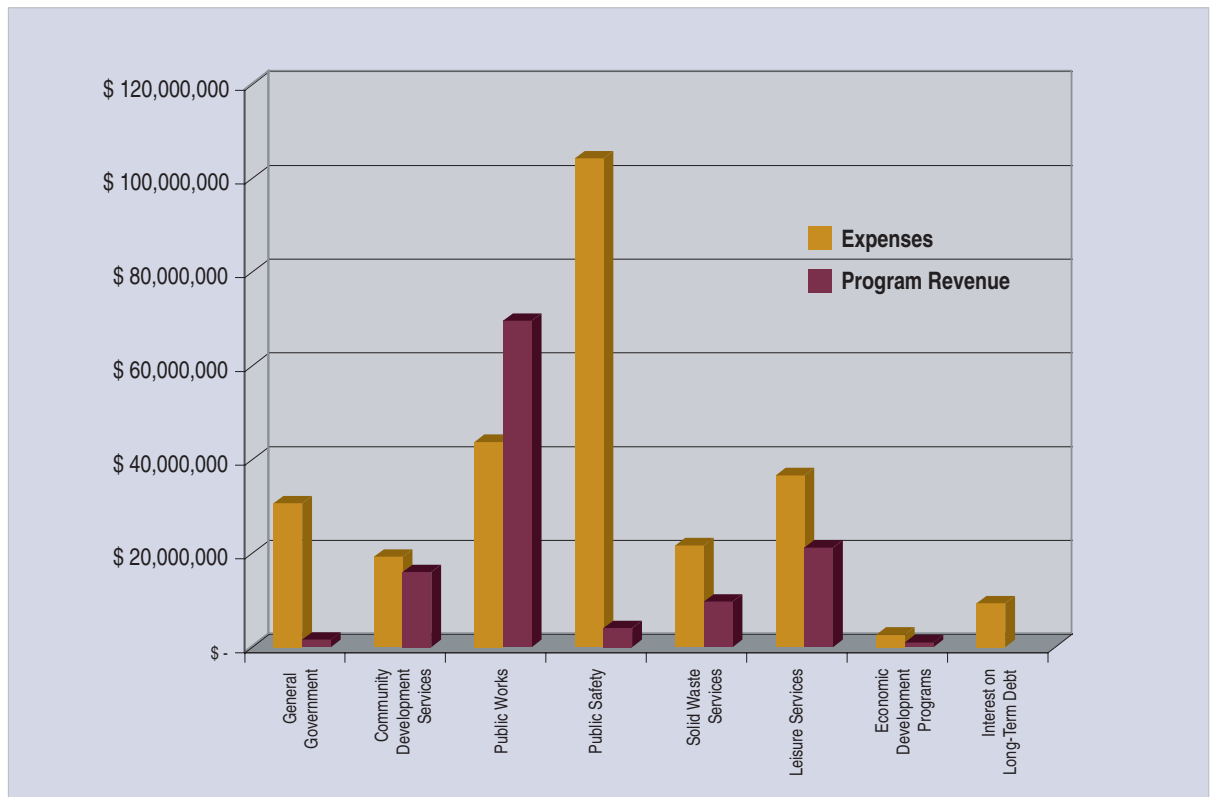
**TABLE 3**  
**NET COST OF CITY'S GOVERNMENTAL PROGRAMS (IN MILLIONS OF DOLLARS)**

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Public safety	\$ 95.6	\$ 104.3	\$ (91.9)	\$ (100.2)
Public works	39.0	43.8	(17.6)	25.9
Leisure services	37.3	36.6	(16.8)	(15.4)
General government	32.5	30.7	(31.5)	(29.1)

The reported results for the fiscal year show that:

- The cost of all governmental activities this year was \$268.3 million.
- The amount that our taxpayers paid for these activities through property taxes was \$120.8 million.
- Those who directly benefited from service-fee based programs paid \$36.1 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions (\$87.1 million) including capital contributions from annexations (\$55.5 million) and operating support from various federal and state agencies (\$15.4 million). Annexations include transfers of \$36.4 million of streets from the North Carolina Department of Transportation to the City. These transfers are primarily responsible for the significant net cost of service decrease in public works.

**EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES**







- The City received \$218.6 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$145.2 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (38.9%), public works (16.3%), leisure services (13.6%) and general government (11.4%) represent 80.2% of the total governmental activities.

## BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$143.3 million, and expenses were \$122.9 million. The increase in net assets for business-type activities (after transfers in of \$17.0 million) was \$24.9 million in 2005. 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	
	2004	2005	2004	2005
Water and sewer	\$ 71.7	\$ 75.7	\$ 4.0	\$ 20.0
Convention center	16.2	22.6	(2.9)	(8.8)
Parking facilities	2.6	4.7	0.2	(0.7)
Mass transit	14.9	16.6	(8.1)	(5.4)
Stormwater	3.0	3.3	0.2	8.2
Total	<u>\$ 108.4</u>	<u>\$ 122.9</u>	<u>\$ (6.6)</u>	<u>\$ 13.3</u>

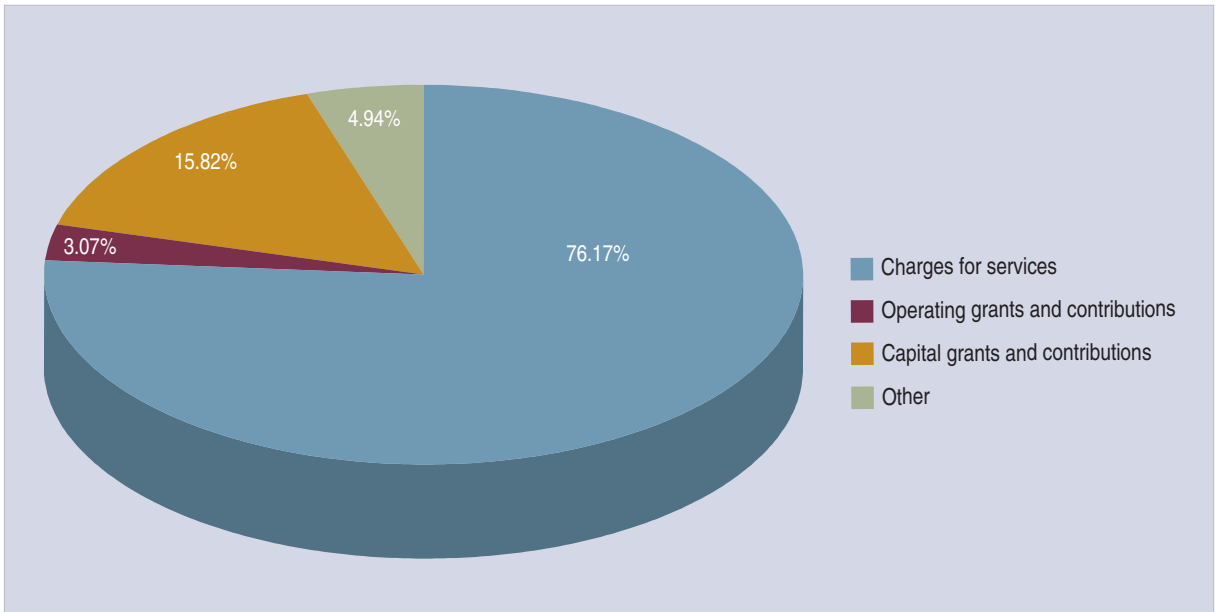
The net revenue in the water and sewer operation increased \$16.0 million in 2004-05 from \$4.0 million to \$20.0 million. The increase resulted from revenues for user charges increasing by \$10.9 million from \$66.3 million to \$77.2 million. The increase in user charges revenues resulted from growth in the customer base due to annexations and water and sewer rate increases implemented in 2004-05. The rates increased by 9% for both water and sewer retail rates. Capital contributions increased by \$9.3 million from \$8.5 million to \$17.8 million in 2004-05. This increase was a result of an increase in federal and State grants, annexations and developer participation.

Significant changes in other major business-type activities included a decrease in net revenue of the parking facilities activity of \$0.9 million from \$0.2 million in 2003-04 to (\$0.7) million in 2004-05. This decrease was due to an increase in operating expenses of \$2.1 million while program revenues, charges for services, increased only \$1.1 million. Facility operating costs and depreciation were the largest expense increases in parking activity for FY05.

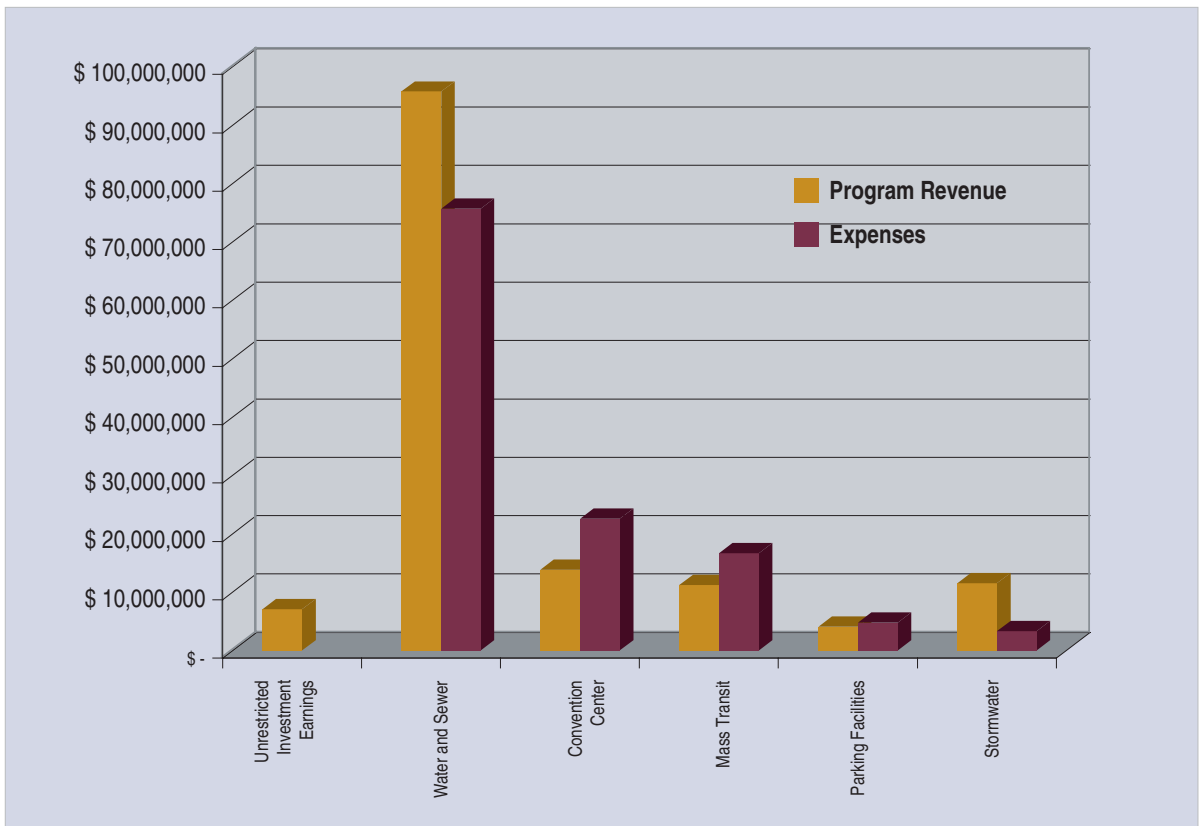
Net revenues of the convention center decreased by \$5.9 million from \$(2.9) million in 2003-04 to \$(8.8) million in 2004-05. This decrease was primarily due to increased operating costs and an increase in interest expense. A new convention center is under construction and this is the first year of interest expense for the debt issued in 2004 and 2005. User charges decreased slightly due to the impairment of the civic center which is currently undergoing demolition. As the demolition approached, fewer events were booked for this facility and as of June 30, 2005, it was considered permanently impaired and a loss of \$12.5 million has been recorded as a special item in the statement of activities.



**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 \$237.5 million, an increase of \$19.6 million in comparison with the prior year. Approximately 75.5% of this total amount (\$179.2 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 (\$3.9 million), reserved for inventories (\$2.0 million), reserved by state statute (\$33.4 million) or reserved for the new convention center project (\$19.0 million).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$74.4 million, while total fund balance was \$113.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31.8 percent of total general fund expenditures, while total fund balance represents 48.6 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 \$32.8 million as specified on page 25 of the notes to the financial statements. This includes \$17.5 million appropriated for 2005-06. The remaining unreserved fund balance of \$41.6 million is undesignated and represents 14.13% of the 2005-06 general fund expenditure budget. This undesignated fund balance does not include \$8.4 million which was reserved to cover cash deficits in certain City funds at June 30, 2005. \$7.7 million has subsequently been collected and is considered undesignated at the report date. Inclusion of this amount would revise the undesignated fund balance to \$49.3 million, or 16.8% of the 2005-06 general fund expenditure budget.

The fund balance of the City's general fund increased by \$11.5 million during the current fiscal year. Key factors in this increase are as follows:

- Overall revenues increased \$5.3 million in 2004-05. Specifically, property taxes increased \$7.3 million reflecting growth consistent with prior years and a \$.01 increase in the property tax rate. Local sales tax increased \$3.8 million or 7.3% from the previous year.
- Overall expenditures increased \$1.3 million in 2004-05.
- The resulting excess of revenues over expenditures for 2004-05 was \$17.8 million, an increase of \$4.0 million over 2004-05.
- Net other financing uses increased \$3.9 million in 2004-05 from \$2.4 million to \$6.3 million. Most of the increase resulted from a \$4.2 million decrease in debt issued for the general fund.

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



Net assets of the water and sewer fund at the end of the year amounted to \$475.2 million. The net assets of the water and sewer fund increased by \$23.2 million. This increase is due primarily to an increase in water and sewer rates and an increase in the customer base. Capital contributions from grants, annexations, and developer participation increased net assets significantly. Capital contributions increased from \$8.5 million in 2003-04 to \$17.8 million in 2004-05. The decrease in net assets of \$15.2 million for the convention center was due primarily to the \$12.5 million loss on impairment of the Raleigh Civic and Convention Center and Fayetteville Street Mall which is reported as a special item. The increase of \$5.0 million in parking net assets was primarily due to the \$4.7 million in transfers from the miscellaneous capital project fund. This transfer was made to replenish funds advanced to the miscellaneous capital project fund prior to issuance of debt to finance general capital projects. 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 \$4.2 million during 2004-05. The final positive budget variance was \$34.4 million. This overall positive variance resulted as follows:

- Revenues \$8.1 million positive, primarily from property taxes (\$0.8 million positive), local sales tax (\$2.8 million positive), intergovernmental revenues (\$1.2 million positive), other fees and revenues (\$1.0 million positive), highway maintenance fees (\$0.5 million positive), license (\$1.6 million positive) and solid waste fees (\$1.3 million positive). These positive variances offset the \$1.2 million negative variance from interest on investments, inspection fees, and parks and recreation fees.
- Expenditures \$26.0 million positive, pervasively across the board as all individual expenditure functions and departments had positive budget variances.
- Other financing net uses \$0.3 million positive, primarily from budgeted transfers to other funds of \$0.3 million that were not made.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City of Raleigh's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$1.3 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 10.2 percent (a 10.3 percent increase for governmental activities and a 10.1 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 \$21.9 million, including construction in progress of \$8.5 million as of June 30, 2005.
- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$38.2 million including construction in progress of \$17.4 million as of June 30, 2005.
- Equipment acquisitions added \$13.2 million to the City's rolling stock inventory.
- \$2.3 million was expended in additional land acquisition for the new convention center. Total construction in progress for the new convention center at June 30, 2005 was \$21.2 million, including \$19.8 million during 2004-05.



- On-going investment in stormwater management (\$1.4 million) projects continued during 2004-05.
- Annexations added \$55.5 million to streets and \$16.8 million to water and sewer systems. The streets annexations included transfers of \$36.4 million from the North Carolina Department of Transportation.

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

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
Land	99,610	101,447	\$ 48,482	\$ 52,653	\$ 148,092	\$ 154,100
Buildings and machinery	56,322	55,781	63,893	62,213	120,215	117,994
Water and sewer systems	-	-	435,228	464,315	435,228	464,315
Streets and sidewalks	271,990	317,849	-	-	271,990	317,849
Parking decks	-	-	34,391	47,089	34,391	47,089
Buses	-	-	7,734	10,846	7,734	10,846
Equipment	15,085	22,269	10,223	10,732	25,308	33,001
Furniture and fixtures	499	558	143	99	642	657
Improvements	69,148	74,703	34,443	28,632	103,591	103,335
Construction in progress	14,016	8,465	17,889	42,060	31,905	50,525
Total	<u>\$ 526,670</u>	<u>\$ 581,072</u>	<u>\$ 652,426</u>	<u>\$ 718,639</u>	<u>\$ 1,179,096</u>	<u>\$ 1,299,711</u>

Additional information on the City's capital assets can be found on pages 29 - 30 of the notes to the financial statements of this report.

**Long-term debt.** In August 2004, the City sold \$23.5 million in certificates of participation (COPs) to finance the Progress Energy Deck, the Fayetteville Street Mall renovation project, and cable tv equipment upgrades. These COPs mature incrementally between 2006 and 2025 with interest rates ranging from 3.0% to 5.25% for a true interest cost of 4.3%. In September 2004, the City issued \$10.1 million in variable rate certificates of participation to finance the purchase of the One Exchange Plaza office building. The true interest cost of these variable rate bonds is 3.3%.

In January 2005, the City issued \$28.5 million in certificates of participation to finance an underground parking facility for the new convention center which is currently under construction. These COPs mature incrementally through 2035 and bear interest at rates ranging from 2.5% to 5.0% for a true interest cost of 4.56%. During January 2005, the City also issued \$188.4 million in variable rate certificates of participation for the second phase of construction of the new convention center and participation in the headquarters hotel. At the same time that the City issued these COPs, they also exercised their option on a forward starting swap related to these variable rate COPs and effectively created a synthetic fixed rate of 4.36% for this \$188.4 million issue. When combined with liquidity and remarketing costs associated with the variable rate bonds, a total rate of 4.615% was achieved. The COPs mature incrementally beginning in 2015 through 2034.

In May 2005, the City issued \$41.9 million in water and sewer revenue refunding bonds to defease \$42.6 million in Series 1996, 1999 and 2001 water and sewer revenue bonds. The refunding bonds mature incrementally through 2022 and bear interest at rates ranging from 2.5% to 5% for a true interest cost of 4.04%. This refunding resulted in gross savings to the City of \$2.1 million.

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$166.9 million. The remainder of the City's debt represents revenue bonds (\$178.1 million) and installment financing agreements (\$355.3 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 \$224.1 million (47.1%) during 2004-05 as new debt issues of \$294.9 million exceeded principal repayments of \$70.8 million.

The City has other long-term obligations for earned but unused vacation pay due its employees (\$15.4 million) and landfill postclosure care costs (\$4.5 million). These obligations increased \$1.1 million from 2004 balances.

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

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
General obligation bonds	\$ 151,403	\$ 139,713	\$ 31,392	\$ 27,177	\$ 182,795	\$ 166,890
Revenue bonds	-	-	181,240	178,135	181,240	178,135
Installment financing agreements	25,485	40,268	88,717	315,041	114,202	355,309
Total	\$ 176,888	\$ 179,981	\$ 301,349	\$ 520,353	\$ 478,237	\$ 700,334

Subsequent to year end (August 2005), 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 \$61.2 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 \$2.5 billion, which is significantly in excess of the City's outstanding net debt of \$600.1 million.

As of June 30, 2005, the City had \$178.1 million in water and sewer revenue bonds. The City is required to maintain rates and charges sufficient to meet two sets of debt service coverage requirements. First, adjusted annual net operating revenues must equal or exceed 120 percent of the debt service on the revenue bonds and certain state loans. This debt service coverage ratio for the year was 4.34, which is greater than the required level of 1.20. Second, adjusted net operating revenues must equal or exceed 100 percent of the debt service on all water and sewer debt. The City met the secondary debt service coverage with a ratio of 2.24, which is greater than the required ratio of 1.00.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 33 - 41 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant factors considered in preparing the City's budget for the 2005-06 fiscal year were:

Continued growth in the area will increase our tax base, and as a result, increase our largest revenue source, property taxes. Budgeted property tax revenue was increased \$5.1 million (4.2%) to \$125.2 million. No tax increase is budgeted for 2005-06.

Sales tax is our second largest revenue source. Sales tax has been impacted by the economy for several years. However, during 2004-05 we experienced a slight improvement in this revenue source resulting in a \$2.8 million positive budget variance as actual sales tax receipts were \$55.9 million. Therefore, we have increased our 2005-06 budget for sales tax \$6.4 million (12.1%) to \$59.5 million.



Continued growth during 2005-06 is also anticipated in our water and sewer utility customer base. Effective July 1, 2005, we completed the system merger with the Town of Wake Forest, adding 8,500 customers. We expect to complete the system merger with the Town of Knightdale during 2005-06, which will add approximately 3,400 customers, and planning has begun on system mergers with the Towns of Wendell and Zebulon. Our immediate five-year capital improvement program (2005-06 through 2009-10) recommends \$294.9 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 2005-06. There is also a \$.50 increase to the monthly water and waste water administrative fees. These increases were made to provide adequate funding for ongoing operations and investments in capital assets. We have budgeted \$88.6 million for water and sewer operating revenues in 2005-06, representing a \$14.7 million (19.9%) increase over 2004-05.

The solid waste revenue budget was increased by \$3.1 million (42%) with an increase of \$1.30 per month to the recycling fee and growth in the customer base. The city continues to realize \$4 million per year in cost savings from the implementation of the curbside solid waste collection program.

In October 2005, the City voters approved a \$60 million road bond issue and a \$20 million affordable housing bond issue. This debt issue would be financed by an increase to the property tax rate of 2.00 cents.

In addition to focusing on transportation improvements and affordable housing, the City continues in 2005-06 with several on-going major projects. Construction has begun on a 500,000 square foot convention center and public meeting areas within an adjacent hotel. The new convention center is expected to open in 2008. The project budget for the convention center and participation in the hotel space is \$212 million. Construction is also in progress on the Fayetteville Street Renaissance Project, whereby the Fayetteville Street pedestrian mall will be converted to two-way vehicular traffic. This \$11 million project is expected to be complete in 2006. Design is complete and construction is scheduled to begin during 2005-06 on a 980 space underground parking deck in the south end of the Fayetteville Street project. The deck will provide parking for the new convention center, a new hotel, and expected new development. This \$30 million project is expected to be complete in 2007. We expect that these major projects will continue to attract new private development to downtown Raleigh.

As a result of these and other factors the 2005-06 budget was adopted with an overall combined operating and capital budget of \$457.4 million. This represents a 12.2% increase over the \$407.5 million budget adopted for 2004-05. The budget included 118 new positions to support continued growth in service population.

## 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**



QR

The image shows the letters 'QR' in a dark blue, serif font. Below the letters is a light brown, semi-transparent shadow of the same text, creating a 3D effect. The shadow is slightly offset to the right and bottom.

**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 209,505,102	\$ 71,779,372	\$ 281,284,474
Taxes receivable, net of allowance for uncollectibles of \$5,530,106	1,442,565	-	1,442,565
Assessments receivable, net of allowance for uncollectibles of \$84,113	1,051,247	546,891	1,598,138
Customer receivables, net of allowance for uncollectibles of \$3,031,471	921,558	13,621,069	14,542,627
Due from other governmental agencies	5,834,382	6,747,577	12,581,959
Accrued interest receivable	772,489	435,020	1,207,509
Other receivables and assets	6,143,780	1,017,862	7,161,642
Sales tax receivable	16,147,459	1,610,708	17,758,167
Internal balances	6,336,344	(6,336,344)	-
Inventories	2,677,569	3,963,458	6,641,027
Deferred charges	110,329	3,659,657	3,769,986
Loans receivable	36,793,425	-	36,793,425
Cash and cash equivalents/investments - restricted deposits and bond proceeds	26,605,642	340,894,173	367,499,815
Net pension asset	1,520,711	-	1,520,711
Capital assets:			
Land and construction in progress	109,911,863	94,712,515	204,624,378
Other capital assets, net of depreciation	471,160,155	623,926,256	1,095,086,411
<b>Total assets</b>	<b>896,934,620</b>	<b>1,156,578,214</b>	<b>2,053,512,834</b>
<b>LIABILITIES</b>			
Accounts payable	12,976,797	12,230,195	25,206,992
Arbitrage rebate payable	566	23,417	23,983
Accrued salaries and employee payroll taxes	3,736,449	366,499	4,102,948
Employee taxes and related withholdings	2,582,384	-	2,582,384
Accrued interest payable	1,537,925	6,837,568	8,375,493
Rehabilitation loans escrow	716,029	-	716,029
Reimbursable facility fees	4,267,407	-	4,267,407
Claims payable and other liabilities	23,841,175	-	23,841,175
Deferred contributions from other funds	-	361,456	361,456
Unearned revenue	976,744	370,083	1,346,827
Escrow and other deposits payable from restricted assets	-	20,594,065	20,594,065
Long-term liabilities:			
Due within one year	28,676,920	13,244,169	41,921,089
Due in more than one year	169,464,143	513,025,961	682,490,104
<b>Total liabilities</b>	<b>248,776,539</b>	<b>567,053,413</b>	<b>815,829,952</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	440,349,305	533,179,943	973,529,248
Restricted for:			
Capital projects	37,292,119	-	37,292,119
Community development projects	37,420,478	-	37,420,478
Employee retirement benefits	1,520,711	-	1,520,711
Unrestricted	131,575,468	56,344,858	187,920,326
<b>Total net assets</b>	<b>\$ 648,158,081</b>	<b>\$ 589,524,801</b>	<b>\$ 1,237,682,882</b>

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

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities:				
General government	\$ 30,698,372	\$ 1,490,772	\$ 116,189	\$ -
Community development services	19,269,113	10,824,787	5,025,306	116,660
Public works	43,768,446	2,045,425	8,487,327	59,089,464
Public safety	104,268,241	2,469,972	899,330	697,873
Solid waste services	21,705,704	9,705,055	2,328	-
Leisure services	36,639,883	8,579,289	10,662,890	1,986,647
Economic development programs	2,643,467	976,865	-	-
Interest on long-term debt	9,353,599	-	-	-
Total governmental activities	<u>268,346,825</u>	<u>36,092,165</u>	<u>25,193,370</u>	<u>61,890,644</u>
Business-type activities:				
Water and sewer	75,710,257	77,876,685	30,674	17,836,080
Convention center	22,593,067	13,554,682	-	285,000
Mass transit	16,621,232	2,241,192	4,377,683	4,563,571
Parking facilities fund	4,722,417	4,029,221	-	-
Stormwater	3,327,924	11,516,140	-	-
Total business-type activities	<u>122,974,897</u>	<u>109,217,920</u>	<u>4,408,357</u>	<u>22,684,651</u>
Total City of Raleigh	<u>\$ 391,321,722</u>	<u>\$ 145,310,085</u>	<u>\$ 29,601,727</u>	<u>\$ 84,575,295</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  
 Special item, loss on capital asset impairment  
 Total general revenues and transfers  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

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

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (29,091,411)		\$ (29,091,411)
(3,302,360)		(3,302,360)
25,853,770		25,853,770
(100,201,066)		(100,201,066)
(11,998,321)		(11,998,321)
(15,411,057)		(15,411,057)
(1,666,602)		(1,666,602)
(9,353,599)		(9,353,599)
<u>(145,170,646)</u>		<u>(145,170,646)</u>
	\$ 20,033,182	20,033,182
	(8,753,385)	(8,753,385)
	(5,438,786)	(5,438,786)
	(693,196)	(693,196)
	8,188,216	8,188,216
	<u>13,336,031</u>	<u>13,336,031</u>
<u>(145,170,646)</u>	<u>13,336,031</u>	<u>(131,834,615)</u>
120,834,810	-	120,834,810
55,953,756	-	55,953,756
15,716,763	-	15,716,763
5,929,069	-	5,929,069
12,151,661	-	12,151,661
972,813	-	972,813
5,826,881	7,088,851	12,915,732
1,331,182	-	1,331,182
(16,967,879)	16,967,879	-
-	(12,497,812)	(12,497,812)
<u>201,749,056</u>	<u>11,558,918</u>	<u>213,307,974</u>
56,578,410	24,894,949	81,473,359
591,579,671	564,629,852	1,156,209,523
<u>\$ 648,158,081</u>	<u>\$ 589,524,801</u>	<u>\$ 1,237,682,882</u>

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2005**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 94,200,632	\$ 104,575,379	\$ 198,776,011
Taxes receivable, net of allowance for uncollectibles of \$5,530,106	1,442,565	-	1,442,565
Assessments receivable, net of allowance for uncollectibles of \$55,329	334,006	717,241	1,051,247
Customer receivable, net of allowance for uncollectibles of \$439,355	921,328	-	921,328
Due from other governmental agencies	404,727	5,429,655	5,834,382
Accrued interest receivable	488,841	268,930	757,771
Other receivables and assets	4,678,921	40,200	4,719,121
Sales tax receivable	15,619,795	284,947	15,904,742
Due from other funds	8,949,875	-	8,949,875
Inventories	1,966,642	-	1,966,642
Other assets	1,089,659	-	1,089,659
Loans receivable	186,104	36,607,321	36,793,425
Cash and cash equivalents/investments - restricted deposits and bond proceeds	24,620	25,407,004	25,431,624
Total assets	<u>\$ 130,307,715</u>	<u>\$ 173,330,677</u>	<u>\$ 303,638,392</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,567,169	\$ 4,672,729	\$ 12,239,898
Arbitrage rebate payable	-	566	566
Accrued salaries and employee payroll taxes	3,659,746	38,290	3,698,036
Employee taxes and related withholdings	2,582,384	-	2,582,384
Loan servicing escrow	-	716,029	716,029
Reimbursable facility fees	-	4,267,407	4,267,407
Claims payable and other liabilities	230,976	333,554	564,530
Due to other funds	-	1,834,210	1,834,210
Deferred revenue	1,962,675	37,324,562	39,287,237
Unearned revenue	679,505	297,238	976,743
Total liabilities	<u>16,682,455</u>	<u>49,484,585</u>	<u>66,167,040</u>
Fund balances:			
Reserved for inventories	1,966,642	-	1,966,642
Reserved by state statute	33,354,053	-	33,354,053
Reserved for encumbrances	3,925,264	-	3,925,264
Reserved for new convention center project	-	19,001,204	19,001,204
Unreserved, reported in:			
General fund	74,379,301	-	74,379,301
Special revenue funds	-	11,491,127	11,491,127
Capital projects funds	-	93,353,761	93,353,761
Total fund balances	<u>113,625,260</u>	<u>123,846,092</u>	<u>237,471,352</u>
Total liabilities and fund balances	<u>\$ 130,307,715</u>	<u>\$ 173,330,677</u>	<u>\$ 303,638,392</u>

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2005**

Total <i>fund balances</i> for governmental funds	\$ 237,471,352
Total <i>net assets</i> reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Land and construction in progress - \$109,911,863; capital assets being depreciated, net - \$451,998,497).	561,910,360
The pension assets resulting from contributions in excess of annual required contributions are not financial resources and therefore are not reported in the funds.	1,520,711
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.	110,329
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.	(3,246,993)
Taxes receivable - \$1,442,565, and assessments receivable - \$1,051,247 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.	2,493,812
Loans receivable - \$36,793,425, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds.	36,793,425
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- \$138,468,596 - net of deferred refunding and issuance premium, notes payable - \$30,848,603; earned vacation pay - \$13,519,726; landfill closure and postclosure costs - \$4,531,774; and accrued interest payable - \$1,526,216).	<u>(188,894,915)</u>
Net assets of governmental activities	<u>\$ 648,158,081</u>

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, 2005**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 120,849,078	\$ -	\$ 120,849,078
Intergovernmental	21,436,466	24,382,306	45,818,772
Developer participation	-	138,233	138,233
Assessments	-	726,414	726,414
Local sales tax	55,953,756	-	55,953,756
Licenses	12,151,661	-	12,151,661
Interest on investments	2,849,837	2,749,621	5,599,458
Inspection fees	11,274,936	-	11,274,936
Highway maintenance refunds	1,547,791	-	1,547,791
Facility fees	-	3,733,422	3,733,422
Other fees and charges	22,167,572	-	22,167,572
Rents	-	311,721	311,721
Program income	-	2,687,858	2,687,858
Other revenues	3,474,035	-	3,474,035
Miscellaneous other	-	2,234,761	2,234,761
Total revenues	<u>251,705,132</u>	<u>36,964,336</u>	<u>288,669,468</u>
<b>EXPENDITURES</b>			
Current:			
General government	35,000,987	55,104	35,056,091
Community development services	14,700,986	6,943,125	21,644,111
Public works	19,468,457	833,214	20,301,671
Public safety	101,871,244	888,222	102,759,466
Solid waste services	22,294,873	2,328	22,297,201
Leisure services	31,366,884	348,716	31,715,600
Economic development programs	-	2,643,467	2,643,467
Other expenditures	-	2,041	2,041
Capital outlay - installment note obligations	8,059	-	8,059
Capital outlay	-	26,976,298	26,976,298
Debt service:			
Principal	12,540,919	1,270,566	13,811,485
Interest	7,319,369	99,302	7,418,671
Other debt service expenditures	9,959	212,232	222,191
Total expenditures before charge-out	<u>244,581,737</u>	<u>40,274,615</u>	<u>284,856,352</u>
Less: administrative costs charged to other funds	<u>(10,663,397)</u>	<u>-</u>	<u>(10,663,397)</u>
Total expenditures	<u>233,918,340</u>	<u>40,274,615</u>	<u>274,192,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,786,792</u>	<u>(3,310,279)</u>	<u>14,476,513</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	9,662,007	6,718,098	16,380,105
Transfers out	(16,955,596)	(15,472,280)	(32,427,876)
Capital related debt issued	8,059	-	8,059
Certificates of participation issued	950,000	19,805,000	20,755,000
Premium on certificates of participation	13,653	435,445	449,098
Total other financing sources (uses)	<u>(6,321,877)</u>	<u>11,486,263</u>	<u>5,164,386</u>
Net change in fund balances	11,464,915	8,175,984	19,640,899
Fund balance - beginning	<u>102,160,345</u>	<u>115,670,108</u>	<u>217,830,453</u>
Fund balance - ending	<u>\$ 113,625,260</u>	<u>\$ 123,846,092</u>	<u>\$ 237,471,352</u>

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



**RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2005**

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

Net change in <i>fund balances</i> - total governmental funds	\$	19,640,899
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 depreciation (\$31,105,789) exceeded capital outlays (\$24,255,641) in the current period.		(6,850,148)
Net change in net pension asset.		(513,095)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$55,548,732; Property taxes - (\$14,268); Assessments - \$99,600).		55,634,064
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.		(2,682,920)
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 (\$21,204,098) exceeded repayments (\$13,811,834).		
Debt issued or incurred:		
Issuance of certificates of participation	\$	20,755,000
Plus premiums		449,098
Principal repayments:		
General obligation debt		(11,689,914)
Installment financing		(2,121,920)
Net adjustment	<u>\$</u>	<u>7,392,264</u>
		(7,392,264)
Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$5,277,083). They reduce cash and increase loans receivable. Expenditures made for landfill closure and postclosure costs (\$26,226) are not expenses. They reduce the landfill closure and postclosure liability.		5,303,309
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 - \$1,003,348, Accrued interest expense - \$1,526,216).		(2,529,564)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.		(165,669)
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.		(60,782)
Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, equipment replacement, and central garage to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.		<u>(3,805,420)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>56,578,410</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 120,091,908	\$ 120,091,908	\$ 120,849,078	\$ 757,170
Intergovernmental	20,086,927	20,190,200	21,436,466	1,246,266
Local sales tax	53,108,707	53,108,707	55,953,756	2,845,049
Licenses	10,494,500	10,504,500	12,151,661	1,647,161
Interest on investments	3,475,798	3,475,798	2,849,837	(625,961)
Inspection fees	11,441,087	11,441,087	11,274,936	(166,151)
Highway maintenance refunds	1,045,000	1,045,000	1,547,791	502,791
Solid waste fees	8,343,300	8,345,300	9,641,135	1,295,835
Parks and recreation fees	6,341,894	6,493,149	6,057,283	(435,866)
Other fees and charges	6,806,185	6,247,673	6,469,154	221,481
Other revenues	1,592,030	2,667,813	3,474,035	806,222
Total revenues	<u>242,827,336</u>	<u>243,611,135</u>	<u>251,705,132</u>	<u>8,093,997</u>
<b>EXPENDITURES</b>				
General government:				
City council	163,047	163,047	138,724	24,323
City clerk	516,587	499,572	365,773	133,799
City attorney	1,289,499	1,368,677	1,306,811	61,866
Special appropriations	10,659,242	10,481,346	9,547,612	933,734
Agency appropriations	2,450,520	2,888,838	2,563,252	325,586
City manager	1,582,360	1,557,183	1,321,733	235,450
Public affairs office	1,013,957	1,020,851	954,302	66,549
Arts office	162,939	162,939	136,374	26,565
Personnel	2,317,906	2,359,531	2,153,232	206,299
Administrative service	1,440,445	1,442,445	1,189,306	253,139
Finance	8,063,618	8,537,524	7,664,303	873,221
Information technology	9,742,644	10,399,586	7,659,565	2,740,021
Total general government	<u>39,402,764</u>	<u>40,881,539</u>	<u>35,000,987</u>	<u>5,880,552</u>
Community development services:				
Planning	3,228,200	3,371,054	2,873,188	497,866
Inspections	10,173,123	10,341,371	9,615,173	726,198
Community services	1,770,830	1,843,427	1,493,154	350,273
Economic development	805,000	1,292,154	719,471	572,683
Total community development services	<u>15,977,153</u>	<u>16,848,006</u>	<u>14,700,986</u>	<u>2,147,020</u>
Public works:				
Central engineering	4,532,411	4,580,971	4,179,680	401,291
Transportation	16,737,925	17,059,370	15,288,777	1,770,593
Total public works	<u>21,270,336</u>	<u>21,640,341</u>	<u>19,468,457</u>	<u>2,171,884</u>

*Continued*

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Emergency communications center	\$ 5,265,714	\$ 5,341,981	\$ 4,569,983	\$ 771,998
Police	64,292,263	65,984,787	61,716,088	4,268,699
Fire	36,292,223	36,678,289	35,585,173	1,093,116
Total public safety	<u>105,850,200</u>	<u>108,005,057</u>	<u>101,871,244</u>	<u>6,133,813</u>
Solid waste services	<u>21,581,875</u>	<u>24,107,049</u>	<u>22,294,873</u>	<u>1,812,176</u>
Leisure services:				
Parks and recreation	24,060,093	24,532,007	22,942,275	1,589,732
Revenue and special facilities	4,147,928	4,210,340	3,756,889	453,451
Continuing recreation activities	5,779,028	7,579,480	4,667,720	2,911,760
Total leisure services	<u>33,987,049</u>	<u>36,321,827</u>	<u>31,366,884</u>	<u>4,954,943</u>
Other expenditures:				
Capital outlay - installment note obligations	-	8,059	8,059	-
Total other expenditures	<u>-</u>	<u>8,059</u>	<u>8,059</u>	<u>-</u>
Debt service:				
Principal and interest	22,116,076	22,194,077	19,860,288	2,333,789
Other debt service expenditures	415,000	428,249	9,959	418,290
Total debt service	<u>22,531,076</u>	<u>22,622,326</u>	<u>19,870,247</u>	<u>2,752,079</u>
Total expenditures before charge-out	260,600,453	270,434,204	244,581,737	25,852,467
Less: administrative costs charged to other funds	<u>10,503,783</u>	<u>10,503,783</u>	<u>10,663,397</u>	<u>159,614</u>
Total expenditures	<u>250,096,670</u>	<u>259,930,421</u>	<u>233,918,340</u>	<u>26,012,081</u>
Excess (deficiency) of revenues over expenditures	(7,269,334)	(16,319,286)	17,786,792	34,106,078
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,563,717	9,662,007	9,662,007	-
Transfers out	(16,970,739)	(17,213,312)	(16,955,596)	257,716
Capital related debt issued	-	8,059	8,059	-
Certificates of participation issued	-	950,000	950,000	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds	-	-	13,653	13,653
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(11,407,022)</u>	<u>(6,593,246)</u>	<u>(6,321,877)</u>	<u>271,369</u>
Net changes in fund balance	<u>\$ (18,676,356)</u>	<u>\$ (22,912,532)</u>	<u>11,464,915</u>	<u>\$ 34,377,447</u>
Fund balance appropriated	<u>\$ 18,676,356</u>	<u>\$ 22,912,532</u>		
Fund balance - beginning of year			<u>102,160,345</u>	
Fund balance - end of year			<u>\$ 113,625,260</u>	

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>	<b>Parking Facilities Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 46,561,196	\$ 1,177,427	\$ 10,290,328
Customer receivables, net of allowance for uncollectibles of \$2,592,116	12,791,764	-	-
Assessments receivable, net of allowance for uncollectibles of \$28,784	546,891	-	-
Due from other governmental agencies	273,489	-	-
Accrued interest receivable	180,767	133,968	78,751
Other receivables and assets	99,855	565,290	352,717
Sales tax receivable	843,043	642,162	16,484
Due from other funds	-	-	1,000,000
Inventories	3,612,290	-	-
Insurance deposit	-	-	-
Deferred charges	1,335,522	1,927,145	396,990
Total current assets	<u>66,244,817</u>	<u>4,445,992</u>	<u>12,135,270</u>
Noncurrent assets:			
Restricted cash and cash equivalents	98,084,299	211,659,050	28,921,554
Capital assets:			
Land and improvements	20,010,910	23,601,879	8,050,998
Construction in progress	17,364,076	21,126,068	830,428
Water and sewer systems	611,802,902	-	-
Buildings and machinery	60,905,326	26,967,984	-
Parking decks	-	-	57,860,483
Buses	-	-	-
Equipment	13,641,748	455,204	366,568
Furniture and fixtures	36,295	370,296	-
Improvements	12,577,379	25,286,813	487,664
Less accumulated depreciation	<u>(178,908,920)</u>	<u>(15,441,858)</u>	<u>(11,196,630)</u>
Total noncurrent assets	<u>655,514,015</u>	<u>294,025,436</u>	<u>85,321,065</u>
Total assets	<u>721,758,832</u>	<u>298,471,428</u>	<u>97,456,335</u>

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

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005**

	<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
	<u>Other Nonmajor Enterprise</u>	<u>Total</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,946,398	\$ 68,975,349	\$ 13,533,114
Customer receivables, net of allowance for uncollectibles of \$2,592,116	829,305	13,621,069	230
Assessments receivable, net of allowance for uncollectibles of \$28,784	-	546,891	-
Due from other governmental agencies	6,474,088	6,747,577	-
Accrued interest receivable	33,894	427,380	22,358
Other receivables and assets	-	1,017,862	-
Sales tax receivable	88,846	1,590,535	262,890
Due from other funds	-	1,000,000	-
Inventories	351,168	3,963,458	710,927
Insurance deposit	-	-	335,000
Deferred charges	-	3,659,657	-
Total current assets	<u>18,723,699</u>	<u>101,549,778</u>	<u>14,864,519</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,740,017	340,404,920	1,663,271
Capital assets:			
Land and improvements	988,989	52,652,776	-
Construction in progress	2,739,167	42,059,739	-
Water and sewer systems	-	611,802,902	-
Buildings and machinery	3,798,718	91,672,028	230,912
Parking decks	-	57,860,483	-
Buses	21,075,252	21,075,252	-
Equipment	1,376,833	15,840,353	54,326,591
Furniture and fixtures	44,844	451,435	-
Improvements	1,133,467	39,485,323	-
Less accumulated depreciation	(13,377,866)	(218,925,274)	(30,732,091)
Total noncurrent assets	<u>19,519,421</u>	<u>1,054,379,937</u>	<u>25,488,683</u>
Total assets	<u>38,243,120</u>	<u>1,155,929,715</u>	<u>40,353,202</u>

(continued)

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>	<b>Parking Facilities Fund</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	7,175,293	4,286,671	169,401
Arbitrage rebate payable	-	-	23,417
Accrued salaries and employee payroll taxes	256,499	71,678	6,045
Accrued interest payable	3,035,015	3,419,312	381,409
Claims payable and other liabilities	-	-	-
Deferred contributions from other funds	-	-	-
Due to other funds	-	1,022,068	-
Unearned revenue	-	-	370,083
Bonds, notes and loans payable	6,123,273	-	770,000
Unamortized premium (discount)	332,668	-	30,381
Deferred refunding - bonds payable	(270,945)	-	(16,818)
Contracts payable	1,728,635	-	1,483,498
Deferred refunding - contracts payable	-	-	(42,158)
Total current liabilities	<u>18,380,438</u>	<u>8,799,729</u>	<u>3,175,258</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	191,873,490	243,425,000	6,545,000
Unamortized premium (discount)	6,546,283	-	587,241
Deferred refunding - bonds payable	(2,771,684)	-	(33,638)
Contracts and other notes payable	12,539,580	-	52,427,707
Deferred refunding - contracts payable	-	-	(210,403)
Escrow and other deposits payable from restricted assets	18,854,048	-	-
Earned vacation pay	1,169,269	328,297	13,641
Total noncurrent liabilities	<u>228,210,986</u>	<u>243,753,297</u>	<u>59,329,548</u>
Total liabilities	<u>246,591,424</u>	<u>252,553,026</u>	<u>62,504,806</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	439,412,715	50,600,436	23,780,255
Unrestricted	35,754,693	(4,682,034)	11,171,274
Total net assets	<u>\$ 475,167,408</u>	<u>\$ 45,918,402</u>	<u>\$ 34,951,529</u>

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

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005**

	<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
	<u>Other Nonmajor Enterprise</u>	<u>Total</u>	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	416,193	12,047,558	919,536
Arbitrage rebate payable	-	23,417	-
Accrued salaries and employee payroll taxes	32,277	366,499	38,413
Accrued interest payable	-	6,835,736	13,541
Claims payable and other liabilities	-	-	23,276,645
Deferred contributions from other funds	361,456	361,456	-
Due to other funds	4,877,878	5,899,946	2,215,719
Unearned revenue	-	370,083	-
Bonds, notes and loans payable	-	6,893,273	8,375,000
Unamortized premium (discount)	-	363,049	199,066
Deferred refunding - bonds payable	-	(287,763)	-
Contracts payable	-	3,212,133	-
Deferred refunding - contracts payable	-	(42,158)	-
Total current liabilities	<u>5,687,804</u>	<u>36,043,229</u>	<u>35,037,920</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	-	441,843,490	5,360,000
Unamortized premium (discount)	-	7,133,524	184,192
Deferred refunding - bonds payable	-	(2,805,322)	-
Contracts and other notes payable	-	64,967,287	-
Deferred refunding - contracts payable	-	(210,403)	-
Escrow and other deposits payable from restricted assets	1,740,017	20,594,065	-
Earned vacation pay	145,939	1,657,146	199,981
Total noncurrent liabilities	<u>1,885,956</u>	<u>533,179,787</u>	<u>5,744,173</u>
Total liabilities	<u>7,573,760</u>	<u>569,223,016</u>	<u>40,782,093</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,779,404	531,572,810	11,370,424
Unrestricted	<u>12,889,956</u>	<u>55,133,889</u>	<u>(11,799,315)</u>
Total net assets	<u>\$ 30,669,360</u>	<u>586,706,699</u>	<u>\$ (428,891)</u>

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

2,818,102

Net assets of business-type activities

\$ 589,524,801



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>
<b>Operating revenues</b>		
User charges	\$ 74,586,500	\$ 13,423,782
Charges for services - internal	-	-
Other	2,625,460	415,900
Total operating revenues	<u>77,211,960</u>	<u>13,839,682</u>
<b>Operating expenses</b>		
Administration	2,961,776	-
Other facility operating costs	-	15,838,880
Water supply and treatment	13,055,868	-
Sewer system and treatment	9,574,922	-
Warehousing, maintenance and construction	16,858,553	-
Other services	4,088,269	-
Non-departmental charges	5,388,458	-
Management contract charges	-	-
Claims	-	-
Premiums	-	-
Depreciation	15,104,853	3,168,382
Other	-	87,697
Total operating expenses	<u>67,032,699</u>	<u>19,094,959</u>
<b>Operating income (loss)</b>	<u>10,179,261</u>	<u>(5,255,277)</u>
<b>Nonoperating revenue (expense)</b>		
Interest on investments	3,194,815	3,009,542
Subsidy income - federal and state	-	-
Other revenues	695,399	-
Interest expense	(7,279,612)	(3,302,518)
Miscellaneous expense	(590,850)	(172,234)
Total nonoperating revenue (expense)	<u>(3,980,248)</u>	<u>(465,210)</u>
Income (loss) before contributions, transfers and special item	6,199,013	(5,720,487)
Capital contributions	17,836,080	-
Transfers in	-	3,392,947
Transfers out	(792,947)	(347,707)
Special item, loss on impairment of capital assets	-	(12,497,812)
Change in net assets	<u>23,242,146</u>	<u>(15,173,059)</u>
Total net assets - beginning of year	<u>451,925,262</u>	<u>61,091,461</u>
Total net assets - end of year	<u>\$ 475,167,408</u>	<u>\$ 45,918,402</u>

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

<b>Enterprise Funds</b>			
<b>Parking Facilities Fund</b>	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Fund</b>
\$ 4,029,221	\$ 13,287,358	\$ 105,326,861	\$ -
-	-	-	44,844,143
-	469,974	3,511,334	179,743
<u>4,029,221</u>	<u>13,757,332</u>	<u>108,838,195</u>	<u>45,023,886</u>
421,541	2,279,495	5,662,812	5,158,971
1,242,914	6,669,352	23,751,146	6,754,155
-	-	13,055,868	-
-	-	9,574,922	-
-	-	16,858,553	-
-	-	4,088,269	-
-	-	5,388,458	-
-	9,084,265	9,084,265	-
-	-	-	29,133,859
-	-	-	973,526
1,404,112	1,898,214	21,575,561	7,439,762
-	10,302	97,999	224,203
<u>3,068,567</u>	<u>19,941,628</u>	<u>109,137,853</u>	<u>49,684,476</u>
<u>960,654</u>	<u>(6,184,296)</u>	<u>(299,658)</u>	<u>(4,660,590)</u>
556,140	236,476	6,996,973	356,864
-	4,377,683	4,377,683	-
-	-	695,399	-
(1,519,906)	-	(12,102,036)	(472,591)
(139,769)	-	(902,853)	(19,041)
<u>(1,103,535)</u>	<u>4,614,159</u>	<u>(934,834)</u>	<u>(134,768)</u>
(142,881)	(1,570,137)	(1,234,492)	(4,795,358)
-	4,563,571	22,399,651	-
5,763,376	9,494,952	18,651,275	2,778,176
(642,000)	-	(1,782,654)	(2,429,258)
-	-	(12,497,812)	-
<u>4,978,495</u>	<u>12,488,386</u>	<u>25,535,968</u>	<u>(4,446,440)</u>
<u>29,973,034</u>	<u>18,180,974</u>		<u>4,017,549</u>
<u>\$ 34,951,529</u>	<u>\$ 30,669,360</u>		<u>\$ (428,891)</u>

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

(641,019)

Change in net assets of business-type activities

\$ 24,894,949

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Convention Center Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 76,509,288	\$ 13,576,180
Net sales tax received (paid)	(119,313)	(610,120)
Payments to employees	(17,330,232)	(5,110,884)
Payments to suppliers and service providers	(34,753,934)	(10,546,585)
Internal activity - payments from (to) other funds	-	(83,938)
Claims paid	-	-
Premiums paid	-	-
Other receipts (payments)	359,116	(192,826)
Net cash provided by (used in) operating activities	<u>24,664,925</u>	<u>(2,968,173)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Insurance deposits	-	-
Operating subsidies and transfers from other funds	-	3,392,947
Operating subsidies and transfers to other funds	(792,947)	(250,000)
Operating grants received	-	-
Negative cash balance implicitly financed	-	-
Net cash provided by (used in) noncapital financing activities	<u>(792,947)</u>	<u>3,142,947</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase and construction of capital assets	(34,866,841)	(17,324,904)
Capital grants and other capital contributions	1,022,792	-
Proceeds from capital debt	114,141	186,978,521
Principal paid on capital debt	(7,479,334)	-
Interest paid on capital debt	(9,404,854)	(1,207,720)
Escrow deposits	1,082,084	-
Net cash provided by (used in) capital and related financing activities	<u>(49,532,012)</u>	<u>168,445,897</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	3,015,650	2,875,724
Net cash provided by (used in) investing activities	<u>3,015,650</u>	<u>2,875,724</u>
Net increase (decrease) in cash and cash equivalents	(22,644,384)	171,496,395
Cash and cash equivalents - beginning of year	167,289,879	41,340,082
Cash and cash equivalents - end of year	<u>\$ 144,645,495</u>	<u>\$ 212,836,477</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 10,179,261	\$ (5,255,277)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	15,104,853	3,168,382
Amortization	64,701	67,105
Miscellaneous nonoperating expense	537,230	(172,234)
Change in assets and liabilities:		
Operating receivables	(944,933)	(263,502)
Sales tax receivable	(119,313)	(610,120)
Inventories	32,262	-
Other receivables and assets	(554)	-
Accounts payable and other accrued liabilities	(250,777)	144,937
Due to other funds	-	(83,938)
Escrow and other deposits	-	-
Earned vacation pay and other payroll liabilities	62,195	36,474
Total adjustments	<u>14,485,664</u>	<u>2,287,104</u>
Net cash provided by (used in) operating activities	<u>\$ 24,664,925</u>	<u>\$ (2,968,173)</u>
<b>Noncash investing, capital, and financing activities:</b>		
Capital contributions from annexations	<u>\$ 16,809,149</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 2,362,780</u>	<u>\$ 3,552,315</u>
Net transfer of assets from(to) other funds	<u>\$ -</u>	<u>\$ (97,707)</u>
Loss on impairment of capital assets	<u>\$ -</u>	<u>\$ 12,497,812</u>

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

<b>Enterprise Funds</b>			
<b>Parking Facilities Fund</b>	<b>Other Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 4,343,393	\$ 13,714,484	\$ 108,143,345	\$ 44,976,894
424	(20,555)	(749,564)	80,491
(419,550)	(2,236,834)	(25,097,500)	(2,757,932)
(1,234,934)	(15,968,211)	(62,503,664)	(9,088,149)
-	-	(83,938)	-
-	-	-	(23,783,878)
-	-	-	(973,526)
(139,769)	51,833	78,354	(172,350)
<u>2,549,564</u>	<u>(4,459,283)</u>	<u>19,787,033</u>	<u>8,281,550</u>
-	-	-	(201,500)
5,500,000	8,490,853	17,383,800	2,778,176
(642,000)	-	(1,684,947)	(2,429,258)
-	2,016,380	2,016,380	-
-	4,806,298	4,806,298	2,215,719
<u>4,858,000</u>	<u>15,313,531</u>	<u>22,521,531</u>	<u>2,363,137</u>
(14,940,170)	(5,611,850)	(72,743,765)	(13,217,189)
-	572,551	1,595,343	-
41,774,822	-	228,867,484	-
(1,813,624)	-	(9,292,958)	(4,750,000)
(1,194,323)	-	(11,806,897)	(752,037)
-	767,717	1,849,801	-
<u>23,826,705</u>	<u>(4,271,582)</u>	<u>138,469,008</u>	<u>(18,719,226)</u>
480,455	204,291	6,576,120	337,760
480,455	204,291	6,576,120	337,760
31,714,724	6,786,957	187,353,692	(7,736,779)
7,497,158	5,899,458	222,026,577	22,933,164
<u>\$ 39,211,882</u>	<u>\$ 12,686,415</u>	<u>\$ 409,380,269</u>	<u>\$ 15,196,385</u>
\$ 960,654	\$ (6,184,296)	\$ (299,658)	\$ (4,660,590)
1,404,112	1,898,214	21,575,561	7,439,762
-	-	131,806	-
(139,769)	-	225,227	-
314,172	19,287	(874,976)	35
424	(20,555)	(749,564)	80,226
-	(56,478)	(24,216)	(77,613)
-	-	(554)	-
10,238	(152,362)	(247,964)	5,519,504
-	-	(83,938)	-
-	4,800	4,800	-
(267)	32,107	130,509	(19,774)
1,588,910	1,725,013	20,086,691	12,942,140
<u>\$ 2,549,564</u>	<u>\$ (4,459,283)</u>	<u>\$ 19,787,033</u>	<u>\$ 8,281,550</u>
\$ -	\$ -	\$ 16,809,149	\$ -
\$ -	\$ -	\$ 5,915,095	\$ 225,108
\$ 263,376	\$ -	\$ 165,669	\$ -
\$ -	\$ -	\$ 12,497,812	\$ -

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

	<b><u>Pension Trust Funds</u></b>	<b><u>Agency Funds</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,563,249	\$ 48,290
Accrued interest receivable	11,375	-
Total assets	<u>20,574,624</u>	<u>\$ 48,290</u>
<b>LIABILITIES</b>		
Due to other agencies	<u>\$ -</u>	<u>\$ 48,290</u>
Total liabilities	<u>-</u>	<u>\$ 48,290</u>
<b>NET ASSETS</b>		
Held in trust for:		
Employees' retirement benefits	<u>\$ 20,574,624</u>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b><u>Pension Trust Funds</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 3,098,786
Investment earnings:	
Interest	292,458
Net increase in fair value of investments	503,113
Total investment earnings	795,571
Less investment expense	(21,712)
Net investment earnings	773,859
Total additions	<u>3,872,645</u>
<b>DEDUCTIONS</b>	
Benefits	2,504,301
Withdrawals and forfeitures	55,817
Total deductions	<u>2,560,118</u>
Change in net assets	1,312,527
Net assets - beginning of the year	19,262,097
Net assets - end of the year	<u>\$ 20,574,624</u>

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2005

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

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

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

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

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

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are



levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

**Parking facilities fund** – The parking facilities fund accounts for the parking fee charges and all costs associated with the operation of all parking decks and lots owned by the City.

Additionally, the City reports the following fund types:

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

**Fiduciary funds** - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund and the law enforcement officers' special separation allowance fund. The agency funds account for monies held on behalf of Wake 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. All deposits are made in City Council designated official depositories and are secured as required by State law (G.S. 159-30(c)). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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

### ***2. Receivables and payables***

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

City ad valorem taxes are billed by the Wake County Revenue Collector after July 1 of each year based upon the assessed value on property, other than motor vehicles, listed as of the prior January 1 lien date. 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 2005-06 fiscal year and are not shown as receivables at June 30, 2005.

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

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

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

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

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

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

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

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

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

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

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

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

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructure acquired before July 1, 2001 (date of implementation of GASB 34) has been recorded by the City at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of

two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the fiscal year was \$15,565,433. Of this amount, \$3,463,397 was included as part of the cost of capital assets under construction in connection with water and sewer and convention center 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, 2005 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	\$ 12,609,021	Various capital projects	\$ 12,350,869
Law enforcement projects	1,654,943	Appropriated for	
Appropriated for subsequent year	17,452,966	subsequent year	\$ 80,885,459
Other	1,119,219		
	<u>\$ 32,836,149</u>		
		<u>Special Revenue Funds</u>	
		Appropriated for	
		subsequent year	\$ 8,069,059

### **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.

### **10. Financial reporting change – convention center fund**

Effective July 1, 2004, the City voluntarily changed its method of financial reporting of its convention center complex from governmental activities and governmental funds to business-type activities and enterprise funds. Accordingly applicable beginning balances in the FY 2004-05 financial statements reflect the effects of this reclassification as follows:

<u>Government-wide financial statements</u>	
Net assets reclassified from governmental activities as business-type activities	<u>\$ 61,091,461</u>
<u>Fund financial statements</u>	
Fund balances of governmental funds reclassified as net assets of enterprise funds	\$ 39,906,960
Capital assets reclassified as net assets of enterprise funds	75,928,554
Long-term debt reclassified as net assets of enterprise funds	(54,744,053)
	<u>\$ 61,091,461</u>

## **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, 2005. 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, 2005, the effect of such amendments, less eliminating transfers, was as follows:

	<u>Budget</u>	<u>Amendments</u>	<u>June 30, 2005</u>
General Fund	\$ 277,571,192	\$ 10,076,324	\$ 287,647,516
Special Revenue Funds	53,659,462	5,466,308	59,125,770
General Capital Projects Funds	275,644,172	15,686,090	291,330,262
Enterprise Funds	471,121,064	307,370,180	778,491,244
Internal Service Funds	9,608,709	757,295	10,366,034

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***

The print services fund (an internal service fund) had deficit net assets of \$35,467 at June 30, 2005. The deficit net assets resulted from charges for services that were not adequate to cover all costs of operations. In 2006, the print services fund adjusted their charges to cover all costs of operations. The risk management fund (an internal service fund) had deficit net assets of \$13,993,850 at June 30, 2005. 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 \$12.3 million for claims incurred but not reported at June 30, 2005. 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.*** All of the City's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact

amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2005, the City's bank balance was \$5,378,866 and the carrying amount of the City's deposits was \$1,881,384, net of a cash overdraft of \$5,721,092 which is included in accounts payable. Of the bank balance, \$171,226 was covered by federal depository insurance and \$5,207,640 was covered by collateral held under the Pooling Method.

### ***Investments.***

At June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1- 3 Years	3 - 5 Years
U. S. Government				
Treasuries	\$ 43,318,505	\$ 14,554,185	\$ 8,972,533	\$ 19,791,787
Ginnie Mae	63,556		50,110	13,446
Federal Home Loan Bank	78,220,664	15,842,483	54,071,893	8,306,288
Freddie Mac	113,541,237	98,336,484	11,188,902	4,015,852
Fannie Mae	166,849,507	119,643,290	41,149,184	6,057,032
Federal Farm Credit Bank	5,717,885	-	5,457,031	260,853
Commercial Paper	12,734,094	12,734,094	-	-
NCCMT - Cash Portfolio	118,200,641	N/A	N/A	N/A
	\$ 538,646,089	\$ 261,110,536	\$ 120,889,653	\$ 38,445,258

***Interest Rate Risk.*** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk.*** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City has no formal policy on managing credit risk. As of June 30, 2005, the City's investments in commercial paper were rated P1 by Standard & Poor's and A1 by Moody's Investors Service. The City's investments in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The City's investments in US Agencies (Federal Home Loan Bank, Freddie Mac, Fannie Mae and Federal Farm Credit Bank) are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings.

***Concentration of Credit Risk.*** The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Federal Home Loan Bank, Freddie Mac, and Fannie Mae securities. These investments are 14.52%, 21.08%, and 30.98% respectively of the City's total investments.



A summary of cash and investments at June 30, 2005 is as follows:

Petty Cash and Change Funds	\$ 13,840
Medical and Dental Trust Funds	4,684,816
ABN-AMRO - Supplemental Pension Funds	16,406,232
Deposits (includes CDs and money market accounts)	109,644,851
Investments	<u>538,646,089</u>
	<u>\$ 669,395,828</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>NonMajor Governmental</u>
Amounts arising from cash:		
Police informant account	\$ 49,561	\$ -
Cemetery cash account	7,975	-
Cafeteria plan cash	68,771	-
Parks & Recreation	93,927	-
Deferred vehicle taxes	457,126	-
Grants, program income	<u>2,145</u>	<u>297,238</u>
	<u>\$ 679,505</u>	<u>\$ 297,238</u>
Amounts not arising from cash:		
Assessments receivable	\$ 334,006	\$ 717,241
Taxes receivable	1,442,565	-
Loans receivable	<u>186,104</u>	<u>36,607,321</u>
	<u>\$ 1,962,675</u>	<u>\$ 37,324,562</u>
Total	<u>\$ 2,642,180</u>	<u>\$ 37,621,800</u>

### C. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows (stated in thousands)

	Balance June 30, <u>2004</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance June 30, <u>2005</u>
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 99,610	\$ 1,837	-	-	\$ 101,447
Construction in progress	14,016	6,444	(11,995)	-	8,465
Total capital assets, not being depreciated	<u>113,626</u>	<u>8,281</u>	<u>(11,995)</u>	<u>-</u>	<u>109,912</u>
Capital assets, being depreciated:					
Buildings and machinery	87,124	609	980	66	88,647
Streets and sidewalks	463,785	60,285	7,769	-	531,839
Equipment	68,073	14,031	-	7,835	74,269
Furniture and fixtures	1,007	273	-	40	1,240
Improvements - general and parks	110,868	8,122	2,870	118	121,742
Total capital assets being depreciated	<u>730,857</u>	<u>83,320</u>	<u>11,619</u>	<u>8,059</u>	<u>817,737</u>
Less accumulated depreciation for:					
Buildings and machinery	30,802	2,130	-	66	32,866
Streets and sidewalks	191,795	22,195	-	-	213,990
Equipment	52,988	6,847	-	7,835	52,000
Furniture and fixtures	508	214	-	40	682
Improvements - general and parks	41,720	5,550	(113)	118	47,039
Total accumulated depreciation	<u>317,813</u>	<u>36,936</u>	<u>(113)</u>	<u>8,059</u>	<u>346,577</u>
Total capital assets being depreciated, net	<u>413,044</u>	<u>46,384</u>	<u>11,732</u>	<u>-</u>	<u>471,160</u>
Governmental activities capital assets, net	<u>\$ 526,670</u>	<u>\$ 54,665</u>	<u>\$ (263)</u>	<u>\$ -</u>	<u>\$ 581,072</u>

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

General government	\$ 644
Community development	80
Public works	24,676
Public safety	1,102
Solid waste services	38
Leisure services	4,566
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>5,830</u>
Total depreciation expense - governmental activities	<u>\$ 36,936</u>

Annexations: The amount reported above as additions for streets and sidewalks of \$60,285,000 includes \$36,409,891 of annexations of streets that were transferred to the City from the North Carolina Department of Transportation during 2004-05. Such transfers occur infrequently and the volume and value of the 2004-05 transfers are significantly greater than normally occurs.

	Balance June 30, 2004	Additions	Transfers	Deletions	Balance June 30, 2005
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 48,482	\$ 4,171	\$ -	\$ -	\$ 52,653
Construction in progress	17,889	37,632	(13,461)	-	42,060
Total capital assets, not being depreciated	<u>66,371</u>	<u>41,803</u>	<u>(13,461)</u>	<u>-</u>	<u>94,713</u>
Capital assets, being depreciated:					
Buildings and machinery	97,955	1,795	2,088	10,166	91,672
Water and sewer systems	570,331	33,804	7,668	-	611,803
Parking decks	43,803	14,058	-	-	57,861
Buses	16,742	4,679	-	345	21,076
Equipment	26,260	3,213	18	2,894	26,597
Furniture and fixtures	1,952	20	-	1,521	451
Improvements	54,244	2,265	4,063	21,087	39,485
Total capital assets being depreciated	<u>811,287</u>	<u>59,834</u>	<u>13,837</u>	<u>36,013</u>	<u>848,945</u>
Less accumulated depreciation for:					
Buildings and machinery	34,062	2,317	-	6,920	29,459
Water and sewer systems	135,103	12,385	-	-	147,488
Parking decks	9,412	1,360	-	-	10,772
Buses	9,008	1,567	-	345	10,230
Equipment	16,037	2,715	-	2,887	15,865
Furniture and fixtures	1,809	58	-	1,515	352
Improvements	19,801	2,784	113	11,845	10,853
Total accumulated depreciation	<u>225,232</u>	<u>23,186</u>	<u>113</u>	<u>23,512</u>	<u>225,019</u>
Total capital assets being depreciated, net	<u>586,055</u>	<u>36,648</u>	<u>13,724</u>	<u>12,501</u>	<u>623,926</u>
Business-type activities capital assets, net	<u>\$ 652,426</u>	<u>\$ 78,451</u>	<u>\$ 263</u>	<u>\$ 12,501</u>	<u>\$ 718,639</u>

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

Water/Sewer	\$ 15,105
Convention center	3,169
Parking	1,404
Mass Transit	1,888
Stormwater	10
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	<u>1,610</u>
Total depreciation expense - business-type activities	<u>\$ 23,186</u>

**Special item: Impairment of capital assets**

During 2005, the convention center fund (a business-type activity) recognized a special item of \$12.5 million for a loss due to the impairment of capital assets, the Raleigh Convention and Civic Center and the Fayetteville Street Mall. A new convention center is currently under construction and the existing civic center is being

readied for complete demolition. The Fayetteville Street Mall has been removed and construction is under way to return the mall to vehicular traffic. These assets were recorded in the convention center fund at \$34.5 million and accumulated depreciation of \$22 million for a net book value of \$12.5 million.

**Commitments - construction projects**

At June 30, 2005, the City has \$239,469,770 in project obligations for business-type activities for construction projects in progress as follows: \$37,472,464 water and sewer projects, \$177,027,734 new convention center project, and \$24,969,572 underground parking garage project. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, and certificates of participation.

In addition, the City has \$24,499,772 in general government project obligations at June 30, 2005. 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, 2005.

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

The composition of interfund balances as June 30, 2005, is as follows:

		<b>Due from</b>				Total
		Nonmajor Governmental Funds	Convention Center Fund	Nonmajor Enterprise Funds	Internal Service Funds	
<b>Due to</b>	General fund	\$ 1,834,210	\$ 22,068	\$ 4,877,878	\$ 2,215,719	\$ 8,949,875
	Parking facilities fund	-	1,000,000	-	-	1,000,000
	Total	<u>\$ 1,834,210</u>	<u>\$ 1,022,068</u>	<u>\$ 4,877,878</u>	<u>\$ 2,215,719</u>	<u>\$ 9,949,875</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. The balance of \$8,949,875 due to the general fund includes \$8,444,303 of reclasses of negative cash to due to the general fund and a corresponding reduction in general fund cash and a due from other funds. Negative cash reclassified consisted of \$2,215,719 from internal service funds, \$4,806,298 from nonmajor enterprise funds and \$1,422,286 from nonmajor governmental funds.

All remaining balances resulted from timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for the fiscal year ended June 30, 2005 is as follows:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 6,913,717
Water and sewer fund	148,290
Parking facilities fund	200,000
Internal service funds	2,400,000
Total transfers to general fund	<u>\$ 9,662,007</u>

Transfers to nonmajor governmental funds from:	
General fund	\$ 5,813,466
Water and sewer fund	462,632
Parking fund	442,000
Total transfers to nonmajor governmental funds	<u>\$ 6,718,098</u>
Transfers to convention center fund from:	
General fund	\$ 2,803,447
Nonmajor governmental funds	589,500
Total transfers to convention center fund	<u>\$ 3,392,947</u>
Transfers to parking fund from:	
General fund	\$ 580,000
Nonmajor governmental funds	4,670,000
Convention center fund	250,000
Total transfers to parking fund	<u>\$ 5,500,000</u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 7,679,765
Nonmajor governmental funds	699,063
Water and sewer fund	112,025
Total transfers to nonmajor enterprise funds	<u>\$ 8,490,853</u>
Transfers to internal service funds from:	
General fund	\$ 78,918
Nonmajor governmental funds	2,600,000
Water and sewer fund	70,000
Internal service funds	29,258
Total transfers to internal service funds	<u>\$ 2,778,176</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, 2005, \$1,625,000 was transferred from general capital projects funds to the general fund. These transfers were made to support specific related operating activities (\$110,000) or to replenish funds advanced from the general fund to capital projects prior to debt issuance (\$1,500,000). A transfer of \$4,670,000 from general capital projects to the parking fund was made to replenish funds advanced to general capital projects prior to issuance of debt. The general equipment replacement fund transferred \$2,400,000 to the general fund for the purchase of garbage carts for the city's automated trash pickup program.

Also, during 2004-05 certain noncash transactions were reported as transfers in the financial statements, however, are not included in the summary of interfund transfers above. Capital assets (net) of \$263,376 were transferred from the governmental activities to the parking fund (a business-type activity). Capital assets of \$97,707 were transferred from the convention center (a business-type activity) to the governmental activities.

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

During 2004-05 total rental payments on noncancelable operating leases was \$3,420,767. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2005:

<u>Fiscal Year Ending June 30</u>	
2006	\$ 2,025,480
2007	1,084,206
2008	246,272
2009	36,013
2010	31,136
	<u>\$ 3,423,107</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, 2005 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, 2005</u>
<b><i>Governmental Activities</i></b>					
Housing-Series 1994B-Taxable	7.75% to 8.0%	9/1/1994	3/1/2011	\$ 2,900,000	\$ 1,525,000
Parks-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	27,900,000	1,505,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	1,265,000
Fire Station-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	2,145,000	105,000
Public Improvement Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	22,255,000	9,940,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	2,870,000
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	4,440,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	16,300,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	8,800,000
Public Improvement, Series 2002A	3.0% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,700,000
Public Improvement, Series 2002B	3.0% to 4.5%	12/1/2002	2/1/2021	43,000,000	40,550,000
Public Improvement, Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	14,905,000	9,340,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	14,550,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	17,118,236
Housing, Series, 2004B	3.13% to 4.38%	3/1/2004	4/1/2017	7,000,000	6,645,000
Housing Refunding, Series 2004B	3.13% to 4.0%	3/1/2004	4/1/2012	2,355,000	2,060,000
<b>Total Governmental Activities</b>					<b>\$ 139,713,236</b>
<b><i>Business-type Activities</i></b>					
<b><i>Water and Sewer:</i></b>					
Water Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	\$ 11,120,000	\$ 575,000
Sanitary Sewer, Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	6,880,000	345,000
Sanitary Sewer Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	16,325,000	7,290,000
Sanitary Sewer Refunding - Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	3,055,000	1,915,000
Water Refunding, Series 2004A					
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	6,109,137
	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	3,627,627
<b><i>Water and Sewer Total</i></b>					<b>19,861,764</b>
<b><i>Parking Facilities:</i></b>					
Parking Facilities Refunding – Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	3,230,000	1,445,000
Parking Facilities, Series 1997	4.70% to 5.0%	10/1/1997	4/1/2016	8,670,000	5,870,000
<b><i>Parking Facilities Total</i></b>					<b>7,315,000</b>
<b>Total Business-type Activities</b>					<b>\$ 27,176,764</b>
<b>Total Bonded Indebtedness</b>					<b>\$ 166,890,000</b>

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
2006	\$ 11,571,727	\$ 5,713,500	\$ 4,178,273	\$ 1,137,323
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	10,261,943	3,977,242	2,118,057	528,751
2011-2015	43,931,557	13,917,945	9,308,443	1,317,147
2016-2020	35,436,270	5,379,256	1,163,730	42,546
2021-2025	5,050,000	274,000	-	-
	<u>\$ 139,713,236</u>	<u>\$ 43,727,538</u>	<u>\$ 27,176,764</u>	<u>\$ 5,377,759</u>

**Status of bond authorizations**

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2005:

<u>November 7, 2000</u>	
Street improvement	\$ 25,000,000
Housing	7,000,000
Parks and recreation	<u>6,000,000</u>
	<u>38,000,000</u>
<u>October 7, 2003</u>	
Parks and recreation	<u>47,250,000</u>
Total	<u>\$ 85,250,000</u>

**Defeased debt**

During 2004-05, the City issued \$41,870,000 of water and sewer revenue 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 \$42,650,000 of 1996, 1999 and 2001 Series, water and sewer revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,204,896. 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 17 years by \$2,109,090 and resulted in an economic gain of \$1,550,714.

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, 2005 is \$2,255,323.

In prior years, the city has defeased various bond issues. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding was \$25,540,000.

**2. Revenue bonds**

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are repaid from utility user charges. Revenue bonds outstanding at year end are \$178,135,000. 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
2006	\$ 2,755,000	\$ 8,275,585
2007	4,915,000	8,519,057
2008	5,095,000	8,327,325
2009	5,285,000	8,135,169
2010	5,515,000	7,906,106
2011-2015	31,705,000	35,387,044
2016-2020	40,425,000	26,652,913
2021-2025	41,785,000	15,999,225
2026-2030	33,305,000	6,835,513
2030-2031	7,350,000	367,500
	<u>\$ 178,135,000</u>	<u>\$ 126,405,437</u>

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, between the City and Wachovia Bank of North Carolina, as trustee, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2005.

**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 \$630,919,826. Interest is also paid on reimbursement contracts at a rate of 4 percent per year; however, the future amount to be paid on existing contracts has not been determined.

**Certificates of participation – demand bonds**

The Walnut Creek Financing Assistance Corporation (the Corporation) sold certificates of participation on September 1, 2004 in the amount of \$10,140,000 to finance the purchase of One Exchange Plaza, an office building. This long-term debt is recorded in the governmental activities column of the government-wide statements. Interest on these certificates is variable rate. On January 19, 2005, the corporation sold certificates of participation in the amount of \$188,425,000 to finance the construction of the new convention center facility (The convention center facilities are reported as a business-type activity and an enterprise fund.) The interest on these certificates is also variable rate. In addition, the City has previously issued \$55,000,000 in variable rate certificates of participation. The corporation is a blended component unit of the City whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to the variable rate certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. There have been no significant changes in rates subsequent to year-end. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest, which cannot



exceed 12%, required for these variable rate certificates through maturity would be \$634,583,160. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2005 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

<u>Issue</u>	<u>Balance June 30, 2005</u>	<u>Agreement Expiration</u>	<u>Fees Paid FY2005</u>	<u>Interest Rate June 30, 2005</u>
2004A	\$ 55,000,000	February 1, 2004	\$ 121,000	2.27 %
2004C	10,140,000	September 1, 2009	16,921	2.27
2005B	188,425,000	January 16, 2015	160,718	2.27

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 510,000	\$ 304,200	\$ -	\$ 9,837,830
2007	510,000	288,900	-	9,837,830
2008	510,000	274,102	-	9,837,830
2009	510,000	257,826	-	9,860,650
2010	510,000	243,000	-	9,815,010
2011-2015	2,540,000	985,679	7,360,000	49,211,970
2016-2020	2,525,000	606,195	42,125,000	44,087,166
2021-2025	2,525,000	227,139	52,955,000	33,979,291
2026-2030	-	-	66,555,000	21,297,184
2031-2034	-	-	74,430,000	6,289,158
	<u>\$ 10,140,000</u>	<u>\$ 3,187,041</u>	<u>\$ 243,425,000</u>	<u>\$ 204,053,919</u>

### ***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. During 2005, the City issued \$10,615,000 of certificates of participation to finance downtown improvements. The fixed interest rates on these certificates of participation range from 3.0% to 5.25%. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,082,777	\$ 912,109
2007	1,117,420	860,966
2008	1,174,316	807,570
2009	1,233,611	751,176
2010	1,215,461	691,625
2011-2015	6,656,745	2,360,113
2016-2020	2,560,000	992,561
2021-2025	2,575,000	379,814
	<u>\$ 17,615,330</u>	<u>\$ 7,755,934</u>

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

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
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	1,374,451	274,128
2011-2015	4,626,653	776,610
2016-2020	2,269,152	138,242
	<u>\$ 13,768,060</u>	<u>\$ 2,738,983</u>

The City has entered into installment financing agreements to finance various downtown parking facilities including certificates of participation totaling \$41,430,000 issued during 2005 for two new facilities. These agreements bear interest at rates ranging from 4.2% to 6.6% with a variable rate component for one agreement, not to exceed 15%. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 1,390,000	\$ 2,493,511
2007	1,430,000	2,386,259
2008	2,035,000	2,318,869
2009	2,085,000	2,235,494
2010	2,140,000	2,149,119
2011-2015	9,965,000	9,328,275
2016-2020	10,240,000	7,170,341
2021-2025	9,940,000	4,818,730
2026-2030	6,375,000	2,755,750
2031-2035	8,015,000	1,113,975
	<u>\$ 53,615,000</u>	<u>\$ 36,770,323</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, 2005 is \$252,561.

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
2006	\$ 6,470,550	\$ 401,467	\$ 1,904,450	\$ 143,533
2007	3,828,112	172,747	1,531,888	69,128
	<u>\$ 10,298,662</u>	<u>\$ 574,214</u>	<u>\$ 3,436,338</u>	<u>\$ 212,661</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, 2005 are \$273,722 for governmental activities and \$109,535 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
2006	\$ 946,496	\$ 97,559	\$ 441,920	\$ 32,493
2007	941,802	63,090	98,641	11,149
2008	34,931	34,751	104,066	5,723
2009	33,325	36,357	-	-
2010	32,922	36,761	-	-
2011-2015	222,517	91,056	-	-
	<u>\$ 2,211,993</u>	<u>\$ 359,574</u>	<u>\$ 644,627</u>	<u>\$ 49,365</u>

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

Outstanding principal balances for reimbursement contracts at June 30, 2005 are \$151,732 for business-type activities and \$2,443 for governmental activities.

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

At June 30, 2005, earned vacation pay consists of \$13,719,707 for governmental activities and \$1,657,146 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 \$4,531,774 reported as landfill closure and postclosure liability as of June 30, 2005, represents the amount it would cost to perform remaining closure and postclosure care in 2005. 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 2, 2004.

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

In August 2005, the city issued \$61,185,000 of general obligation bonds to finance parks and street improvement projects. In October 2005, the City issued \$34,850,000 of certificates of participation to finance its equipment acquisition program, a utility operations center and two park projects.

On October 11, 2005, the City voters approved a \$60 million bond issue for transportation improvements and a \$20 million bond issue for affordable housing.

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

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance			Balance	Due Within
	June 30, 2004	Additions	Reductions	June 30, 2005	One Year
Governmental activities:					
General obligation bonds	\$ 151,403,150	\$ -	\$ 11,689,914	\$ 139,713,236	\$ 11,571,727
Unamortized premiums - GO bonds	492,136	-	41,011	451,125	41,011
Deferred refundings - GO bonds	(1,357,789)	-	(113,149)	(1,244,640)	(113,149)
Installment financing					
agreements	25,481,991	20,763,059	5,979,065	40,265,985	9,009,823
Unamortized premiums on IFA	478,087	449,098	225,752	701,433	225,751
Reimbursement contracts	2,793	-	350	2,443	559
Earned vacation pay	12,736,133	8,924,772	7,941,198	13,719,707	7,941,198
Landfill postclosure	4,558,000	-	26,226	4,531,774	-
<b>Total governmental activities</b>	<b>\$ 193,794,501</b>	<b>\$ 30,136,929</b>	<b>\$ 25,790,367</b>	<b>\$ 198,141,063</b>	<b>\$ 28,676,920</b>
Business-type activities:					
General obligation bonds	\$ 31,391,850	\$ -	\$ 4,215,086	\$ 27,176,764	\$ 4,178,273
Unamortized discount - GO bonds	(299,049)	-	(27,186)	(271,863)	(27,186)
Unamortized premium - GO bonds	279,964	-	23,330	256,634	23,330
Deferred refundings - GO bonds	(1,175,952)	-	(165,269)	(1,010,683)	(165,269)
Revenue bonds	181,240,000	41,870,000	44,975,000	178,135,000	2,755,000
Unamortized premium - Rev. bonds	3,813,127	3,417,577	336,524	6,894,180	336,524
Deferred refundings - Rev. bonds	-	(2,204,896)	(122,494)	(2,082,402)	(122,494)
Installment financing					
agreements	88,672,546	229,855,000	3,638,521	314,889,025	5,110,821
Unamortized premiums - IFA	171,742	648,003	92,587	727,158	85,145
Deferred refundings - IFA	(294,719)	-	(42,158)	(252,561)	(42,158)
Reimbursement contracts	44,447	114,141	6,856	151,732	5,762
Earned vacation pay	1,527,498	1,236,069	1,106,421	1,657,146	1,106,421
<b>Total business-type activities</b>	<b>\$ 305,371,454</b>	<b>\$ 274,935,894</b>	<b>\$ 54,037,218</b>	<b>\$ 526,270,130</b>	<b>\$ 13,244,169</b>

The current year additions to the governmental activities installment notes include noncash related financing activities in the amount of \$8,059.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end \$199,981 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, 2005, a liability for \$23,417 is included in the parking facilities fund. A current liability for \$566 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 2.28% at June 30, 2005, 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 2004-05, the City realized interest rate swap receipts of \$709,696 as the variable rate remained significantly lower than the fixed rate.

At June 30, 2005, the swap had a positive fair value of \$544,430. 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 exposed to credit risk because the swap had a positive fair value. The swap counterparty, Citigroup Financial Products, Inc., at June 30, was rated "Aa1" by Moody's Investors Service (Moody's), "AA-" by Standard and Poor's (S&P) and "AA+" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make an unanticipated termination payment.

*Swap payments and associated debt.* Using interest rates as of June 30, 2005, principal and interest requirements of the fixed-rate debt and net swap payments were as follows. As rates vary, net swap payments will vary. The principal and interest payments shown below are components of the governmental activities general obligation bonds debt service requirements as reported on page 34.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2006	\$ -	\$ 2,546,008	\$ (490,000)	\$ 2,056,008
2007	-	2,546,008	(490,000)	2,056,008
2008	<u>7,440,000</u>	<u>1,248,388</u>	<u>(432,490)</u>	<u>815,898</u>
Total	<u>\$ 7,440,000</u>	<u>\$ 6,340,404</u>	<u>\$ (1,412,490)</u>	<u>\$ 4,927,914</u>

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

The certificates of participation and the related swap agreement mature on Feb. 1, 2034. The swap notional amount of \$188,425,000 matches the variable rates certificates of participation. Beginning in February 2015, the notional value of the swap and the principal amount of the associated debt decline annually. Under the swap agreement, the City pays the counterparty a fixed interest payment semiannually at 4.36% of the notional amount and receives a variable interest payment equivalent to the BMA. At June 30, 2005, the swap had a negative fair value to the City of \$16,852,745. This mark to market valuation was established by market quotations obtained by the counterparty, representing an estimate of the amount that would be paid for replacement transactions. As of June 30, 2005, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's positive fair value. At June 30, 2005, Citibank NA, the counterparty, was rated "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA+" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make

or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 36.

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

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total
2006	\$ -	\$ 4,296,090	\$ 3,919,240	\$ 8,215,330
2007	-	4,296,090	3,919,240	8,215,330
2008	-	4,296,090	3,919,240	8,215,330
2009	-	4,296,090	3,919,240	8,215,330
2010	-	4,296,090	3,919,240	8,215,330
2011-2015	7,360,000	21,480,450	19,596,200	41,076,650
2016-2020	42,125,000	18,805,668	17,156,048	35,961,716
2021-2025	52,955,000	13,531,914	12,344,904	25,876,818
2026-2030	66,555,000	6,904,866	6,299,176	13,204,042
2031-2034	19,430,000	1,132,932	1,033,552	2,166,484
Total	\$ 188,425,000	\$ 83,336,280	\$ 76,026,080	\$ 159,362,360

\*Computed using 4.36% less floating rate paid to the City (2.28% at June 30, 2005) times \$188,425,000 less accumulated annual reductions, if any.

### **G. Restricted assets**

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

	Deposits	Unspent Debt Proceeds
<u>Governmental</u>		
General fund	\$ -	\$ 24,620
Nonmajor governmental funds	-	25,407,004
Total governmental	-	25,431,624
<u>Enterprise</u>		
Water and sewer fund	18,854,048	79,230,251
Convention center fund	-	211,659,050
Parking facilities fund	-	28,921,554
Nonmajor enterprise funds	1,740,017	-
Total enterprise	20,594,065	319,810,855
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	1,174,018
Public utilities equipment replacement fund	-	489,253
Total internal service fund	-	1,663,271
Total	\$ 20,594,065	\$ 346,905,750

## **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 \$23,276,362 reported for these two internal service funds at June 30, 2005, 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 2004-05 and 2003-2004 are as follows:

	<u>2005</u>	<u>2004</u>
Insurance claims payable, beginning of year	\$ 17,926,381	\$ 11,435,077
Current year claims and changes in estimates	29,133,859	27,015,319
Claim payments	<u>(23,783,878)</u>	<u>(20,524,015)</u>
Insurance claims payable, end of year	<u>\$ 23,276,362</u>	<u>\$ 17,926,381</u>

As previously noted, the risk management fund has deficit net assets at June 30, 2005 of \$13,993,850. 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, 2005. 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, 2005, the City has cash reserves in the employee's health benefits fund of \$977,000 to cover future risk in excess of recognized claims.

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

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

Permit violations at its waste water treatment plant during 2001-02 have caused the City to expand and modernize the physical plant. The cost of this work has been substantial with \$39.775 million approved in the 2004-05 and 2005-06 capital improvement budgets for on-going and future projects. These projects will be funded from operating revenues and revenue bond proceeds.

### ***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, 2005, thirty percent of the outstanding loans totaled \$9,740.

### ***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 2004-05 obligation was \$677,158. It is estimated, at this time, that the future annual cost to the City will not exceed \$684,000.

### ***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 \$79,685 to the council during the fiscal year ended June 30, 2005. The council does not meet the criteria to be included in the City's financial reporting entity.



### ***Related organizations***

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

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

***The Raleigh Historic Districts Commission, Inc.*** The Raleigh Historic Districts Commission, Inc. was formed in 1993 to exercise jurisdiction for all historic properties and historic overlay districts within Raleigh's city limits and extraterritorial jurisdiction. The commission consists of 12 members appointed by the city council. The City's accountability for the commission does not extend beyond making appointments to the commission. Revenues to support the commission come from private contributions and grants from local and state governments. In the fiscal year ended June 30, 2005 the City appropriated \$51,500 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

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

### ***Interlocal agreement with Wake County***

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

At June 30, 2005 the balance of the trust maintained by the County was \$3,812,234, which is not available to the City except for current and future projects jointly determined by the City and the County. During 2004-05, 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 \$8,918,749 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, 2005. 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, 2005. 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, 2005, 2004, and 2003 were \$6,657,987, \$6,315,818, and \$6,053,072, 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, 2005 were \$2,658,490, which consisted of \$1,716,345 from the City and \$942,145 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, 2004, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	111
Current active employees	<u>676</u>
Total	<u>787</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 \$988,422, or 2.85 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	\$ 1,509,766
Interest paid on pension obligation	(147,451)
Adjustment to annual required contribution	<u>139,202</u>
Annual pension cost	1,501,517
Employer contributions made for current fiscal year	<u>988,422</u>
Decrease in net pension obligation	513,095
Net pension obligation beginning of fiscal year	<u>(2,033,806)</u>
Net pension obligation end of fiscal year	<u>\$ (1,520,711)</u>

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return and (b) projected salary increases ranging from 5.9 percent to 9.8 percent per year. Item (b) included an inflation component of 3.75 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at December 31, 2003 was 20 years.

*Trend Information:*

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>                    </u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation End <u>of Year</u>
June 30, 2003	\$ 1,405,022	118.76%	\$ (1,806,387)
June 30, 2004	\$ 1,421,196	116.00%	\$ (2,033,806)
June 30, 2005	\$ 1,501,517	65.83%	\$ (1,520,711)

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

**Supplemental Retirement Plan – Section 401a**

*Plan description.* The City contributes to a Section 401a Money Purchase Pension Plan for the purpose of providing supplemental retirement benefits to general employees. This plan is a defined contribution plan and is reported as a pension trust fund. The City is a trustee of all plan resources. The plan is managed by the City and administered by 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 2004-05, the City contributed \$2,110,364 to the plan.

The 2004-05 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENT OF NET ASSETS

	<b>Supplemental Money Purchase Pension Plan</b> <u>                    </u>	<b>Law Enforcement Officers' Special Separation Allowance</b> <u>                    </u>	<b>Total June 30, 2005</b> <u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,406,232	\$ 4,157,017	\$ 20,563,249
Accrued interest receivable	-	11,375	11,375
Total assets	<u>\$ 16,406,232</u>	<u>\$ 4,168,392</u>	<u>\$ 20,574,624</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' retirement benefits	<u>\$ 16,406,232</u>	<u>\$ 4,168,392</u>	<u>\$ 20,574,624</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 2,110,364	\$ 988,422	\$ 3,098,786
Interest	208,627	83,831	292,458
Net increase in fair value of investments	501,431	1,682	503,113
Less investment expense	(21,712)	-	(21,712)
<b>Total additions</b>	<b>2,798,710</b>	<b>1,073,935</b>	<b>3,872,645</b>
<b>DEDUCTIONS</b>			
Benefits	582,881	1,921,420	2,504,301
Withdrawals and forfeitures	55,817	-	55,817
<b>Total deductions</b>	<b>638,698</b>	<b>1,921,420</b>	<b>2,560,118</b>
Change in net assets restricted for:			
Employees' retirement benefits	2,160,012	(847,485)	1,312,527
Net assets, beginning of year	14,246,220	5,015,877	19,262,097
<b>Net assets, end of year</b>	<b>\$ 16,406,232</b>	<b>\$ 4,168,392</b>	<b>\$ 20,574,624</b>

***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, 2005, there were 658 City retirees receiving health care benefits, 222 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, 167 City retirees are currently enrolled in the City medicare supplement plan. There are 1035 City retirees who have life insurance benefits.

For the fiscal year ended June 30, 2005, the City paid \$2,476,486 for retiree health care coverage, \$78,466 for medicare supplement coverage, and \$161,258 for retiree life insurance coverage. Medical and life insurance claims paid on retirees for the fiscal year ended June 30, 2005 were \$4,508,758 and \$226,697, respectively.

***F. Subsequent events***

On July 1, 2005, the City and the Town of Wake Forest, North Carolina, completed the merger of water and sewer utility systems. Under the terms of the merger agreement, all assets, liabilities, equity and operations of the Town of Wake Forest's water and sewer utilities, except for the general long-term debt, will be transferred to the City. On July 1, 2005, 75% of the net assets (\$2.7 million in cash) were transferred to the City. The remainder will be transferred at October 31, 2005. The City is responsible for all operating activities and capital requirements of the merged system. The merger agreement requires the City to pay all amounts necessary to the Town of Wake Forest to make all debt service payments when due and payable on the general long-term debt. Other significant terms of the merger agreement require the City to undertake and complete planned system upgrades and improvements totaling \$15 million or alternative upgrade and improvement projects that accomplish the same purposes. The City's 2006-2015 Capital Improvement Program includes projects totaling \$13.8 million for upgrades and improvements to the Town of Wake Forest's service area.

The City is currently in negotiations with the Town of Knightdale regarding the merger of water and sewer utility systems. It is anticipated that the merger will be completed during 2005-06.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
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
2004*	4,186,220	18,067,520	13,881,300	23.2	34,675,457	40.0

**Notes:**

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

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

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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
2005	1,509,766	65.5

**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, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increase*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost of living adjustments	N/A





**CITY OF RALEIGH, 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 dividers.



## **NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,456,692	\$ 78,118,687	\$ 104,575,379
Assessments receivable, net of allowance for uncollectibles of \$37,750	-	717,241	717,241
Due from other governmental agencies	4,365,557	1,064,098	5,429,655
Accrued interest receivable	63,388	205,542	268,930
Other receivables and assets	-	40,200	40,200
Sales tax receivable	41,268	243,679	284,947
Loans receivable	36,607,321	-	36,607,321
Cash and cash equivalents/investments - restricted deposits and bond proceeds	2,618,862	22,788,142	25,407,004
Total assets	<u>\$ 70,153,088</u>	<u>\$ 103,177,589</u>	<u>\$ 173,330,677</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 268,911	\$ 4,403,818	\$ 4,672,729
Arbitrage rebate payable	566	-	566
Accrued salaries and employee payroll taxes	38,290	-	38,290
Loan servicing escrow	716,029	-	716,029
Reimbursable facility fees	-	4,267,407	4,267,407
Claims payable and other liabilities	983	332,571	333,554
Due to other funds	1,834,210	-	1,834,210
Deferred revenue	36,607,321	717,241	37,324,562
Unearned revenue	194,447	102,791	297,238
Total liabilities	<u>39,660,757</u>	<u>9,823,828</u>	<u>49,484,585</u>
Fund balances:			
Reserved for new convention center project	19,001,204	-	19,001,204
Unreserved:			
Designated for subsequent year's appropriation	8,069,059	80,885,459	88,954,518
Designated for specific purposes	-	12,350,869	12,350,869
Undesignated	3,422,068	117,433	3,539,501
Total fund balances	<u>30,492,331</u>	<u>93,353,761</u>	<u>123,846,092</u>
Total liabilities and fund balances	<u>\$ 70,153,088</u>	<u>\$ 103,177,589</u>	<u>\$ 173,330,677</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Combining Eliminations</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 23,545,902	\$ 836,404	\$ -	\$ 24,382,306
Developer participation	-	138,233	-	138,233
Assessments	-	726,414	-	726,414
Interest on investments	559,843	2,189,778	-	2,749,621
Facility fees	-	3,733,422	-	3,733,422
Rents	311,721	-	-	311,721
Program income	2,687,858	-	-	2,687,858
Miscellaneous other	134,341	2,100,420	-	2,234,761
Total revenues	<u>27,239,665</u>	<u>9,724,671</u>	<u>-</u>	<u>36,964,336</u>
<b>EXPENDITURES</b>				
General government	55,104	-	-	55,104
Community development services	6,943,125	-	-	6,943,125
Public works	833,214	-	-	833,214
Public safety	888,222	-	-	888,222
Solid waste services	2,328	-	-	2,328
Leisure services	348,716	-	-	348,716
Economic development programs	2,643,467	-	-	2,643,467
Other expenditures	2,041	-	-	2,041
Capital outlay	-	26,976,298	-	26,976,298
Debt service:				
Principal	-	1,270,566	-	1,270,566
Interest	-	99,302	-	99,302
Other debt service expenditures	-	212,232	-	212,232
Total expenditures	<u>11,716,217</u>	<u>28,558,398</u>	<u>-</u>	<u>40,274,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,523,448</u>	<u>(18,833,727)</u>	<u>-</u>	<u>(3,310,279)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,359,026	10,700,072	(5,341,000)	6,718,098
Transfers out	(11,219,217)	(9,594,063)	5,341,000	(15,472,280)
Certificates of participation issued	-	19,805,000	-	19,805,000
Premium on certificates of participation	-	435,445	-	435,445
Total other financing sources (uses)	<u>(9,860,191)</u>	<u>21,346,454</u>	<u>-</u>	<u>11,486,263</u>
Net change in fund balances	5,663,257	2,512,727	-	8,175,984
Fund balance - beginning of year	24,829,074	90,841,034	-	115,670,108
Fund balance - ending of year	<u>\$ 30,492,331</u>	<u>\$ 93,353,761</u>	<u>\$ -</u>	<u>\$ 123,846,092</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, 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.

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

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

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

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

**DISASTER RECOVERY FUND (NONMAJOR FUND)** - The Disaster Recovery Fund accounts for federal and state reimbursement for disaster recovery activities resulting from various natural disasters and the City's flood mitigation program.

**NEW CONVENTION CENTER FINANCING FUND (NONMAJOR FUND)** - The New Convention Center Financing Fund accounts for hotel and motel occupancy taxes collected by the County and remitted to the City per an interlocal agreement to fund the financing of the New Convention Center.

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2005**

	<b>Grants Fund</b>	<b>Housing Development Fund</b>	<b>Housing Bond Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,809,428	\$ 3,141,910
Due from other governmental agencies	1,353,441	-	-
Accrued interest receivable	-	5,456	8,302
Sales tax receivable	32,752	4,204	959
Loans receivable	-	2,331,219	19,352,336
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	-	2,618,862
<b>Total assets</b>	<b>\$ 1,386,193</b>	<b>\$ 5,150,307</b>	<b>\$ 25,122,369</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 153,339	\$ 6,161	\$ 5,245
Arbitrage rebate payable	-	-	566
Accrued salaries and employee payroll taxes	21,340	16,950	-
Loan servicing escrow	-	279,480	-
Claims payable and other liabilities	-	-	983
Due to other funds	1,019,027	-	-
Deferred revenue	-	2,331,219	19,352,336
Unearned revenue	192,487	-	-
<b>Total liabilities</b>	<b>1,386,193</b>	<b>2,633,810</b>	<b>19,359,130</b>
Fund balances:			
Reserved for new convention center project	-	-	-
Unreserved:			
Designated for subsequent year's appropriation	-	2,182,936	3,582,345
Designated for specific purposes	-	-	-
Undesignated	-	333,561	2,180,894
<b>Total fund balances</b>	<b>-</b>	<b>2,516,497</b>	<b>5,763,239</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,386,193</b>	<b>\$ 5,150,307</b>	<b>\$ 25,122,369</b>



<b>Community 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>
\$ -	\$ 905,129	\$ 2,303,778	\$ 17,296,447	\$ 26,456,692
1,354,505	-	-	1,657,611	4,365,557
-	2,484	-	47,146	63,388
3,353	-	-	-	41,268
14,923,766	-	-	-	36,607,321
-	-	-	-	2,618,862
<u>\$ 16,281,624</u>	<u>\$ 907,613</u>	<u>\$ 2,303,778</u>	<u>\$ 19,001,204</u>	<u>\$ 70,153,088</u>
\$ 104,166	\$ -	\$ -	\$ -	\$ 268,911
-	-	-	-	566
-	-	-	-	38,290
436,549	-	-	-	716,029
-	-	-	-	983
815,183	-	-	-	1,834,210
14,923,766	-	-	-	36,607,321
1,960	-	-	-	194,447
<u>16,281,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,660,757</u>
-	-	-	19,001,204	19,001,204
-	-	2,303,778	-	8,069,059
-	-	-	-	-
-	907,613	-	-	3,422,068
<u>-</u>	<u>907,613</u>	<u>2,303,778</u>	<u>19,001,204</u>	<u>30,492,331</u>
<u>\$ 16,281,624</u>	<u>\$ 907,613</u>	<u>\$ 2,303,778</u>	<u>\$ 19,001,204</u>	<u>\$ 70,153,088</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<u>Grants Fund</u>	<u>Housing Development Fund</u>	<u>Housing Bond Fund</u>
<b>REVENUES</b>			
Intergovernmental	\$ 1,821,533	\$ -	\$ -
Interest on investments	-	47,920	135,245
Rents	-	311,721	-
Program income	-	173,614	976,865
Miscellaneous other	126,841	-	7,500
Total revenues	<u>1,948,374</u>	<u>533,255</u>	<u>1,119,610</u>
<b>EXPENDITURES</b>			
Current:			
General government	55,104	-	-
Community development services	473,382	1,042,794	-
Public works	833,214	-	-
Public safety	888,222	-	-
Solid waste services	2,328	-	-
Leisure services	348,716	-	-
Economic development programs	-	-	2,643,467
Other expenditures	2,041	-	-
Total expenditures	<u>2,603,007</u>	<u>1,042,794</u>	<u>2,643,467</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(654,633)</u>	<u>(509,539)</u>	<u>(1,523,857)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	625,189	733,837	-
Transfers out	-	(62,717)	(400,000)
Total other financing sources and uses	<u>625,189</u>	<u>671,120</u>	<u>(400,000)</u>
Net change in fund balances	(29,444)	161,581	(1,923,857)
Fund balances - beginning	<u>29,444</u>	<u>2,354,916</u>	<u>7,687,096</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,516,497</u>	<u>\$ 5,763,239</u>

<b>Community 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>
\$ 3,889,570	\$ 8,916,050	\$ -	\$ 8,918,749	\$ 23,545,902
-	28,042	-	348,636	559,843
-	-	-	-	311,721
1,537,379	-	-	-	2,687,858
-	-	-	-	134,341
<u>5,426,949</u>	<u>8,944,092</u>	<u>-</u>	<u>9,267,385</u>	<u>27,239,665</u>
-	-	-	-	55,104
5,426,949	-	-	-	6,943,125
-	-	-	-	833,214
-	-	-	-	888,222
-	-	-	-	2,328
-	-	-	-	348,716
-	-	-	-	2,643,467
-	-	-	-	2,041
<u>5,426,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,716,217</u>
-	8,944,092	-	9,267,385	15,523,448
-	-	-	-	1,359,026
-	(8,041,000)	(2,126,000)	(589,500)	(11,219,217)
-	(8,041,000)	(2,126,000)	(589,500)	(9,860,191)
-	903,092	(2,126,000)	8,677,885	5,663,257
-	4,521	4,429,778	10,323,319	24,829,074
<u>\$ -</u>	<u>\$ 907,613</u>	<u>\$ 2,303,778</u>	<u>\$ 19,001,204</u>	<u>\$ 30,492,331</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 GRANTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>					
Intergovernmental:					
U.S. Department of Transportation	\$ 662,148	\$ 637,768	\$ 1,299,916	\$ 1,783,101	\$ (483,185)
Corporation for National and Community Service	176,047	297,619	473,666	477,090	(3,424)
U.S. Forest Service	2,066	9,100	11,166	17,050	(5,884)
U.S. Department of Justice	2,001,924	428,164	2,430,088	2,769,137	(339,049)
U.S. Environmental Protection Agency	206,026	12,156	218,182	1,600,000	(1,381,818)
U.S. Department of Agriculture	2,886	2,328	5,214	9,802	(4,588)
U.S. Department of Homeland Security	-	122,526	122,526	122,533	(7)
State of North Carolina	157,036	231,942	388,978	961,644	(572,666)
Wake County	234,579	79,930	314,509	381,740	(67,231)
	3,442,712	1,821,533	5,264,245	8,122,097	(2,857,852)
Miscellaneous other	27,377	126,841	154,218	256,339	(102,121)
Total revenues	3,470,089	1,948,374	5,418,463	8,378,436	(2,959,973)
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	610,510	625,189	1,235,699	1,563,928	(328,229)
Total revenues and other financing sources	\$ 4,080,599	\$ 2,573,563	\$ 6,654,162	\$ 9,942,364	\$ (3,288,202)
<b>EXPENDITURES</b>					
General government	\$ 206,026	\$ 55,104	\$ 261,130	\$ 1,621,420	\$ (1,360,290)
Community development services	218,556	473,382	691,938	743,635	(51,697)
Public works	742,882	833,214	1,576,096	2,406,206	(830,110)
Public safety	2,434,094	888,222	3,322,316	3,752,251	(429,935)
Solid waste services	2,886	2,328	5,214	9,802	(4,588)
Leisure services	464,471	348,716	813,187	1,395,325	(582,138)
Other	11,684	2,041	13,725	13,725	-
Total expenditures	\$ 4,080,599	\$ 2,603,007	\$ 6,683,606	\$ 9,942,364	\$ (3,258,758)

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 HOUSING DEVELOPMENT FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 47,920	\$ 47,920	\$ 40,000	\$ 7,920
Rents	-	311,721	311,721	164,717	147,004
Program income	-	173,614	173,614	110,800	62,814
Total revenues	<u>-</u>	<u>533,255</u>	<u>533,255</u>	<u>315,517</u>	<u>217,738</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from general fund	<u>-</u>	<u>733,837</u>	<u>733,837</u>	<u>733,837</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,267,092</u>	<u>\$ 1,267,092</u>	1,049,354	<u>\$ 217,738</u>
Fund balance appropriated				<u>3,384,729</u>	
				<u>\$ 4,434,083</u>	
<b>EXPENDITURES</b>					
Community development services	\$ 1,176,200	\$ 1,042,794	\$ 2,218,994	\$ 4,371,366	\$ (2,152,372)
<b>OTHER FINANCING USES</b>					
Transfer 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>\$ 1,176,200</u>	<u>\$ 1,105,511</u>	<u>\$ 2,281,711</u>	<u>\$ 4,434,083</u>	<u>\$ (2,152,372)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 HOUSING BOND FUND  
 For the Fiscal Year Ended June 30, 2005**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 135,245	\$ 135,245	\$ -	\$ 135,245
Program income	-	976,865	976,865	-	976,865
Miscellaneous other	-	7,500	7,500	-	7,500
Total revenues	-	1,119,610	1,119,610	-	1,119,610
<b>OTHER FINANCING SOURCES</b>					
Bonds issued	5,446,504	-	5,446,504	9,224,273	(3,777,769)
Total revenues and other financing sources	\$ 5,446,504	\$ 1,119,610	\$ 6,566,114	9,224,273	\$ (2,658,159)
Fund balance appropriated				4,566,079	
				\$ 13,790,352	
<b>EXPENDITURES</b>					
Economic development programs	\$ 3,345,518	\$ 2,643,467	\$ 5,988,985	\$ 13,390,352	\$ (7,401,367)
<b>OTHER FINANCING USES</b>					
Transfer to general fund	-	400,000	400,000	400,000	-
Total expenditures and other financing uses	\$ 3,345,518	\$ 3,043,467	\$ 6,388,985	\$ 13,790,352	\$ (7,401,367)

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 COMMUNITY DEVELOPMENT FUND  
 For the Fiscal Year Ended June 30, 2005**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Intergovernmental:					
US Department of HUD	\$ 4,138,295	\$ 3,783,108	\$ 7,921,403	\$ 15,372,847	\$ (7,451,444)
State of North Carolina	5,576	106,462	112,038	114,000	(1,962)
Program income	<u>2,004,016</u>	<u>1,537,379</u>	<u>3,541,395</u>	<u>2,590,307</u>	<u>951,088</u>
Total revenues	<u>\$ 6,147,887</u>	<u>\$ 5,426,949</u>	<u>\$ 11,574,836</u>	<u>\$ 18,077,154</u>	<u>\$ (6,502,318)</u>
<b>EXPENDITURES</b>					
Community development services	<u>\$ 6,147,887</u>	<u>\$ 5,426,949</u>	<u>\$ 11,574,836</u>	<u>\$ 18,077,154</u>	<u>\$ (6,502,318)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 POWELL BILL FUND  
 For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
State of North Carolina	\$ 8,916,050	\$ 7,989,000	\$ 927,050
Interest on investments	28,042	52,000	(23,958)
Total revenues	<u>\$ 8,944,092</u>	<u>\$ 8,041,000</u>	<u>\$ 903,092</u>
<b>OTHER FINANCING USES</b>			
Transfers to:			
General fund	\$ 4,826,000	\$ 4,826,000	\$ -
Street improvement fund	3,215,000	3,215,000	-
Total transfers out	<u>8,041,000</u>	<u>8,041,000</u>	<u>-</u>
Total other financing uses	<u>\$ 8,041,000</u>	<u>\$ 8,041,000</u>	<u>\$ -</u>



**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 DISASTER RECOVERY FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 1,936,083	\$ -	\$ 1,936,083	\$ 1,174,000	\$ 762,083
Fund balance appropriated				3,077,317	
				<u>\$ 4,251,317</u>	
<b>EXPENDITURES</b>					
General government	\$ -	\$ -	\$ -	\$ 151,317	\$ (151,317)
Solid waste services	-	-	-	1,974,000	(1,974,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,125,317</u>	<u>(2,125,317)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Miscellaneous capital projects	-	1,626,000	1,626,000	1,626,000	-
Park bond fund	-	500,000	500,000	500,000	-
Total other financing uses	<u>-</u>	<u>2,126,000</u>	<u>2,126,000</u>	<u>2,126,000</u>	<u>-</u>
Total expenditures and and other financing uses	<u>\$ -</u>	<u>\$ 2,126,000</u>	<u>\$ 2,126,000</u>	<u>\$ 4,251,317</u>	<u>\$ (2,125,317)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 NEW CONVENTION CENTER FINANCING FUND  
 For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
Wake County	\$ 8,918,749	\$ 589,500	\$ 8,329,249
Interest on investments	<u>348,636</u>	<u>-</u>	<u>348,636</u>
Total revenues	<u>\$ 9,267,385</u>	<u>\$ 589,500</u>	<u>\$ 8,677,885</u>
<b>OTHER FINANCING USES</b>			
Transfers to convention center complex operating fund	<u>\$ 589,500</u>	<u>\$ 589,500</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 and other miscellaneous capital projects.



## GENERAL CAPITAL PROJECTS FUNDS

**STREET IMPROVEMENT FUND (NONMAJOR FUND)** - The Street Improvement Fund accounts for all street improvement programs to be financed from applicable street assessment proceeds and other non-bond street improvement resources.

**STREET BOND FUND (NONMAJOR FUND)** - The Street Bond Fund accounts for the street construction projects financed from the general obligation street bond issues.

**SIDEWALK FUND (NONMAJOR FUND)** - The Sidewalk Fund accounts for capital project costs for the construction of sidewalks within the City.

**PARK IMPROVEMENT FUND (NONMAJOR FUND)** - The Park Improvement Fund accounts for transfers from the general fund and other revenues and allocations, and all project costs in the construction of park improvements as well as park land and greenway acquisition.

**FACILITY FEES FUND (NONMAJOR FUND)** - The Facility Fees Fund accounts for facility fees collected from developers to be expended for street and park capital purposes within designated zones in the City.

**PARK BOND FUND (NONMAJOR FUND)** - The Park Bond Fund accounts for all bond proceeds and capital project costs related to the construction of park improvements or park land acquisition.

**MISCELLANEOUS CAPITAL IMPROVEMENTS FUND (NONMAJOR FUND)** - The Miscellaneous Capital Improvements Fund accounts for all capital improvement costs not applicable to other capital improvement programs. These improvements are financed from non-bond resources.

**WALNUT CREEK AMPHITHEATER FUND (NONMAJOR FUND)** - The Walnut Creek Amphitheater Fund accounts for capital projects costs of the Amphitheater financed by a portion of the Amphitheater rent.

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

**TECHNOLOGY CAPITAL PROJECTS FUND (NONMAJOR FUND)** – The Technology Capital Projects Fund accounts for long-term technology projects as recommended by the City’s technology governance process. These projects are financed from general fund resources.

**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2005**

	<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	\$ 21,526,605	\$ 12,141,700	\$ 3,069,283	\$ 10,056,307
Assessments receivable, net of allowance for uncollectibles of \$37,750	717,241	-	-	-
Due from other governmental agencies	487,500	239,020	-	-
Accrued interest receivable	58,905	33,167	8,388	27,531
Other receivables and assets	-	-	-	-
Sales tax receivable	63,416	55,511	2,212	34,306
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	10,889,893	-	-
<b>Total assets</b>	<b>\$ 22,853,667</b>	<b>\$ 23,359,291</b>	<b>\$ 3,079,883</b>	<b>\$ 10,118,144</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 722,275	\$ 1,587,127	\$ 36,716	\$ 534,115
Reimbursable facility fees	-	-	-	-
Claims payable and other liabilities	285,182	-	-	26,887
Deferred revenue	717,241	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>1,724,698</b>	<b>1,587,127</b>	<b>36,716</b>	<b>561,002</b>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	19,824,405	21,531,853	3,017,071	8,849,691
Designated for specific purposes	1,304,564	240,311	26,096	707,451
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>21,128,969</b>	<b>21,772,164</b>	<b>3,043,167</b>	<b>9,557,142</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,853,667</b>	<b>\$ 23,359,291</b>	<b>\$ 3,079,883</b>	<b>\$ 10,118,144</b>

<b>Facility Fees Fund</b>	<b>Park Bond Fund</b>	<b>Miscellaneous Capital Improvements Fund</b>	<b>Walnut Creek Amphitheater Projects Fund</b>	<b>Stormwater Projects Fund</b>	<b>Technology Capital Projects Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
\$ 4,867,293	\$ 5,882,814	\$ 13,355,726	\$ 255,074	\$ 3,314,268	\$ 3,649,617	\$ 78,118,687
-	-	-	-	-	-	717,241
-	250,000	-	-	87,578	-	1,064,098
13,335	16,085	36,549	696	917	9,969	205,542
-	-	40,200	-	-	-	40,200
-	16,643	56,315	1,069	857	13,350	243,679
-	-	11,898,249	-	-	-	22,788,142
<u>\$ 4,880,628</u>	<u>\$ 6,165,542</u>	<u>\$ 25,387,039</u>	<u>\$ 256,839</u>	<u>\$ 3,403,620</u>	<u>\$ 3,672,936</u>	<u>\$ 103,177,589</u>
\$ -	\$ 304,674	\$ 1,119,280	\$ -	\$ -	\$ 99,631	\$ 4,403,818
4,267,407	-	-	-	-	-	4,267,407
12,566	-	7,936	-	-	-	332,571
-	-	-	-	-	-	717,241
-	102,791	-	-	-	-	102,791
<u>4,279,973</u>	<u>407,465</u>	<u>1,127,216</u>	<u>-</u>	<u>-</u>	<u>99,631</u>	<u>9,823,828</u>
600,655	-	20,683,033	252,581	3,403,620	2,722,550	80,885,459
-	5,758,077	3,459,357	4,258	-	850,755	12,350,869
-	-	117,433	-	-	-	117,433
<u>600,655</u>	<u>5,758,077</u>	<u>24,259,823</u>	<u>256,839</u>	<u>3,403,620</u>	<u>3,573,305</u>	<u>93,353,761</u>
<u>\$ 4,880,628</u>	<u>\$ 6,165,542</u>	<u>\$ 25,387,039</u>	<u>\$ 256,839</u>	<u>\$ 3,403,620</u>	<u>\$ 3,672,936</u>	<u>\$ 103,177,589</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	<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	\$ 337,500	\$ 27,839	\$ -	\$ 43,450	\$ -
Developer participation	138,233	-	-	-	-
Assessments	596,453	-	129,961	-	-
Interest on investments	444,820	546,122	62,040	195,459	138,776
Facility Fees	-	-	-	-	3,733,422
Miscellaneous other	513,470	4,000	159,811	408,713	-
Total revenues	<u>2,030,476</u>	<u>577,961</u>	<u>351,812</u>	<u>647,622</u>	<u>3,872,198</u>
<b>EXPENDITURES</b>					
Current:					
Public improvements:					
Street paving/sidewalk projects	3,913,519	7,715,737	135,359	-	-
Parks and recreation projects	-	-	-	2,746,028	-
Walnut creek amphitheater projects	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Debt service:					
Principal	-	-	-	607,900	-
Interest	-	-	-	45,592	-
Other debt service expenditures	-	-	-	-	-
Total expenditures	<u>3,913,519</u>	<u>7,715,737</u>	<u>135,359</u>	<u>3,399,520</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,883,043)</u>	<u>(7,137,776)</u>	<u>216,453</u>	<u>(2,751,898)</u>	<u>3,872,198</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,995,295	2,890,012	420,000	3,136,800	-
Transfers out	(3,512,614)	-	(214,053)	(566,405)	(4,157,000)
Certificates of participation issued	-	-	-	-	-
Premium on certificates of participation issued	-	-	-	-	-
Total other financing sources and uses	<u>2,482,681</u>	<u>2,890,012</u>	<u>205,947</u>	<u>2,570,395</u>	<u>(4,157,000)</u>
Net change in fund balances	599,638	(4,247,764)	422,400	(181,503)	(284,802)
Fund balance - beginning 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>
Fund balance - ending of year	<u>\$ 21,128,969</u>	<u>\$ 21,772,164</u>	<u>\$ 3,043,167</u>	<u>\$ 9,557,142</u>	<u>\$ 600,655</u>

<u>Park Bond Fund</u>	<u>Miscellaneous Capital Improvements Fund</u>	<u>Walnut Creek Amphitheater Projects Fund</u>	<u>Stormwater Projects Fund</u>	<u>Technology Capital Projects Fund</u>	<u>Combining Eliminations</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 406,966	\$ -	\$ -	\$ 20,649	\$ -	\$ -	\$ 836,404
-	-	-	-	-	-	138,233
-	-	-	-	-	-	726,414
140,079	553,680	4,258	47,492	57,052	-	2,189,778
-	-	-	-	-	-	3,733,422
27,000	644,223	304,697	38,506	-	-	2,100,420
<u>574,045</u>	<u>1,197,903</u>	<u>308,955</u>	<u>106,647</u>	<u>57,052</u>	<u>-</u>	<u>9,724,671</u>
-	-	-	-	-	-	11,764,615
3,544,558	-	-	-	-	-	6,290,586
-	-	52,116	-	-	-	52,116
-	-	-	635,750	-	-	635,750
-	6,021,921	-	-	-	-	6,021,921
-	-	-	-	2,211,310	-	2,211,310
662,666	-	-	-	-	-	1,270,566
53,710	-	-	-	-	-	99,302
-	212,232	-	-	-	-	212,232
<u>4,260,934</u>	<u>6,234,153</u>	<u>52,116</u>	<u>635,750</u>	<u>2,211,310</u>	<u>-</u>	<u>28,558,398</u>
<u>(3,686,889)</u>	<u>(5,036,250)</u>	<u>256,839</u>	<u>(529,103)</u>	<u>(2,154,258)</u>	<u>-</u>	<u>(18,833,727)</u>
1,362,590	3,156,200	-	-	2,472,830	(8,733,655)	10,700,072
-	(9,267,000)	-	(610,646)	-	8,733,655	(9,594,063)
-	19,805,000	-	-	-	-	19,805,000
-	435,445	-	-	-	-	435,445
<u>1,362,590</u>	<u>14,129,645</u>	<u>-</u>	<u>(610,646)</u>	<u>2,472,830</u>	<u>-</u>	<u>21,346,454</u>
<u>(2,324,299)</u>	<u>9,093,395</u>	<u>256,839</u>	<u>(1,139,749)</u>	<u>318,572</u>	<u>-</u>	<u>2,512,727</u>
<u>8,082,376</u>	<u>15,166,428</u>	<u>-</u>	<u>4,543,369</u>	<u>3,254,733</u>	<u>-</u>	<u>90,841,034</u>
<u>\$ 5,758,077</u>	<u>\$ 24,259,823</u>	<u>\$ 256,839</u>	<u>\$ 3,403,620</u>	<u>\$ 3,573,305</u>	<u>\$ -</u>	<u>\$ 93,353,761</u>



**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STREET IMPROVEMENT FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 337,500	\$ 487,500	\$ 512,500	\$ (25,000)
Developer participation	252,860	138,233	391,093	2,717,633	(2,326,540)
Assessments	-	596,453	596,453	220,000	376,453
Interest on investments	-	444,820	444,820	325,000	119,820
Miscellaneous other	-	513,470	513,470	407,000	106,470
Total revenues	<u>402,860</u>	<u>2,030,476</u>	<u>2,433,336</u>	<u>4,182,133</u>	<u>(1,748,797)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	106,610	106,610	106,610	-
Powell bill fund	-	3,215,000	3,215,000	3,215,000	-
Miscellaneous capital projects fund	-	482,000	482,000	482,000	-
Sidewalk fund	-	214,053	214,053	214,053	-
Facility fees fund	-	1,865,000	1,865,000	1,865,000	-
Water sewer operating fund	-	42,920	42,920	42,920	-
Water capital projects fund	-	69,712	69,712	69,712	-
Total other financing sources	<u>-</u>	<u>5,995,295</u>	<u>5,995,295</u>	<u>5,995,295</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 402,860</u>	<u>\$ 8,025,771</u>	<u>\$ 8,428,631</u>	<u>10,177,428</u>	<u>\$ (1,748,797)</u>
Fund balance appropriated				<u>46,681,409</u>	
				<u>\$ 56,858,837</u>	
<b>EXPENDITURES</b>					
Street projects	<u>\$ 26,973,587</u>	<u>\$ 3,913,519</u>	<u>\$ 30,887,106</u>	<u>\$ 53,346,223</u>	<u>\$ (22,459,117)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	110,000	110,000	110,000	-
Street bond fund	-	2,886,197	2,886,197	2,886,197	-
Park improvement fund	-	378,000	378,000	378,000	-
Mass transit fund	-	138,417	138,417	138,417	-
Total other financing uses	<u>-</u>	<u>3,512,614</u>	<u>3,512,614</u>	<u>3,512,614</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 26,973,587</u>	<u>\$ 7,426,133</u>	<u>\$ 34,399,720</u>	<u>\$ 56,858,837</u>	<u>\$ (22,459,117)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STREET BOND FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 373,387	\$ 27,839	\$ 401,226	\$ 510,000	\$ (108,774)
Interest on investments	-	546,122	546,122	350,000	196,122
Miscellaneous other	-	4,000	4,000	43,489	(39,489)
Total revenues	<u>373,387</u>	<u>577,961</u>	<u>951,348</u>	<u>903,489</u>	<u>47,859</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Street improvement fund	-	2,886,197	2,886,197	2,886,197	-
Park improvement fund	-	3,815	3,815	3,815	-
Bond proceeds	<u>48,004,007</u>	<u>-</u>	<u>48,004,007</u>	<u>73,127,000</u>	<u>(25,122,993)</u>
Total other financing sources	<u>48,004,007</u>	<u>2,890,012</u>	<u>50,894,019</u>	<u>76,017,012</u>	<u>(25,122,993)</u>
Total revenues and other financing sources	<u>\$ 48,377,394</u>	<u>\$ 3,467,973</u>	<u>\$ 51,845,367</u>	76,920,501	<u>\$ (25,075,134)</u>
Fund balance appropriated				<u>30,040,539</u>	
				<u>\$ 106,961,040</u>	
<b>EXPENDITURES</b>					
Street projects	<u>\$ 52,648,011</u>	<u>\$ 7,715,737</u>	<u>\$ 60,363,748</u>	<u>\$ 106,961,040</u>	<u>\$ (46,597,292)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 SIDEWALK FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 62,040	\$ 62,040	\$ 32,000	\$ 30,040
Sidewalk paving assessment	-	129,961	129,961	51,000	78,961
Fees in lieu various	-	159,811	159,811	122,000	37,811
Total revenues	<u>-</u>	<u>351,812</u>	<u>351,812</u>	<u>205,000</u>	<u>146,812</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from facility fees fund	-	420,000	420,000	420,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 771,812</u>	<u>\$ 771,812</u>	625,000	<u>\$ 146,812</u>
Fund balance appropriated				3,090,954	
				<u>\$ 3,715,954</u>	
<b>EXPENDITURES</b>					
Sidewalk projects	\$ 429,471	\$ 135,359	\$ 564,830	\$ 3,501,901	\$ (2,937,071)
<b>OTHER FINANCING USES</b>					
Transfer to street improvement fund	-	214,053	214,053	214,053	-
Total expenditures and other financing uses	<u>\$ 429,471</u>	<u>\$ 349,412</u>	<u>\$ 778,883</u>	<u>\$ 3,715,954</u>	<u>\$ (2,937,071)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 PARK IMPROVEMENT FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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:					
Wake County	\$ -	\$ 43,450	\$ 43,450	\$ 530,000	\$ (486,550)
Interest on investments	-	195,459	195,459	260,000	(64,541)
Miscellaneous other	-	408,713	408,713	905,763	(497,050)
Total revenues	<u>-</u>	<u>647,622</u>	<u>647,622</u>	<u>1,695,763</u>	<u>(1,048,141)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	1,086,800	1,086,800	1,086,800	-
Street improvement fund	-	378,000	378,000	378,000	-
Facility fees fund	-	1,572,000	1,572,000	1,572,000	-
Water revenue bond fund	-	100,000	100,000	100,000	-
Total other financing sources	<u>-</u>	<u>3,136,800</u>	<u>3,136,800</u>	<u>3,136,800</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 3,784,422</u>	<u>\$ 3,784,422</u>	4,832,563	<u>\$ (1,048,141)</u>
Fund balance appropriated				18,341,059	
				<u>\$ 23,173,622</u>	
<b>EXPENDITURES</b>					
Park improvement projects	\$ 8,677,984	\$ 2,746,028	\$ 11,424,012	\$ 21,953,725	\$ (10,529,713)
Debt service:					
Principal	-	607,900	607,900	607,900	-
Interest	-	45,592	45,592	45,592	-
Total expenditures	<u>8,677,984</u>	<u>3,399,520</u>	<u>12,077,504</u>	<u>22,607,217</u>	<u>(10,529,713)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Street bond fund	-	3,815	3,815	3,815	-
Park bond fund	-	562,590	562,590	562,590	-
Total other financing uses	<u>-</u>	<u>566,405</u>	<u>566,405</u>	<u>566,405</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 8,677,984</u>	<u>\$ 3,965,925</u>	<u>\$ 12,643,909</u>	<u>\$ 23,173,622</u>	<u>\$ (10,529,713)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 FACILITY FEES FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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>					
Interest on investments	\$ -	\$ 138,776	\$ 138,776	\$ 157,000	\$ (18,224)
Facility fees	-	3,733,422	3,733,422	3,700,000	33,422
Total revenues	<u>\$ -</u>	<u>\$ 3,872,198</u>	<u>\$ 3,872,198</u>	3,857,000	<u>\$ 15,198</u>
Fund balance appropriated				300,000	
				<u>\$ 4,157,000</u>	
<b>OTHER FINANCING USES</b>					
Transfers to:					
Street improvement fund	\$ -	\$ 1,865,000	\$ 1,865,000	\$ 1,865,000	\$ -
Sidewalk fund	-	420,000	420,000	420,000	-
Park improvement fund	-	1,572,000	1,572,000	1,572,000	-
Park bond fund	-	300,000	300,000	300,000	-
Total other financing uses	<u>\$ -</u>	<u>\$ 4,157,000</u>	<u>\$ 4,157,000</u>	<u>\$ 4,157,000</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 PARK BOND FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 366,966	\$ 388,209	\$ 691,000	\$ (302,791)
Wake County	-	40,000	40,000	461,483	(421,483)
Interest on investments	-	140,079	140,079	50,000	90,079
Miscellaneous income	-	27,000	27,000	-	27,000
Total revenues	<u>21,243</u>	<u>574,045</u>	<u>595,288</u>	<u>1,202,483</u>	<u>(607,195)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Facility fees fund	-	300,000	300,000	300,000	-
Park improvement fund	-	562,590	562,590	562,590	-
Disaster recovery fund	-	500,000	500,000	500,000	-
	<u>-</u>	<u>1,362,590</u>	<u>1,362,590</u>	<u>1,362,590</u>	<u>-</u>
Bonds issued	<u>10,000,527</u>	<u>-</u>	<u>10,000,527</u>	<u>29,868,000</u>	<u>(19,867,473)</u>
Total other financing sources	<u>10,000,527</u>	<u>1,362,590</u>	<u>11,363,117</u>	<u>31,230,590</u>	<u>(19,867,473)</u>
Total revenues and other financing sources	<u>\$ 10,021,770</u>	<u>\$ 1,936,635</u>	<u>\$ 11,958,405</u>	<u>32,433,073</u>	<u>\$ (20,474,668)</u>
Fund balance appropriated				<u>6,865,477</u>	
				<u>\$ 39,298,550</u>	
<b>EXPENDITURES</b>					
Park projects	\$ 8,812,884	\$ 3,544,558	\$ 12,357,442	\$ 38,582,174	\$ (26,224,732)
Debt service:					
Principal	-	662,666	662,666	662,666	-
Interest	-	53,710	53,710	53,710	-
Total expenditures	<u>\$ 8,812,884</u>	<u>\$ 4,260,934</u>	<u>\$ 13,073,818</u>	<u>\$ 39,298,550</u>	<u>\$ (26,224,732)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 MISCELLANEOUS CAPITAL IMPROVEMENTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 79,564	\$ 553,680	\$ 633,244	\$ 405,988	\$ 227,256
Miscellaneous income	<u>2,376,693</u>	<u>644,223</u>	<u>3,020,916</u>	<u>2,204,909</u>	<u>816,007</u>
Total revenues	<u>2,456,257</u>	<u>1,197,903</u>	<u>3,654,160</u>	<u>2,610,897</u>	<u>1,043,263</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	1,038,200	1,038,200	1,038,200	-
Disaster recovery fund	-	1,626,000	1,626,000	1,626,000	-
Stormwater projects fund	-	50,000	50,000	50,000	-
Parking facilities capital projects fund	-	<u>442,000</u>	<u>442,000</u>	<u>442,000</u>	<u>-</u>
	-	3,156,200	3,156,200	3,156,200	-
Certificates of participation issued	-	19,805,000	19,805,000	18,157,549	1,647,451
Premium on certificates of participation	-	<u>435,445</u>	<u>435,445</u>	-	<u>435,445</u>
Total other financing sources	<u>-</u>	<u>23,396,645</u>	<u>23,396,645</u>	<u>21,313,749</u>	<u>2,082,896</u>
Total revenues and other financing sources	<u>\$ 2,456,257</u>	<u>\$ 24,594,548</u>	<u>\$ 27,050,805</u>	23,924,646	<u>\$ 3,126,159</u>
Fund balance appropriated				<u>26,318,874</u>	
				<u>\$ 50,243,520</u>	
<b>EXPENDITURES</b>					
Debt issue costs	\$ -	\$ 212,232	\$ 212,232	\$ 87,549	\$ 124,683
Miscellaneous capital projects	<u>13,399,474</u>	<u>6,021,921</u>	<u>19,421,395</u>	<u>40,888,971</u>	<u>(21,467,576)</u>
Total expenditures	<u>13,399,474</u>	<u>6,234,153</u>	<u>19,633,627</u>	<u>40,976,520</u>	<u>(21,342,893)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	1,515,000	1,515,000	1,515,000	-
Street improvement fund	-	482,000	482,000	482,000	-
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>	<u>-</u>
Total other financing uses	<u>-</u>	<u>9,267,000</u>	<u>9,267,000</u>	<u>9,267,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 13,399,474</u>	<u>\$ 15,501,153</u>	<u>\$ 28,900,627</u>	<u>\$ 50,243,520</u>	<u>\$ (21,342,893)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 WALNUT CREEK AMPHITHEATER PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Amphitheater rent	\$ -	\$ 304,697	\$ 304,697	\$ 304,697	\$ -
Interest on investments	-	4,258	4,258	-	4,258
Total revenues	<u>\$ -</u>	<u>\$ 308,955</u>	<u>\$ 308,955</u>	<u>\$ 304,697</u>	<u>\$ 4,258</u>
<b>EXPENDITURES</b>					
Amphitheater capital projects	<u>\$ -</u>	<u>\$ 52,116</u>	<u>\$ 52,116</u>	<u>\$ 304,697</u>	<u>\$ (252,581)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 STORMWATER PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ 66,929	\$ 20,649	\$ 87,578	\$ 443,334	\$ (355,756)
Interest on investments	-	47,492	47,492	50,000	(2,508)
Drainage petition fees	1,180	38,506	39,686	13,870	25,816
Total revenues	<u>\$ 68,109</u>	<u>\$ 106,647</u>	<u>\$ 174,756</u>	507,204	<u>\$ (332,448)</u>
Fund balance appropriated				6,917,383	
				<u>\$ 7,424,587</u>	
<b>EXPENDITURES</b>					
Stormwater projects	<u>\$ 2,320,324</u>	<u>\$ 635,750</u>	<u>\$ 2,956,074</u>	<u>\$ 6,813,941</u>	<u>\$ (3,857,867)</u>
<b>OTHER FINANCING USES</b>					
Transfers to:					
Miscellaneous capital improvements fund	-	50,000	50,000	50,000	-
Stormwater utility capital projects fund	-	560,646	560,646	560,646	-
Total other financing uses	<u>-</u>	<u>610,646</u>	<u>610,646</u>	<u>610,646</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 2,320,324</u>	<u>\$ 1,246,396</u>	<u>\$ 3,566,720</u>	<u>\$ 7,424,587</u>	<u>\$ (3,857,867)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES  
 COMPARED WITH BUDGET  
 TECHNOLOGY CAPITAL PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 57,052	\$ 57,052	\$ -	\$ 57,052
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	2,222,830	2,222,830	2,222,830	-
Water and sewer operating fund	-	250,000	250,000	250,000	-
Total other financing sources	-	2,472,830	2,472,830	2,472,830	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 2,529,882</u>	<u>\$ 2,529,882</u>	2,472,830	<u>\$ 57,052</u>
Fund balance appropriated				<u>5,453,280</u>	
				<u>\$ 7,926,110</u>	
<b>EXPENDITURES</b>					
Technology projects	<u>\$ 2,240,209</u>	<u>\$ 2,211,310</u>	<u>\$ 4,451,519</u>	<u>\$ 7,926,110</u>	<u>\$ (3,474,591)</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 water and sewer utility, convention center, mass transit, parking facilities and stormwater utility.



## ENTERPRISE FUNDS

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

**CONVENTION CENTER COMPLEX FUND (MAJOR FUND)** - The Convention Center Complex fund accounts for the operating and capital costs at the City's convention center and performing arts complex. This fund combines the **Convention Center Operating Fund**, the **Convention Center and Memorial Auditorium Projects Fund** and the **New Convention Center Complex Fund**.

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

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

**STORMWATER UTILITY FUND (NONMAJOR FUND)** – The Stormwater Utility Fund accounts for operating and capital costs associated with the City's stormwater management program. This fund combines the **Stormwater Utility Operating Fund** and the **Stormwater Utility Capital Projects Fund**.



## **NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENTS**

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

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2005**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 10,946,398	\$ 10,946,398
Customer receivables, net of allowance for uncollectibles of \$306,459	-	829,305	829,305
Due from other governmental agencies	6,474,088	-	6,474,088
Accrued interest receivable	-	33,894	33,894
Sales tax receivable	79,084	9,762	88,846
Inventories	351,168	-	351,168
Total current assets	<u>6,904,340</u>	<u>11,819,359</u>	<u>18,723,699</u>
Noncurrent assets:			
Restricted cash and cash equivalents	42,930	1,697,087	1,740,017
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	-	2,739,167	2,739,167
Buildings and machinery	3,798,718	-	3,798,718
Buses	21,075,252	-	21,075,252
Equipment	1,182,344	194,489	1,376,833
Furniture and fixtures	44,844	-	44,844
Improvements	1,092,855	40,612	1,133,467
Less accumulated depreciation	<u>(13,184,489)</u>	<u>(193,377)</u>	<u>(13,377,866)</u>
Total noncurrent assets	<u>15,041,443</u>	<u>4,477,978</u>	<u>19,519,421</u>
Total assets	<u>21,945,783</u>	<u>16,297,337</u>	<u>38,243,120</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	305,724	110,469	416,193
Accrued salaries and employee payroll taxes	2,965	29,312	32,277
Deferred contributions from other funds	361,456	-	361,456
Due to other funds	4,877,878	-	4,877,878
Total current liabilities	<u>5,548,023</u>	<u>139,781</u>	<u>5,687,804</u>
Noncurrent liabilities:			
Escrow and other deposits payable from restricted assets	42,930	1,697,087	1,740,017
Earned vacation pay	21,800	124,139	145,939
Total noncurrent liabilities	<u>64,730</u>	<u>1,821,226</u>	<u>1,885,956</u>
Total liabilities	<u>5,612,753</u>	<u>1,961,007</u>	<u>7,573,760</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,998,513	2,780,891	17,779,404
Unrestricted	1,334,517	11,555,439	12,889,956
Total net assets	<u>\$ 16,333,030</u>	<u>\$ 14,336,330</u>	<u>\$ 30,669,360</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>OPERATING REVENUES</b>			
User charges	\$ 1,833,353	\$ 11,454,005	\$ 13,287,358
Other	407,839	62,135	469,974
Total operating revenues	<u>2,241,192</u>	<u>11,516,140</u>	<u>13,757,332</u>
<b>OPERATING EXPENSES</b>			
Administration	270,533	2,008,962	2,279,495
Other facility operating costs	5,376,605	1,292,747	6,669,352
Management contract charges	9,084,265	-	9,084,265
Depreciation	1,888,031	10,183	1,898,214
Other	-	10,302	10,302
Total operating expenses	<u>16,619,434</u>	<u>3,322,194</u>	<u>19,941,628</u>
Operating income (loss)	<u>(14,378,242)</u>	<u>8,193,946</u>	<u>(6,184,296)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	236,476	236,476
Subsidy income - federal and state	4,377,683	-	4,377,683
Total nonoperating revenue	<u>4,377,683</u>	<u>236,476</u>	<u>4,614,159</u>
Income (loss) before contributions and transfers	(10,000,559)	8,430,422	(1,570,137)
Capital contributions	4,563,571	-	4,563,571
Transfers in	8,822,281	672,671	9,494,952
Change in net assets	3,385,293	9,103,093	12,488,386
Total net assets - beginning of year	<u>12,947,737</u>	<u>5,233,237</u>	<u>18,180,974</u>
Total net assets - end of year	<u>\$ 16,333,030</u>	<u>\$ 14,336,330</u>	<u>\$ 30,669,360</u>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b>Mass Transit Fund</b>	<b>Stormwater Utility Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,241,192	\$ 11,473,292	\$ 13,714,484
Net sales tax paid	(28,888)	8,333	(20,555)
Payments to employees	(269,326)	(1,967,508)	(2,236,834)
Payments to suppliers and service providers	(14,560,125)	(1,408,086)	(15,968,211)
Other receipts (payments)	-	51,833	51,833
Net cash provided by (used in) operating activities	<u>(12,617,147)</u>	<u>8,157,864</u>	<u>(4,459,283)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers from other funds	7,818,182	672,671	8,490,853
Operating grants received	2,016,380	-	2,016,380
Negative cash balance implicitly financed	4,806,298	-	4,806,298
Net cash provided by noncapital financing activities	<u>14,640,860</u>	<u>672,671</u>	<u>15,313,531</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and construction of capital assets	(4,244,459)	(1,367,391)	(5,611,850)
Capital grants and other capital contributions	572,551	-	572,551
Escrow deposits	-	767,717	767,717
Net cash (used in) capital and related financing activities	<u>(3,671,908)</u>	<u>(599,674)</u>	<u>(4,271,582)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	204,291	204,291
Net cash provided by investing activities	<u>-</u>	<u>204,291</u>	<u>204,291</u>
Net increase (decrease) in cash and cash equivalents/investments	(1,648,195)	8,435,152	6,786,957
Cash and cash equivalents/investments - beginning of year	1,691,125	4,208,333	5,899,458
Cash and cash equivalents/investments - end of year	<u>\$ 42,930</u>	<u>\$ 12,643,485</u>	<u>\$ 12,686,415</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (14,378,242)	\$ 8,193,946	\$ (6,184,296)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	1,888,031	10,183	1,898,214
Change in assets and liabilities			
Operating receivables	-	19,287	19,287
Sales tax receivable	(28,888)	8,333	(20,555)
Inventories	(56,478)	-	(56,478)
Accounts payable and other accrued liabilities	(47,577)	(104,785)	(152,362)
Escrow and other deposits	4,800	-	4,800
Earned vacation pay and other payroll liabilities	1,207	30,900	32,107
Total adjustments	<u>1,761,095</u>	<u>(36,082)</u>	<u>1,725,013</u>
Net cash provided by (used in) operating activities	<u>\$ (12,617,147)</u>	<u>\$ 8,157,864</u>	<u>\$ (4,459,283)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ 46,643</u>	<u>\$ -</u>





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

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

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS ) AND ACTUAL  
WATER AND SEWER OPERATING FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Water and sewer user charges	\$ 63,992,312	\$ 66,358,822	\$ (2,366,510)
Water and sewer services	1,475,614	727,000	748,614
Outside sewer connections	47,954	91,000	(43,046)
Water and sewer penalties	187,105	100,000	87,105
Water and sewer sales - municipalities	4,746,212	5,447,696	(701,484)
Capital facility charges	1,970,558	2,857,930	(887,372)
Water and sewer assessments	694,574	650,000	44,574
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	2,174,461	1,983,637	190,824
Miscellaneous other	793,392	865,746	(72,354)
Total operating revenues	<u>76,332,182</u>	<u>79,331,831</u>	<u>(2,999,649)</u>
<b>NONOPERATING REVENUES</b>			
Interest on investments	1,338,617	1,274,962	63,655
Other	358,329	544,347	(186,018)
Total nonoperating revenues	<u>1,696,946</u>	<u>1,819,309</u>	<u>(122,363)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from water revenue bond fund	9,741,052	9,741,052	-
Refunding bonds issued	41,870,000	41,870,000	-
Premium on refunding bonds issued	3,417,577	3,417,577	-
Total other financing sources	<u>55,028,629</u>	<u>55,028,629</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 133,057,757</u>	136,179,769	<u>\$ (3,122,012)</u>
Fund balance appropriated		<u>4,275,853</u>	
		<u>\$ 140,455,622</u>	
<b>EXPENDITURES</b>			
<b>Public utilities:</b>			
Administration	\$ 2,961,776	\$ 3,428,312	\$ (466,536)
Water plant	12,446,121	14,564,246	(2,118,125)
Waste treatment plant	13,557,775	14,738,289	(1,180,514)
Utilities construction	3,678,445	4,107,301	(428,856)
Utilities reuse	3,844,846	4,209,765	(364,919)
Meter	3,604,426	3,891,774	(287,348)
Warehouse	1,268,386	1,392,485	(124,099)
	<u>41,361,775</u>	<u>46,332,172</u>	<u>(4,970,397)</u>
<b>Special appropriations:</b>			
Reimbursement to general fund	8,486,226	8,486,226	-
Insurance and risk management charges	801,805	801,805	-
Other expenditures	502,891	1,993,293	(1,490,402)
	<u>9,790,922</u>	<u>11,281,324</u>	<u>(1,490,402)</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS ) AND ACTUAL  
WATER AND SEWER OPERATING FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
<b>Debt service:</b>			
General obligations bonds:			
Principal	\$ 3,440,086	\$ 3,440,086	\$ -
Interest	967,833	967,833	-
Revenue bonds:			
Principal	2,325,000	2,325,000	-
Interest	7,903,195	18,499,914	(10,596,719)
Installment financing agreement	1,875,443	2,295,444	(420,001)
Other installment obligations	6,914	10,000	(3,086)
Other expenditures	577,500	623,485	(45,985)
	<u>17,095,971</u>	<u>28,161,762</u>	<u>(11,065,791)</u>
<b>OTHER EXPENDITURES</b>			
Refunds and other	<u>72,580</u>	<u>96,853</u>	<u>(24,273)</u>
Total expenditures	<u>68,321,248</u>	<u>85,872,111</u>	<u>(17,550,863)</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
General fund	148,290	148,290	-
Street improvement fund	42,920	42,920	-
Public utilities equipment replacement fund	70,000	70,000	-
Water capital projects fund	2,756,000	2,756,000	-
Sewer capital projects fund	1,994,000	1,994,000	-
Water and sewer revenue bond fund	4,467,405	4,467,405	-
Technology fund	250,000	250,000	-
Total transfers	<u>9,728,615</u>	<u>9,728,615</u>	<u>-</u>
Payment to refunded bond escrow agent	<u>44,854,896</u>	<u>44,854,896</u>	<u>-</u>
Total other financing uses	<u>54,583,511</u>	<u>54,583,511</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 122,904,759</u>	<u>\$ 140,455,622</u>	<u>\$ (17,550,863)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 8,698	\$ 8,698	\$ 45,000	\$ (36,302)
Intergovernmental:					
State of North Carolina	-	6,200	6,200	-	6,200
Total revenues	<u>-</u>	<u>14,898</u>	<u>14,898</u>	<u>45,000</u>	<u>(30,102)</u>
<b>OTHER FINANCING SOURCES</b>					
State loan proceeds	-	-	-	2,900,000	(2,900,000)
Transfer from water and sewer operating fund	-	2,756,000	2,756,000	2,756,000	-
Total other financing sources	<u>-</u>	<u>2,756,000</u>	<u>2,756,000</u>	<u>5,656,000</u>	<u>(2,900,000)</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 2,770,898</u>	<u>\$ 2,770,898</u>	5,701,000	<u>\$ (2,930,102)</u>
Fund balance appropriated				8,610,262	
				<u>\$ 14,311,262</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 6,898,199	\$ 4,665,518	\$ 11,563,717	\$ 14,241,550	\$ (2,677,833)
<b>OTHER FINANCING USES</b>					
Transfer to street improvement fund	-	69,712	69,712	69,712	-
Total expenditures and other financing uses	<u>\$ 6,898,199</u>	<u>\$ 4,735,230</u>	<u>\$ 11,633,429</u>	<u>\$ 14,311,262</u>	<u>\$ (2,677,833)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
SEWER CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2005**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 73,577	\$ 73,577	\$ 45,000	\$ 28,577
Developer participation:					
Wake Forest Road sewer	-	198,121	198,121	198,121	-
Telemetry upgrade	-	20,424	20,424	-	20,424
Total revenues	-	292,122	292,122	243,121	49,001
<b>OTHER FINANCING SOURCES</b>					
Transfer from water and sewer operating fund	-	1,994,000	1,994,000	1,994,000	-
State loan proceeds	1,077,279	-	1,077,279	1,360,000	(282,721)
Total other financing sources	1,077,279	1,994,000	3,071,279	3,354,000	(282,721)
Total revenues and other financing sources	\$ 1,077,279	\$ 2,286,122	\$ 3,363,401	3,597,121	\$ (233,720)
Fund balance appropriated				12,747,033	
				\$ 16,344,154	
<b>EXPENDITURES</b>					
Sewer capital projects	\$ 7,618,494	\$ 5,243,477	\$ 12,861,971	\$ 16,232,129	\$ (3,370,158)
<b>OTHER FINANCING USES</b>					
Transfer to stormwater capital projects fund	-	112,025	112,025	112,025	-
Total expenditures and other financing uses	\$ 7,618,494	\$ 5,355,502	\$ 12,973,996	\$ 16,344,154	\$ (3,370,158)

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER REVENUE BOND FUND  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 148,358	\$ 148,358	\$ -	\$ 148,358
Interest on investments	-	1,699,369	1,699,369	-	1,699,369
Developer participation	-	2,824	2,824	19,500	(16,676)
Miscellaneous other	-	293,500	293,500	-	293,500
Total revenues	-	2,144,051	2,144,051	19,500	2,124,551
<b>OTHER FINANCING SOURCES</b>					
Transfer from water and sewer operating fund					
	-	4,467,405	4,467,405	4,467,405	-
Bonds issued	107,163,909	-	107,163,909	174,087,957	(66,924,048)
Premium on revenue bonds	3,279,751	-	3,279,751	-	3,279,751
Certificates of participation issued	-	-	-	2,500,000	(2,500,000)
Total other financing sources	110,443,660	4,467,405	114,911,065	181,055,362	(66,144,297)
Total revenues and other financing sources	<u>\$ 110,443,660</u>	<u>\$ 6,611,456</u>	<u>\$ 117,055,116</u>	181,074,862	<u>\$ (64,019,746)</u>
Fund balance appropriated				33,656,338	
				<u>\$ 214,731,200</u>	
<b>EXPENDITURES</b>					
Water capital projects	\$ 24,421,787	\$ 8,545,827	\$ 32,967,614	\$ 110,128,476	\$ (77,160,862)
Sewer capital projects	15,180,047	19,342,158	34,522,205	94,092,221	(59,570,016)
Debt Service:					
Principal	-	332,941	332,941	332,941	-
Interest	-	31,683	31,683	31,683	-
Bond issue costs	304,827	-	304,827	304,827	-
Total expenditures	39,906,661	28,252,609	68,159,270	204,890,148	(136,730,878)
<b>OTHER FINANCING USES</b>					
Transfers to:					
Park improvement fund	-	100,000	100,000	100,000	-
Water and sewer operating fund	-	9,741,052	9,741,052	9,741,052	-
Total other financing uses	-	9,841,052	9,841,052	9,841,052	-
Total expenditures and other financing uses	<u>\$ 39,906,661</u>	<u>\$ 38,093,661</u>	<u>\$ 78,000,322</u>	<u>\$ 214,731,200</u>	<u>\$ (136,730,878)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 WATER AND SEWER GENERAL OBLIGATION BOND FUND  
 For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 49,399	\$ 49,399	\$ -	\$ 49,399
Fund balance appropriated				3,093,377	
				<u>\$ 3,093,377</u>	
<b>EXPENDITURES</b>					
Water and sewer capital projects	\$ 790,084	\$ 73,016	\$ 863,100	\$ 3,093,377	\$ (2,230,277)

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
WATER AND SEWER FUNDS  
For the Fiscal Year Ended June 30, 2005**

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

Total current year revenues and other financing sources - modified accrual basis:	
Water and sewer operating fund	\$ 133,057,757
Water capital projects fund	2,770,898
Sewer capital projects fund	2,286,122
Water and sewer revenue bond fund	6,611,456
Water and sewer general obligation bond fund	49,399
Total current year expenditures and other financing uses - modified accrual basis:	
Water and sewer operating fund	(122,904,759)
Water capital projects fund	(4,735,230)
Sewer capital projects fund	(5,355,502)
Water and sewer revenue bond fund	(38,093,661)
Water and sewer general obligation bond fund	<u>(73,016)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(26,386,536)
Adjustments to full accrual basis:	
Amortization of deferred costs	(64,702)
Bond and note principal payments	7,478,240
Bond issue costs expensed	(432,681)
Capital contributions	17,836,080
Capital outlay	37,229,621
Capitalized interest	2,139,483
Depreciation	(15,104,853)
Interest expense accrual	(14,240)
Interest income accrual	25,155
Earned vacation pay expense	(62,195)
Other escrow expenditures	51,352
Revenue accruals from receivables	<u>547,422</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u>\$ 23,242,146</u>



**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
CONVENTION CENTER COMPLEX OPERATING FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
User charges			
Performing arts center	\$ 10,457,620	\$ 13,326,500	\$ (2,868,880)
Convention and civic center	1,307,537	1,552,400	(244,863)
Special events	537,071	323,000	214,071
Other fees and charges	1,121,554	986,002	135,552
Total user charges	<u>13,423,782</u>	<u>16,187,902</u>	<u>(2,764,120)</u>
Interest on investments	497,581	20,000	477,581
Total revenues	<u>13,921,363</u>	<u>16,207,902</u>	<u>(2,286,539)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from:			
General fund	2,803,447	2,803,447	-
New convention center financing fund	589,500	589,500	-
Certificates of participation issued	31,459,402	29,421,650	2,037,752
Total other financing sources	<u>34,852,349</u>	<u>32,814,597</u>	<u>2,037,752</u>
Total revenues and other financing sources	<u>\$ 48,773,712</u>	49,022,499	<u>\$ (248,787)</u>
Fund balance appropriated		<u>1,659,208</u>	
		<u>\$ 50,681,707</u>	
<b>EXPENDITURES</b>			
Administration	\$ 2,040,337	\$ 2,325,735	\$ (285,398)
Civic and convention center	2,404,810	2,904,764	(499,954)
Performing arts center	10,609,015	13,436,143	(2,827,128)
Special events	590,890	381,415	209,475
New convention center	157,354	267,000	(109,646)
Total operating expenditures	<u>15,802,406</u>	<u>19,315,057</u>	<u>(3,512,651)</u>
<b>DEBT SERVICE</b>			
Principal	-	-	-
Interest	1,207,720	29,464,493	(28,256,773)
Other debt service costs	1,551,608	1,902,157	(350,549)
Total debt service	<u>2,759,328</u>	<u>31,366,650</u>	<u>(28,607,322)</u>
Total expenditures	<u>\$ 18,561,734</u>	<u>\$ 50,681,707</u>	<u>\$ (32,119,973)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 CONVENTION CENTER AND MEMORIAL AUDITORIUM PROJECTS FUND  
 For the Fiscal Year Ended June 30, 2005**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 6,603	\$ 6,603	\$ -	\$ 6,603
Miscellaneous other	-	130,900	130,900	155,000	(24,100)
Performing arts center donations	13,173,155	285,000	13,458,155	16,407,194	(2,949,039)
Total revenues	<u>\$ 13,173,155</u>	<u>\$ 422,503</u>	<u>\$ 13,595,658</u>	16,562,194	<u>\$ (2,966,536)</u>
Fund balance appropriated				14,843,374	
				<u>\$ 31,405,568</u>	
<b>EXPENDITURES</b>					
Convention center and memorial auditorium projects	<u>\$ 30,342,056</u>	<u>\$ 385,315</u>	<u>\$ 30,727,371</u>	<u>\$ 31,405,568</u>	<u>\$ (678,197)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
NEW CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 2,505,358	\$ 2,505,358	\$ -	\$ 2,505,358
Miscellaneous revenue	-	-	-	2,000,000	(2,000,000)
Total revenues	-	<u>2,505,358</u>	<u>2,505,358</u>	<u>2,000,000</u>	<u>505,358</u>
<b>OTHER FINANCING SOURCES</b>					
Certificates of participation issued	49,304,990	156,965,598	206,270,588	210,000,000	(3,729,412)
Total revenues and other financing sources	<u>\$ 49,304,990</u>	<u>\$ 159,470,956</u>	<u>\$ 208,775,946</u>	<u>\$ 212,000,000</u>	<u>\$ (3,224,054)</u>
<b>EXPENDITURES</b>					
New convention center project	\$ 13,460,309	\$ 20,582,629	\$ 34,042,938	\$ 211,750,000	\$ (177,707,062)
<b>OTHER FINANCING USES</b>					
Transfer to parking facilities capital projects fund	-	250,000	250,000	250,000	-
Total expenditures and other financing uses	<u>\$ 13,460,309</u>	<u>\$ 20,832,629</u>	<u>\$ 34,292,938</u>	<u>\$ 212,000,000</u>	<u>\$ (177,707,062)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
CONVENTION CENTER FUNDS  
For the Fiscal Year Ended June 30, 2005**

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

Total current year revenues and other financing sources - modified accrual basis		
(Convention center complex operating fund)	\$	48,773,712
Total current year expenditures and other financing uses - modified accrual basis		
(Convention center complex operating fund)		(18,561,734)
Total current year revenues and other financing sources - modified accrual basis		
(Convention center and memorial auditorium projects fund)		422,503
Total current year expenditures and other financing uses - modified accrual basis		
(Convention center and memorial auditorium projects fund)		(385,315)
Total current year revenues and other financing sources - modified accrual basis		
(New convention center capital projects fund)		159,470,956
Total current year expenditures and other financing uses - modified accrual basis		
(New convention center capital projects fund)		<u>(20,832,629)</u>
Excess of revenues and other financing sources over expenditures and other financing uses		168,887,493
Adjustments to full accrual basis:		
Depreciation		(3,168,382)
Capital outlay		20,880,247
Special item - loss on impairment of capital assets		(12,497,812)
Accrued interest expense		(3,419,312)
Capitalized interest		1,324,514
Amortization of deferred issue costs		1,379,374
Certificates of participation proceeds		(188,425,000)
Noncash transfer, construction in progress		(97,707)
Vacation expense		<u>(36,474)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	\$	<u><u>(15,173,059)</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES OPERATING FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Parking fees	\$ 3,992,746	\$ 4,588,032	\$ (595,286)
Interest on investments	224,473	119,880	104,593
Total revenues	<u>4,217,219</u>	<u>4,707,912</u>	<u>(490,693)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from:			
General fund	580,000	580,000	-
Miscellaneous capital projects fund	2,170,000	2,170,000	-
Certificates of participation issued	3,849,525	3,849,525	-
Premium on certificates of participation	16,353	16,353	-
Total other financing sources	<u>6,615,878</u>	<u>6,615,878</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 10,833,097</u>	11,323,790	<u>\$ (490,693)</u>
Fund balance appropriated		<u>545,716</u>	
		<u>\$ 11,869,506</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 1,532,194</u>	<u>\$ 3,814,449</u>	<u>\$ (2,282,255)</u>
<b>DEBT SERVICE</b>			
Bond principal	775,000	775,000	-
Bond interest	391,250	411,250	(20,000)
Note principal	1,038,623	1,038,534	89
Note interest	824,048	5,370,607	(4,546,559)
Other debt service expenditures	282,937	459,666	(176,729)
Total debt service	<u>3,311,858</u>	<u>8,055,057</u>	<u>(4,743,199)</u>
Total expenditures	<u>\$ 4,844,052</u>	<u>\$ 11,869,506</u>	<u>\$ (7,025,454)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
PARKING FACILITIES CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2005**

	<b>Prior</b>	<b>Actual</b>		<b>Budget</b>	<b>Over (Under) Budget</b>
	<b>Years</b>	<b>Current Year</b>	<b>Total</b>		
<b>REVENUES</b>					
Interest on investments	\$ -	\$ 331,667	\$ 331,667	\$ 30,000	\$ 301,667
Miscellaneous other	-	-	-	550,000	(550,000)
Total revenues	<u>-</u>	<u>331,667</u>	<u>331,667</u>	<u>580,000</u>	<u>(248,333)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from:					
Miscellaneous capital projects fund	-	2,500,000	2,500,000	2,500,000	-
New convention center capital projects fund	-	250,000	250,000	250,000	-
Certifications of participation issued	-	37,580,475	37,580,475	37,533,050	47,425
Premium on certificates of participation	-	631,650	631,650	-	631,650
Total other financing sources	<u>-</u>	<u>40,962,125</u>	<u>40,962,125</u>	<u>40,283,050</u>	<u>679,075</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 41,293,792</u>	<u>\$ 41,293,792</u>	<u>40,863,050</u>	<u>\$ 430,742</u>
Fund balance appropriated				<u>3,639,044</u>	
				<u>\$ 44,502,094</u>	
<b>EXPENDITURES</b>					
Parking facilities capital projects	\$ 827,624	\$ 15,370,510	\$ 16,198,134	\$ 43,860,094	\$ (27,661,960)
<b>OTHER FINANCING USES</b>					
Transfers to:					
General fund	-	200,000	200,000	200,000	-
Miscellaneous capital projects fund	-	442,000	442,000	442,000	-
Total other financing sources	<u>-</u>	<u>642,000</u>	<u>642,000</u>	<u>642,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 827,624</u>	<u>\$ 16,012,510</u>	<u>\$ 16,840,134</u>	<u>\$ 44,502,094</u>	<u>\$ (27,661,960)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 PARKING FACILITIES FUNDS  
 For the Fiscal Year Ended June 30, 2005**

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

Total current year revenues and other financing sources - modified accrual basis (Parking facilities operating fund)	\$ 10,833,097
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities operating fund)	(4,844,052)
Total current year revenues and other financing sources - modified accrual basis (Parking facilities capital projects fund)	41,293,792
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities capital projects fund)	<u>(16,012,510)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	31,270,327
Adjustments to full accrual basis:	
Depreciation	(1,404,112)
Capital outlay	15,098,944
Accrued interest expense	(227,947)
Amortization of deferred refunding and deferred issue costs	205,545
Certificates of participation proceeds	(42,078,003)
Bond principal	775,000
Note principal	1,038,623
Accrued revenue	36,475
Noncash transfer, equipment (net of accumulated depreciation)	263,376
Vacation expense	<u>267</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u><u>\$ 4,978,495</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
MASS TRANSIT FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>					
Farebox	\$ -	\$ 1,829,989	\$ 1,829,989	\$ 2,047,580	\$ (217,591)
Charter	-	3,364	3,364	25,000	(21,636)
Intergovernmental revenue:					
Federal Transit Administration	14,053,939	572,551	14,626,490	22,848,257	(8,221,767)
State of North Carolina	240,284	2,016,380	2,256,664	3,429,705	(1,173,041)
Miscellaneous other	150,000	407,839	557,839	619,040	(61,201)
Total revenues	<u>14,444,223</u>	<u>4,830,123</u>	<u>19,274,346</u>	<u>28,969,582</u>	<u>(9,695,236)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General fund	-	7,679,765	7,679,765	7,712,622	(32,857)
Sales tax fund	551,758	-	551,758	551,758	-
Street improvement fund	3,535,983	138,417	3,674,400	3,674,400	-
Total other financing sources	<u>4,087,741</u>	<u>7,818,182</u>	<u>11,905,923</u>	<u>11,938,780</u>	<u>(32,857)</u>
Total revenues and other financing sources	<u>\$ 18,531,964</u>	<u>\$ 12,648,305</u>	<u>\$ 31,180,269</u>	40,908,362	<u>\$ (9,728,093)</u>
Fund balance appropriated				411,990	
				<u>\$ 41,320,352</u>	
<b>EXPENDITURES</b>					
Mass transit operating expenditures	\$ -	\$ 9,251,480	\$ 9,251,480	\$ 9,945,237	\$ (693,757)
ART program operating expenditures	-	2,769,710	2,769,710	2,840,995	(71,285)
Capital grant expenditures	18,136,436	6,954,327	25,090,763	28,534,120	(3,443,357)
Total expenditures	<u>\$ 18,136,436</u>	<u>\$ 18,975,517</u>	<u>\$ 37,111,953</u>	<u>\$ 41,320,352</u>	<u>\$ (4,208,399)</u>

Continued



**SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 MASS TRANSIT FUND  
 For the Fiscal Year Ended June 30, 2005**

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

Total current year revenues - modified accrual basis	\$ 12,648,305
Total current year expenditures - modified accrual basis	<u>(18,975,517)</u>
Deficiency of revenues over expenditures	(6,327,212)
Adjustments to full accrual basis:	
Capital outlay	4,244,460
Increase in federal and state receivables - capital projects	5,509,261
Decrease in deferred contributions from other funds	1,004,099
Capital contributions	843,062
Depreciation	(1,888,031)
Vacation expense	<u>(346)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 3,385,293</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY OPERATING FUND  
For the Fiscal Year Ended June 30, 2005**

	<b>Actual Current Year</b>	<b>Budget</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
User charges	\$ 11,473,292	\$ 11,773,484	\$ (300,192)
Interest on investments	110,211	26,516	83,695
Miscellaneous other	2,500	-	2,500
Total revenues	<u>\$ 11,586,003</u>	<u>11,800,000</u>	<u>\$ (213,997)</u>
Fund balance appropriated		<u>95,666</u>	
		<u>\$ 11,895,666</u>	
<b>EXPENDITURES</b>			
Operating expenditures	<u>\$ 3,270,809</u>	<u>\$ 4,557,666</u>	<u>\$ (1,286,857)</u>
<b>OTHER FINANCING USES</b>			
Transfer to stormwater utility capital projects fund	<u>7,338,000</u>	<u>7,338,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 10,608,809</u>	<u>\$ 11,895,666</u>	<u>\$ (1,286,857)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
STORMWATER UTILITY CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ -	\$ 126,265	\$ 126,265	\$ -	\$ 126,265
Miscellaneous other	7,810	59,635	67,445	125,400	(57,955)
Total revenues	<u>7,810</u>	<u>185,900</u>	<u>193,710</u>	<u>125,400</u>	<u>68,310</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Sewer capital projects fund	-	112,025	112,025	112,025	-
Stormwater capital projects fund	-	560,646	560,646	560,646	-
Stormwater utility operating fund	-	7,338,000	7,338,000	7,338,000	-
Total other financing sources	<u>-</u>	<u>8,010,671</u>	<u>8,010,671</u>	<u>8,010,671</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 7,810</u>	<u>\$ 8,196,571</u>	<u>\$ 8,204,381</u>	8,136,071	<u>\$ 68,310</u>
Fund balance appropriated				<u>4,291,122</u>	
				<u>\$ 12,427,193</u>	
<b>EXPENDITURES</b>					
Stormwater capital projects	<u>\$ 1,364,813</u>	<u>\$ 1,424,336</u>	<u>\$ 2,789,149</u>	<u>\$ 12,427,193</u>	<u>\$ (9,638,044)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 STORMWATER UTILITY FUNDS  
 For the Fiscal Year Ended June 30, 2005**

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

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 11,586,003
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility operating fund)	(10,608,809)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	8,196,571
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	<u>(1,424,336)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	7,749,429
Adjustments to full accrual basis:	
Capital outlay	1,414,034
Depreciation	(10,183)
Revenue accruals from receivables	(19,287)
Earned vacation pay	<u>(30,900)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u>\$ 9,103,093</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.

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2005**

	<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	\$ -	\$ 5,361,719	\$ 4,684,816
Customer receivables, net of allowance	230	-	-
Accrued interest receivable	-	14,718	-
Sales tax receivable	42,184	522	-
Inventories	25,131	-	-
Insurance deposit	-	335,000	-
Total current assets	<u>67,545</u>	<u>5,711,959</u>	<u>4,684,816</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	111,949	-	-
Less accumulated depreciation	<u>(93,471)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>18,478</u>	<u>-</u>	<u>-</u>
Total assets	<u>86,023</u>	<u>5,711,959</u>	<u>4,684,816</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	19,003	137,410	-
Accrued salaries and employee payroll taxes	2,289	-	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	19,568,399	3,707,963
Due to other funds	88,722	-	-
Bonds, notes and loans payable	-	-	-
Unamortized premium	-	-	-
Total current liabilities	<u>110,014</u>	<u>19,705,809</u>	<u>3,707,963</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Unamortized premium	-	-	-
Earned vacation pay	11,476	-	-
Total noncurrent liabilities	<u>11,476</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>121,490</u>	<u>19,705,809</u>	<u>3,707,963</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	18,478	-	-
Unrestricted	<u>(53,945)</u>	<u>(13,993,850)</u>	<u>976,853</u>
Total net assets	<u>\$ (35,467)</u>	<u>\$ (13,993,850)</u>	<u>\$ 976,853</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total June 30, 2005</b>
\$ -	\$ 2,804,023	\$ 682,556	\$ 13,533,114
-	-	-	230
-	7,640	-	22,358
27,961	20,173	172,050	262,890
-	-	685,796	710,927
-	-	-	335,000
<u>27,961</u>	<u>2,831,836</u>	<u>1,540,402</u>	<u>14,864,519</u>
1,174,018	489,253	-	1,663,271
-	-	230,912	230,912
42,662,502	10,757,159	794,981	54,326,591
(23,740,118)	(6,093,405)	(805,097)	(30,732,091)
<u>20,096,402</u>	<u>5,153,007</u>	<u>220,796</u>	<u>25,488,683</u>
<u>20,124,363</u>	<u>7,984,843</u>	<u>1,761,198</u>	<u>40,353,202</u>
135,928	182,637	444,558	919,536
-	-	36,124	38,413
11,709	1,832	-	13,541
-	-	283	23,276,645
2,126,997	-	-	2,215,719
6,470,550	1,904,450	-	8,375,000
136,861	62,205	-	199,066
<u>8,882,045</u>	<u>2,151,124</u>	<u>480,965</u>	<u>35,037,920</u>
3,828,112	1,531,888	-	5,360,000
136,861	47,331	-	184,192
-	-	188,505	199,981
<u>3,964,973</u>	<u>1,579,219</u>	<u>188,505</u>	<u>5,744,173</u>
<u>12,847,018</u>	<u>3,730,343</u>	<u>669,470</u>	<u>40,782,093</u>
9,524,017	1,607,133	220,796	11,370,424
(2,246,672)	2,647,367	870,932	(11,799,315)
<u>\$ 7,277,345</u>	<u>\$ 4,254,500</u>	<u>\$ 1,091,728</u>	<u>\$ (428,891)</u>



**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ 769,117	\$ 4,991,340	\$ 20,205,090
Other charges	14,321	118,660	-
Total operating revenues	<u>783,438</u>	<u>5,110,000</u>	<u>20,205,090</u>
<b>OPERATING EXPENSES</b>			
Administration	162,653	455,984	1,966,302
Other facility operating costs	715,337	-	-
Claims	-	9,316,685	19,817,174
Premiums	-	973,526	-
Depreciation	8,198	-	-
Other	5,091	-	-
Total operating expenses	<u>891,279</u>	<u>10,746,195</u>	<u>21,783,476</u>
Operating income (loss)	<u>(107,841)</u>	<u>(5,636,195)</u>	<u>(1,578,386)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	-	115,297	94,196
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>115,297</u>	<u>94,196</u>
Income (loss) before transfers	(107,841)	(5,520,898)	(1,484,190)
Transfers in	-	-	-
Transfers out	-	(29,258)	-
Change in net assets	(107,841)	(5,550,156)	(1,484,190)
Total net assets, beginning of year	<u>72,374</u>	<u>(8,443,694)</u>	<u>2,461,043</u>
Total net assets, end of year	<u>\$ (35,467)</u>	<u>\$ (13,993,850)</u>	<u>\$ 976,853</u>

<b>Governmental Equipment Replacement Fund</b>	<b>Public Utilities Equipment Replacement Fund</b>	<b>Vehicle Fleet Services Fund</b>	<b>Total</b>
\$ 7,830,399	\$ 1,712,466	\$ 9,335,731	\$ 44,844,143
44,774	1,094	894	179,743
<u>7,875,173</u>	<u>1,713,560</u>	<u>9,336,625</u>	<u>45,023,886</u>
-	-	2,574,032	5,158,971
-	-	6,038,818	6,754,155
-	-	-	29,133,859
-	-	-	973,526
5,742,117	1,609,719	79,728	7,439,762
185,818	30,524	2,770	224,203
<u>5,927,935</u>	<u>1,640,243</u>	<u>8,695,348</u>	<u>49,684,476</u>
<u>1,947,238</u>	<u>73,317</u>	<u>641,277</u>	<u>(4,660,590)</u>
59,251	91,878	(3,758)	356,864
(357,690)	(114,901)	-	(472,591)
(19,041)	-	-	(19,041)
<u>(317,480)</u>	<u>(23,023)</u>	<u>(3,758)</u>	<u>(134,768)</u>
1,629,758	50,294	637,519	(4,795,358)
2,678,918	99,258	-	2,778,176
<u>(2,400,000)</u>	<u>-</u>	<u>-</u>	<u>(2,429,258)</u>
1,908,676	149,552	637,519	(4,446,440)
5,368,669	4,104,948	454,209	4,017,549
<u>\$ 7,277,345</u>	<u>\$ 4,254,500</u>	<u>\$ 1,091,728</u>	<u>\$ (428,891)</u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<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	\$ 783,208	\$ 5,110,000	\$ 20,205,090
Net sales tax received (paid)	(5,601)	(302)	-
Payments to employees	(160,105)	-	-
Payments to suppliers and service providers	(725,269)	(318,574)	(1,966,302)
Claims paid	-	(4,502,809)	(19,281,069)
Premiums paid	-	(973,526)	-
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	<u>(107,767)</u>	<u>(685,211)</u>	<u>(1,042,281)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Insurance deposits	-	(201,500)	-
Operating subsidies and transfers from other funds	-	-	-
Operating subsidies and transfers to other funds	-	(29,258)	-
Negative cash balance implicitly financed	88,722	-	-
Net cash provided by (used in) noncapital financing activities	<u>88,722</u>	<u>(230,758)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and construction of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	-	103,232	94,196
Net cash provided by (used in) investing activities	<u>-</u>	<u>103,232</u>	<u>94,196</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(19,045)</u>	<u>(812,737)</u>	<u>(948,085)</u>
Cash and cash equivalents/investments			
Beginning of year	19,045	6,174,456	5,632,901
End of year	<u>\$ -</u>	<u>\$ 5,361,719</u>	<u>\$ 4,684,816</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (107,841)	\$ (5,636,195)	\$ (1,578,386)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	8,198	-	-
Change in assets and liabilities:			
Operating receivables	(230)	-	-
Sales tax receivable	(5,601)	(302)	-
Inventories	(9,025)	-	-
Accounts payable and other accrued liabilities	4,817	4,951,286	536,105
Earned vacation pay and other payroll liabilities	1,915	-	-
Total adjustments	<u>74</u>	<u>4,950,984</u>	<u>536,105</u>
Net cash provided by (used in) operating activities	<u>\$ (107,767)</u>	<u>\$ (685,211)</u>	<u>\$ (1,042,281)</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>
\$ 7,830,399	\$ 1,712,466	\$ 9,335,731	\$ 44,976,894
45,521	40,608	265	80,491
-	-	(2,597,827)	(2,757,932)
-	-	(6,078,004)	(9,088,149)
-	-	-	(23,783,878)
-	-	-	(973,526)
(141,044)	(29,430)	(1,876)	(172,350)
<u>7,734,876</u>	<u>1,723,644</u>	<u>658,289</u>	<u>8,281,550</u>
-	-	-	(201,500)
2,678,918	99,258	-	2,778,176
(2,400,000)	-	-	(2,429,258)
2,126,997	-	-	2,215,719
<u>2,405,915</u>	<u>99,258</u>	<u>-</u>	<u>2,363,137</u>
(11,614,783)	(1,595,842)	(6,564)	(13,217,189)
(3,857,495)	(892,505)	-	(4,750,000)
(573,188)	(178,849)	-	(752,037)
<u>(16,045,466)</u>	<u>(2,667,196)</u>	<u>(6,564)</u>	<u>(18,719,226)</u>
59,251	84,839	(3,758)	337,760
<u>59,251</u>	<u>84,839</u>	<u>(3,758)</u>	<u>337,760</u>
(5,845,424)	(759,455)	647,967	(7,736,779)
7,019,442	4,052,731	34,589	22,933,164
<u>\$ 1,174,018</u>	<u>\$ 3,293,276</u>	<u>\$ 682,556</u>	<u>\$ 15,196,385</u>
\$ 1,947,238	\$ 73,317	\$ 641,277	\$ (4,660,590)
5,742,117	1,609,719	79,728	7,439,762
-	-	265	35
45,521	40,608	-	80,226
-	-	(68,588)	(77,613)
-	-	27,296	5,519,504
-	-	(21,689)	(19,774)
<u>5,787,638</u>	<u>1,650,327</u>	<u>17,012</u>	<u>12,942,140</u>
<u>\$ 7,734,876</u>	<u>\$ 1,723,644</u>	<u>\$ 658,289</u>	<u>\$ 8,281,550</u>
\$ 70,437	\$ 154,671	\$ -	\$ 225,108



**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.

**COMBINING STATEMENT OF NET ASSETS  
PENSION TRUST FUNDS  
June 30, 2005**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total June 30, 2005</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,406,232	\$ 4,157,017	\$ 20,563,249
Accrued interest receivable	-	11,375	11,375
Total assets	<u>\$ 16,406,232</u>	<u>\$ 4,168,392</u>	<u>\$ 20,574,624</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' retirement benefits	<u>\$ 16,406,232</u>	<u>\$ 4,168,392</u>	<u>\$ 20,574,624</u>

**COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
For the Fiscal Year Ended June 30, 2005**

	<b>Supplemental Money Purchase Pension Plan</b>	<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 2,110,364	\$ 988,422	\$ 3,098,786
Interest	208,627	83,831	292,458
Net increase (decrease) in the fair value of investments	501,431	1,682	503,113
Less investment expense	(21,712)	-	(21,712)
Total additions	<u>2,798,710</u>	<u>1,073,935</u>	<u>3,872,645</u>
<b>DEDUCTIONS</b>			
Benefits	582,881	1,921,420	2,504,301
Withdrawals and forfeitures	55,817	-	55,817
Total deductions	<u>638,698</u>	<u>1,921,420</u>	<u>2,560,118</u>
Change in net assets restricted for:			
Employees' retirement benefits	2,160,012	(847,485)	1,312,527
Net assets, beginning of year	14,246,220	5,015,877	19,262,097
Net assets, end of year	<u>\$ 16,406,232</u>	<u>\$ 4,168,392</u>	<u>\$ 20,574,624</u>



**COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2005**

	<u>Occupancy Tax</u>	<u>CIAA Steering Committee</u>	<u>Total June 30, 2005</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 48,290	\$ 48,290
Total assets	<u>\$ -</u>	<u>\$ 48,290</u>	<u>\$ 48,290</u>
<b>Liabilities</b>			
Due to other agencies	\$ -	\$ 48,290	\$ 48,290
Total liabilities	<u>\$ -</u>	<u>\$ 48,290</u>	<u>\$ 48,290</u>

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

**For the Fiscal Year Ended June 30, 2005**

	<b>Balance June 30, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2005</b>
<b><u>OCCUPANCY TAX FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,307	\$ 11,612,161	\$ 11,616,468	\$ -
Accrued interest receivable	2	-	2	-
	<u>\$ 4,309</u>	<u>\$ 11,612,161</u>	<u>\$ 11,616,470</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 4,193	\$ 11,612,161	\$ 11,616,354	\$ -
Due to other funds	116	-	116	-
	<u>\$ 4,309</u>	<u>\$ 11,612,161</u>	<u>\$ 11,616,470</u>	<u>\$ -</u>
<b><u>CIAA STEERING COMMITTEE FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 39,483	\$ 1,537,274	\$ 1,528,467	\$ 48,290
	<u>\$ 39,483</u>	<u>\$ 1,537,274</u>	<u>\$ 1,528,467</u>	<u>\$ 48,290</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 33,038	\$ 1,155,957	\$ 1,140,705	\$ 48,290
Accounts payable	6,445	381,317	387,762	-
	<u>\$ 39,483</u>	<u>\$ 1,537,274</u>	<u>\$ 1,528,467</u>	<u>\$ 48,290</u>
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 43,790	\$ 13,149,435	\$ 13,144,935	\$ 48,290
Accrued interest receivable	2	-	2	-
	<u>\$ 43,792</u>	<u>\$ 13,149,435</u>	<u>\$ 13,144,937</u>	<u>\$ 48,290</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 4,193	\$ 11,612,161	\$ 11,616,354	\$ -
Due to other funds	116	-	116	-
Due to other agencies	33,038	1,155,957	1,140,705	48,290
Accounts payable	6,445	381,317	387,762	-
	<u>\$ 43,792</u>	<u>\$ 13,149,435</u>	<u>\$ 13,144,937</u>	<u>\$ 48,290</u>



**CITY OF RALEIGH, NORTH CAROLINA  
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**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**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**As of June 30, 2005**

Capital assets:	
Land	\$ 101,446,886
Buildings and machinery	88,416,122
Streets & sidewalks	531,839,106
Equipment	30,700,107
Furniture & fixtures	1,239,925
Improvements - general and parks	121,742,261
Construction in progress	<u>8,464,979</u>
Total	<u><u>\$ 883,849,386</u></u>
Investment in capital assets from:	
General revenue	\$ 215,466,644
State revenue	59,289,677
Federal grants	12,728,701
G.O. bonds and other debt proceeds	171,311,722
Donations and participation	17,584,157
Contributed property	224,198,394
Amounts prior to 1987 for which source is unknown	<u>183,270,091</u>
Total	<u><u>\$ 883,849,386</u></u>

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

QR

The image shows the letters 'QR' in a dark blue, serif font. Below the letters is a light brown, semi-transparent shadow of the same text, creating a 3D effect. The shadow is slightly offset to the right and bottom.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
For the Fiscal Year Ended June 30, 2005**

	<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	37,514,533	19,396,849	530,976,048
Total public works	<u>40,400,608</u>	<u>19,396,849</u>	<u>530,976,048</u>
Public safety:			
Emergency communications center	-	654,311	-
Police	-	911,710	-
Fire	523,396	14,972,369	-
Total public safety	<u>523,396</u>	<u>16,538,390</u>	<u>-</u>
Solid waste services	<u>2,772,456</u>	<u>15,331</u>	<u>-</u>
Leisure services:			
Walnut Creek Amphitheater	1,250,047	13,420,210	-
Parks and recreation	46,128,738	38,937,587	815,220
Total leisure services	<u>47,378,785</u>	<u>52,357,797</u>	<u>815,220</u>
Total governmental funds capital assets	<u>\$ 101,446,886</u>	<u>\$ 88,416,122</u>	<u>\$ 531,839,106</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.

<b>EQUIPMENT</b>	<b>FURNITURE AND FIXTURES</b>	<b>IMPROVEMENTS</b>	<b>CONSTRUCTION IN PROGRESS</b>	<b>TOTAL</b>
\$ -	\$ 8,589	\$ -	\$ -	\$ 8,589
22,646	4,022	3,799	-	30,467
797,510	2,093	354,508	-	1,154,111
1,123,593	32,044	224,361	-	1,379,998
2,643,636	57,017	3,308,519	196,970	6,206,142
4,587,385	103,765	3,891,187	196,970	8,779,307
20,906	6,469	1,607,783	-	12,162,392
-	15,250	-	-	15,250
506,371	67,494	-	-	573,865
7,051	19,735	1,267	-	28,053
534,328	108,948	1,609,050	-	12,779,560
286,920	6,771	3,824,622	117,024	7,121,412
5,688,557	-	30,195,052	6,897,077	630,668,116
5,975,477	6,771	34,019,674	7,014,101	637,789,528
1,535,559	327,922	958,713	-	3,476,505
3,536,216	396,801	1,046,141	-	5,890,868
8,142,186	46,762	1,366,007	5,691	25,056,411
13,213,961	771,485	3,370,861	5,691	34,423,784
2,661,384	-	788,145	-	6,237,316
238,357	-	237,045	124,868	15,270,527
3,489,215	248,956	77,826,299	1,123,349	168,569,364
3,727,572	248,956	78,063,344	1,248,217	183,839,891
<u>\$ 30,700,107</u>	<u>\$ 1,239,925</u>	<u>\$ 121,742,261</u>	<u>\$ 8,464,979</u>	<u>\$ 883,849,386</u>



**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
BY FUNCTION AND ACTIVITY  
For the Fiscal Year Ended June 30, 2005**

	<b>BALANCE JUNE 30, 2004</b>	<b>ADDITIONS</b>	<b>TRANSFERS</b>	<b>DEDUCTIONS</b>	<b>BALANCE JUNE 30, 2005</b>
General government:					
City manager	\$ 45,249	\$ 8,589	\$ (34,602)	\$ 10,647	\$ 8,589
Personnel	38,392	-	(7,925)	-	30,467
Administrative services	702,203	-	451,908	-	1,154,111
Finance	1,403,326	25,327	-	48,655	1,379,998
Information services	2,243,317	2,444,954	1,330,124	9,223	6,009,172
Total general government	<u>4,432,487</u>	<u>2,478,870</u>	<u>1,739,505</u>	<u>68,525</u>	<u>8,582,337</u>
Community development services:					
Community development	12,162,392	-	-	-	12,162,392
Planning	15,250	-	-	-	15,250
Inspections	851,296	82,142	-	359,573	573,865
Community services	28,053	-	-	-	28,053
Total community development services	<u>13,056,991</u>	<u>82,142</u>	<u>-</u>	<u>359,573</u>	<u>12,779,560</u>
Public works:					
Central engineering	7,113,655	-	-	109,267	7,004,388
Transportation	552,984,457	62,757,218	8,057,159	27,794	623,771,040
Total public works	<u>560,098,112</u>	<u>62,757,218</u>	<u>8,057,159</u>	<u>137,061</u>	<u>630,775,428</u>
Public safety:					
Emergency communications	2,900,754	575,751	-	-	3,476,505
Police	9,330,104	410,339	111,334	3,960,909	5,890,868
Fire	23,851,149	846,662	911,247	558,338	25,050,720
Total public safety	<u>36,082,007</u>	<u>1,832,752</u>	<u>1,022,581</u>	<u>4,519,247</u>	<u>34,418,093</u>
Solid waste services	<u>7,689,184</u>	<u>-</u>	<u>(451,908)</u>	<u>999,960</u>	<u>6,237,316</u>
Leisure services:					
Walnut Creek Amphitheater	15,145,659	-	-	-	15,145,659
Parks and recreation	160,181,021	6,311,784	1,251,436	298,226	167,446,015
Total leisure services	<u>175,326,680</u>	<u>6,311,784</u>	<u>1,251,436</u>	<u>298,226</u>	<u>182,591,674</u>
Construction in progress	<u>14,015,661</u>	<u>6,444,343</u>	<u>(11,995,026)</u>	<u>-</u>	<u>8,464,978</u>
Total general capital assets	<u>\$ 810,701,122</u>	<u>\$ 79,907,109</u>	<u>\$ (376,253)</u>	<u>\$ 6,382,592</u>	<u>\$ 883,849,386</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  
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## 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**

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2005**

Maturities on all long-term obligations are:

Fiscal Year Ended <u>June 30</u>	<u>Water and Sewer</u>		<u>Parking Facilities</u>		<u>Enterprise Convention Center</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>General Obligation Bonded Debt:</u>						
2006	\$ 3,408,273	\$ 783,623	\$ 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	1,523,057	314,201	595,000	214,550	-	-
2011-2015	5,743,443	698,647	3,565,000	618,500	-	-
2016-2020	893,730	29,046	270,000	13,500	-	-
2021-2025	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
Total General Obligation Bonded Debt	<u>19,861,764</u>	<u>3,335,709</u>	<u>7,315,000</u>	<u>2,042,050</u>	<u>-</u>	<u>-</u>
<u>Revenue Bonds:</u>						
2006	2,755,000	8,275,585	-	-	-	-
2007	4,915,000	8,519,057	-	-	-	-
2008	5,095,000	8,327,325	-	-	-	-
2009	5,285,000	8,135,169	-	-	-	-
2010	5,515,000	7,906,106	-	-	-	-
2011-2015	31,705,000	35,387,044	-	-	-	-
2016-2020	40,425,000	26,652,913	-	-	-	-
2021-2025	41,785,000	15,999,225	-	-	-	-
2026-2030	33,305,000	6,835,513	-	-	-	-
2031-2035	7,350,000	367,500	-	-	-	-
Total Revenue Bonded Debt	<u>178,135,000</u>	<u>126,405,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>						
<u>Installment Financing Agreement:</u>						
2006	1,374,451	455,140	1,390,000	2,493,511	-	9,837,830
2007	1,374,451	410,066	1,430,000	2,386,259	-	9,837,830
2008	1,374,451	365,120	2,035,000	2,318,869	-	9,837,830
2009	1,374,451	319,677	2,085,000	2,235,494	-	9,860,650
2010	1,374,451	274,128	2,140,000	2,149,119	-	9,815,010
2011-2015	4,626,653	776,610	9,965,000	9,328,275	7,360,000	49,211,970
2016-2020	2,269,152	138,242	10,240,000	7,170,341	42,125,000	44,087,166
2021-2025	-	-	9,940,000	4,818,730	52,955,000	33,979,291
2026-2030	-	-	6,375,000	2,755,750	66,555,000	21,297,184
2031-2035	-	-	8,015,000	1,113,975	74,430,000	6,289,158
	<u>13,768,060</u>	<u>2,738,983</u>	<u>53,615,000</u>	<u>36,770,323</u>	<u>243,425,000</u>	<u>204,053,919</u>

<u>Other Enterprise</u>		<u>General Governmental</u>		<u>Internal Service</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ -	\$ 11,571,727	\$ 5,713,500	\$ -	\$ -	\$ 15,750,000	\$ 6,850,823
-	-	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
-	-	10,261,943	3,977,242	-	-	12,380,000	4,505,993
-	-	43,931,557	13,917,945	-	-	53,240,000	15,235,092
-	-	35,436,270	5,379,256	-	-	36,600,000	5,421,802
-	-	5,050,000	274,000	-	-	5,050,000	274,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	139,713,236	43,727,538	-	-	166,890,000	49,105,297
-	-	-	-	-	-	2,755,000	8,275,585
-	-	-	-	-	-	4,915,000	8,519,057
-	-	-	-	-	-	5,095,000	8,327,325
-	-	-	-	-	-	5,285,000	8,135,169
-	-	-	-	-	-	5,515,000	7,906,106
-	-	-	-	-	-	31,705,000	35,387,044
-	-	-	-	-	-	40,425,000	26,652,913
-	-	-	-	-	-	41,785,000	15,999,225
-	-	-	-	-	-	33,305,000	6,835,513
-	-	-	-	-	-	7,350,000	367,500
-	-	-	-	-	-	178,135,000	126,405,437
-	-	1,592,777	1,216,309	8,375,000	545,000	12,732,228	14,547,790
-	-	1,627,420	1,149,866	5,360,000	241,875	9,791,871	14,025,896
-	-	1,684,316	1,081,672	-	-	5,093,767	13,603,491
-	-	1,743,611	1,009,002	-	-	5,203,062	13,424,823
-	-	1,725,461	934,625	-	-	5,239,912	13,172,882
-	-	9,196,745	3,345,792	-	-	31,148,398	62,662,647
-	-	5,085,000	1,598,756	-	-	59,719,152	52,994,505
-	-	5,100,000	606,953	-	-	67,995,000	39,404,974
-	-	-	-	-	-	72,930,000	24,052,934
-	-	-	-	-	-	82,445,000	7,403,133
-	-	27,755,330	10,942,975	13,735,000	786,875	352,298,390	255,293,075

continued

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES  
AND DEBT SERVICE REQUIREMENTS  
June 30, 2005**

Maturities on all long-term obligations are:

	<u>Water and Sewer</u>		<u>Parking Facilities</u>		<u>Enterprise Convention Center</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Other Long-Term Obligations:</u>						
(Continued):						
Other Installment Obligations:						
2006	\$ 348,422	\$ 16,202	\$ 93,498	\$ 16,291	\$ -	\$ -
2007	-	-	98,641	11,149	-	-
2008	-	-	104,066	5,723	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011-2015	-	-	-	-	-	-
2016-2019	-	-	-	-	-	-
	<u>348,422</u>	<u>16,202</u>	<u>296,205</u>	<u>33,163</u>	<u>-</u>	<u>-</u>
Other:						
Reimbursement Contracts	151,732	- (1)	-	-	-	-
Earned Vacation Pay	1,169,269	- (2)	13,641	-	(2) 328,297	-
Landfill Closure and Postclosure Costs	-	-	-	-	-	-
	<u>1,321,001</u>	<u>-</u>	<u>13,641</u>	<u>-</u>	<u>328,297</u>	<u>-</u>
Total Other Long-Term Obligations	<u>15,437,483</u>	<u>2,755,185</u>	<u>53,924,846</u>	<u>36,803,486</u>	<u>243,753,297</u>	<u>204,053,919</u>
Total Long-Term Obligations	<u>\$ 213,434,247</u>	<u>\$ 132,496,331</u>	<u>\$ 61,239,846</u>	<u>\$ 38,845,536</u>	<u>\$ 243,753,297</u>	<u>\$ 204,053,919</u>

**Notes:**

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

<u>Other Enterprise</u>		<u>General Governmental</u>		<u>Internal Service</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ -	\$ 946,496	\$ 97,559	\$ -	\$ -	\$ 1,388,416	\$ 130,052
-	-	941,802	63,090	-	-	1,040,443	74,239
-	-	34,931	34,751	-	-	138,997	40,474
-	-	33,325	36,357	-	-	33,325	36,357
-	-	32,922	36,761	-	-	32,922	36,761
-	-	222,517	91,056	-	-	222,517	91,056
-	-	-	-	-	-	-	-
-	-	2,211,993	359,574	-	-	2,856,620	408,939
-	-	2,443	-	(1)	-	154,175	-
(2) 145,939	-	(2) 13,519,726	-	(2)	199,981	15,376,853	-
-	-	4,531,774	-	-	-	4,531,774	-
145,939	-	18,053,943	-	199,981	-	20,062,802	-
145,939	-	48,021,266	11,302,549	13,934,981	786,875	375,217,812	255,702,014
<u>\$ 145,939</u>	<u>\$ -</u>	<u>\$ 187,734,502</u>	<u>\$ 55,030,087</u>	<u>\$ 13,934,981</u>	<u>\$ 786,875</u>	<u>\$ 720,242,812</u>	<u>\$ 431,212,748</u>

**SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS  
For the Fiscal Year Ended June 30, 2005**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2004</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Housing, Series 1994B Taxable	7.75 - 8.00	9/1/94	\$ 1,775,000	\$ -
Parks, Series 1996	5.20 - 5.30	6/1/96	3,005,000	-
Housing, Series 1996	5.40 - 5.75	6/1/96	1,380,000	-
Fire Station, Series 1996	5.20 - 5.30	6/1/96	210,000	-
Public Improvement Refunding, Series 1997	4.25 - 5.00	10/1/97	12,530,000	-
Housing, Series 1997	6.70	10/1/97	3,020,000	-
G. O. Refunding, Series 1998	4.00 - 4.20	12/1/98	5,095,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/1/98	17,250,000	-
Public Improvement, Series 2002	4.00 - 5.00	6/1/02	9,100,000	-
Public Improvement, Series 2002A	3.00 - 4.50	12/1/02	2,800,000	-
Public Improvement, Series 2002B	3.00 - 4.50	12/1/02	41,775,000	-
Public Improvement Refunding, Series 2002C	2.00 - 4.00	12/1/02	11,770,000	-
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>151,403,150</u>	<u>-</u>
<u>OTHER GENERAL GOVERNMENTAL</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			7,690,579	20,755,000
Other Installment Obligations			3,635,255	8,059
Reimbursement Contracts - Streets			2,793	-
Earned Vacation Pay			12,516,378	8,775,599
Landfill Closure and Postclosure Costs			4,558,000	-
Total Other General Governmental Long-Term Obligations			<u>28,403,005</u>	<u>29,538,658</u>
Total General Governmental Long-Term Obligations			<u>\$ 179,806,155</u>	<u>\$ 29,538,658</u>

**Notes:**

- (1) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2005-06 as the amount paid for 2004-05.



<u>Payments During Fiscal 2004-05</u>		<u>Principal Balance June 30, 2005</u>	<u>Due Fiscal 2005-2006</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 250,000	\$ 139,600	\$ 1,525,000	\$ 250,000	\$ 120,225	\$ 370,225
1,500,000	156,260	1,505,000	1,505,000	78,260	1,583,260
115,000	76,762	1,265,000	115,000	70,552	185,552
105,000	10,920	105,000	105,000	5,460	110,460
2,590,000	626,500	9,940,000	2,565,000	497,000	3,062,000
150,000	202,340	2,870,000	150,000	192,290	342,290
655,000	204,850	4,440,000	645,000	178,650	823,650
950,000	747,700	16,300,000	950,000	706,850	1,656,850
300,000	414,950	8,800,000	300,000	402,950	702,950
100,000	111,500	2,700,000	100,000	108,500	208,500
1,225,000	1,673,938	40,550,000	1,225,000	1,637,188	2,862,188
2,430,000	411,112	9,340,000	2,345,000	344,287	2,689,287
450,000	563,875	14,550,000	450,000	511,500	961,500
219,914	577,448	17,118,236	216,727	528,630	745,357
355,000	295,121	6,645,000	365,000	261,326	626,326
295,000	85,638	2,060,000	285,000	69,832	354,832
<u>11,689,914</u>	<u>6,298,514</u>	<u>139,713,236</u>	<u>11,571,727</u>	<u>5,713,500</u>	<u>17,285,227</u>
690,249	1,015,879	27,755,330	1,592,777	1,216,310	2,809,087
1,431,321	140,777	2,211,993	946,496	97,559	1,044,055
350	42	2,443	559	98	657
7,772,251	-	13,519,726	7,772,251 (1)	-	7,772,251
26,226	-	4,531,774	-	-	-
<u>9,920,397</u>	<u>1,156,698</u>	<u>48,021,266</u>	<u>10,312,083</u>	<u>1,313,967</u>	<u>11,626,050</u>
<u>\$ 21,610,311</u>	<u>\$ 7,455,212</u>	<u>\$ 187,734,502</u>	<u>\$ 21,883,810</u>	<u>\$ 7,027,467</u>	<u>\$ 28,911,277</u>

**SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS  
For the Fiscal Year Ended June 30, 2005**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2004</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	\$ 1,145,000	\$ -
Sanitary Sewer Series 1996	5.20 - 5.30	6/1/96	690,000	-
Sanitary Sewer Refunding, Series 1997	4.25 - 5.00	10/1/97	9,195,000	-
Sanitary Sewer Refunding, Series 2002C	2.00 - 4.00	12/01/02	2,410,000	-
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>23,301,850</u>	<u>-</u>
<b><u>REVENUE BONDS PAYABLE</u></b>				
Water/Sewer, Series 1996	4.40 - 5.25	12/01/96	31,195,000	-
Water/Sewer, Series 1999	4.00 - 4.75	1/1/99	19,940,000	-
Water/Sewer, Series 2001	3.70 - 5.25	1/1/01	21,125,000	-
Water/Sewer, Series 2004	3.00 - 5.00	5/4/04	108,980,000	-
Water/Sewer Refunding, Series 2005	2.50 - 5.00	5/5/05	-	41,870,000
Total Water and Sewer Revenue Debt			<u>181,240,000</u>	<u>41,870,000</u>
<b><u>OTHER WATER AND SEWER LONG TERM OBLIGATIONS</u></b>				
Installment Financing Agreement			15,142,511	-
Other Installment Obligations			681,363	-
Reimbursement Contracts - Water and Sewer Lines			44,447	114,141
Earned Vacation Pay			1,107,074	917,818
Total Other Water and Sewer Long-Term Obligations			<u>16,975,395</u>	<u>1,031,959</u>
Total Water and Sewer Long-Term Obligations			<u>221,517,245</u>	<u>42,901,959</u>
<b><u>PARKING FACILITIES - G.O. BONDS PAYABLE</u></b>				
Parking Facilities Refunding 1997	4.25 - 5.00	10/1/97	1,820,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/1/97	6,270,000	-
Total Parking Facilities General Obligation Bonded Debt			<u>8,090,000</u>	<u>-</u>
<b><u>OTHER PARKING FACILITIES LONG-TERM OBLIGATIONS</u></b>				
Installment Financing Agreements			13,135,000	41,430,000
Other Installment Obligations			384,829	-
Earned Vacation Pay			13,908	16,239
Total Other Parking Facilities Long-Term Obligations			<u>13,533,737</u>	<u>41,446,239</u>
Total Parking Facilities Long-Term Obligations			<u>21,623,737</u>	<u>41,446,239</u>
<b><u>CONVENTION CENTER FACILITIES LONG-TERM OBLIGATIONS</u></b>				
Installment Financing Agreements			55,000,000	188,425,000
Earned Vacation Pay			291,823	177,046
Total Other Enterprise Long-Term Obligations			<u>55,291,823</u>	<u>188,602,046</u>
<b><u>OTHER ENTERPRISE LONG-TERM OBLIGATIONS</u></b>				
Mass Transit Earned Vacation Pay			21,454	10,441
Stormwater Earned Vacation Pay			93,239	114,525
Total Other Enterprise Long-Term Obligations			<u>114,693</u>	<u>124,966</u>
Total Enterprise Long-Term Obligations			<u>\$ 298,547,498</u>	<u>\$ 273,075,210</u>

**NOTE:**

- (1) Includes defeasance of bonds from sale of refunding bonds on May 5, 2005.
- (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 2004-05		Principal Balance June 30, 2005	Due Fiscal 2005-06		
Principal	Interest		Principal	Interest	Total
\$ 570,000	\$ 59,540	\$ 575,000	\$ 575,000	\$ 29,900	\$ 604,900
345,000	35,880	345,000	345,000	17,940	362,940
1,905,000	459,750	7,290,000	1,885,000	364,500	2,249,500
495,000	84,213	1,915,000	480,000	70,600	550,600
78,484	206,079	6,109,136	77,345	188,657	266,002
46,602	122,371	3,627,628	45,928	112,026	157,954
<u>3,440,086</u>	<u>967,833</u>	<u>19,861,764</u>	<u>3,408,273</u>	<u>783,623</u>	<u>4,191,896</u>
28,845,000 (1)	1,608,043 (1)	2,350,000	1,145,000	123,376	1,268,376
10,315,000 (1)	916,024	9,625,000	665,000	439,401	1,104,401
5,815,000 (1)	975,639	15,310,000	610,000	700,080	1,310,080
-	4,403,489	108,980,000	-	5,337,563	5,337,563
-	-	41,870,000	335,000	1,675,165	2,010,165
<u>44,975,000</u>	<u>7,903,195</u>	<u>178,135,000</u>	<u>2,755,000</u>	<u>8,275,585</u>	<u>11,030,585</u>
1,374,451	500,992	13,768,060	1,374,451	455,140	1,829,591
332,941	31,683	348,422	348,422	16,202	364,624
6,856	1,152	151,732	5,762	922	6,684
855,623	-	1,169,269	855,623 (2)	-	855,623
<u>2,569,871</u>	<u>533,827</u>	<u>15,437,483</u>	<u>2,584,258</u>	<u>472,264</u>	<u>3,056,522</u>
<u>50,984,957</u>	<u>9,404,855</u>	<u>213,434,247</u>	<u>8,747,531</u>	<u>9,531,472</u>	<u>18,279,003</u>
375,000	91,000	1,445,000	370,000	72,250	442,250
400,000	300,250	5,870,000	400,000	281,450	681,450
<u>775,000</u>	<u>391,250</u>	<u>7,315,000</u>	<u>770,000</u>	<u>353,700</u>	<u>1,123,700</u>
950,000	878,123	53,615,000	1,390,000	2,493,511	3,883,511
88,624	21,166	296,205	93,498	16,291	109,789
16,506	-	13,641	16,506 (2)	-	16,506
<u>1,055,130</u>	<u>899,289</u>	<u>53,924,846</u>	<u>1,500,004</u>	<u>2,509,802</u>	<u>4,009,806</u>
<u>1,830,130</u>	<u>1,290,539</u>	<u>61,239,846</u>	<u>2,270,004</u>	<u>2,863,502</u>	<u>5,133,506</u>
-	1,207,720	243,425,000	-	9,837,830	9,837,830
140,572	-	328,297	140,572 (2)	-	140,572
<u>140,572</u>	<u>1,207,720</u>	<u>243,753,297</u>	<u>140,572</u>	<u>9,837,830</u>	<u>9,978,402</u>
10,095	-	21,800	10,095 (2)	-	10,095
83,625	-	124,139	83,625 (2)	-	83,625
<u>93,720</u>	<u>-</u>	<u>145,939</u>	<u>93,720</u>	<u>-</u>	<u>93,720</u>
<u>\$ 53,049,379</u>	<u>\$ 11,903,114</u>	<u>\$ 518,573,329</u>	<u>\$ 11,251,827</u>	<u>\$ 22,232,804</u>	<u>\$ 33,484,631</u>

**SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS  
For the Fiscal Year Ended June 30, 2005**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2004</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>CERTIFICATES OF PARTICIPATION</u>				
Equipment Acquisition Project, Series 2001	5.00	5/1/01	\$ 6,340,000	\$ -
Equipment Acquisition Project, Series 2003	2.50 - 5.00	4/1/03	12,145,000	-
Total Certificates of Participation			18,485,000	-
<u>OTHER INTERNAL SERVICE LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			9,561	9,533
Earned Vacation Pay - Vehicle Fleet Services			210,194	139,640
Total Other Internal Service Long-Term Obligations			219,755	149,173
Total Internal Service Long-Term Obligations			\$ 18,704,755	\$ 149,173

(1) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2005-06 as the amount paid for 2004-05.

<b>Payments During Fiscal 2004-05</b>		<b>Principal Balance June 30, 2005</b>	<b>Due Fiscal 2005-2006</b>		
<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
\$ 3,090,000	\$ 239,750	\$ 3,250,000	\$ 3,250,000	\$ 81,250	\$ 3,331,250
<u>1,660,000</u>	<u>512,288</u>	<u>10,485,000</u>	<u>5,125,000</u>	<u>463,750</u>	<u>5,588,750</u>
<u>4,750,000</u>	<u>752,038</u>	<u>13,735,000</u>	<u>8,375,000</u>	<u>545,000</u>	<u>8,920,000</u>
7,618	-	11,476	7,618 (1)	-	7,618
<u>161,329</u>	<u>-</u>	<u>188,505</u>	<u>161,329 (1)</u>	<u>-</u>	<u>161,329</u>
<u>168,947</u>	<u>-</u>	<u>199,981</u>	<u>168,947</u>	<u>-</u>	<u>168,947</u>
<u>\$ 4,918,947</u>	<u>\$ 752,038</u>	<u>\$ 13,934,981</u>	<u>\$ 8,543,947</u>	<u>\$ 545,000</u>	<u>\$ 9,088,947</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**

**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>
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
2005	24,392,694	21,644,111	20,301,671	102,759,466	22,297,201

**Notes:**

Includes general and special revenue funds. Total general governmental expenditures, including general capital projects funds expenditures, are \$274,192,955. 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>
\$ 16,982,862	\$ 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
31,715,600	2,643,467	8,059	2,041	19,870,247	245,634,557

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

<b>Fiscal Year Ended June 30</b>	<b>Ad Valorem Taxes</b>	<b>Inter- governmental</b>	<b>Local Sales Tax</b>	<b>Occupancy and Prepared Food Taxes (1)</b>
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	45,994,276	-
2004	113,562,889	44,104,016	52,156,194	-
2005	120,849,078	44,982,368	55,953,756	-

**Notes:**

Includes general and special revenue funds. Total general governmental revenues, including general capital projects funds revenues, are \$288,669,468.

(1) Elimination of revenues reflects an accounting change resulting from enabling state legislation effective July 1, 1997.

	<b><u>Licenses and Fees</u></b>	<b><u>Interest on Investments</u></b>	<b><u>Fines, Forfeits, and Penalties</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
\$	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
	19,983,897	2,561,191	186,250	41,201,488	273,755,925
	23,426,597	3,409,680	264,112	30,059,206	278,944,797

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

<b>Fiscal Year Ended June 30</b>	<b>Year of Levy</b>	<b>Gross Levy</b>	<b>Gross Collected Current</b>	<b>Percent Collected Current</b>	<b>Collected Prior Levies</b>	<b>Total Collected</b>	<b>Percent Total Collected to Current Levy</b>
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
2005	2004	121,769,715	119,880,130	98.45	1,810,218	121,690,348	99.93
						(1)	

**Notes:**

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 121,690,348
Penalties collected	458,005
Rebates and waived taxes	<u>(1,299,275)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 120,849,078</u>

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

<b>Fiscal Year Ended <u>June 30</u></b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Corporate Excess</u></b>	<b><u>Total</u></b>
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
2005	25,196,730,121	4,741,149,224	731,620,849	30,669,500,194

**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.

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

<b>Fiscal Year Ended <u>June 30</u></b>	<b>City <u>Rate</u></b>	<b>Wake County <u>Rate</u></b>	<b><u>Total</u></b>
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
2005	.3950	.6040	.9990

**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.

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

<b>Fiscal Year Ended June 30</b>	<b>Assessed Value</b>		<b>Ratio of City to County</b>
	<b>City of Raleigh</b>	<b>Wake County</b>	
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	63,367,829,910	42.25
2003	28,187,871,286	66,454,852,090	42.42
2004	29,380,152,451	68,319,704,765	43.00
2005	30,669,500,194	71,124,926,626	43.12

**ANALYSIS OF CURRENT TAX LEVY  
CITY - WIDE LEVY  
For the Fiscal Year Ended June 30, 2005**

	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	\$ 29,632,732,504	\$ .3950	\$ 117,302,061	\$ 110,112,064	\$ 7,189,997
Registered motor vehicles taxed at prior year's rate	<u>968,724,321</u>	.3850	<u>3,687,996</u>	<u>-</u>	<u>3,687,996</u>
	<u>30,601,456,825</u>		<u>120,990,057</u>	<u>110,112,064</u>	<u>10,877,993</u>
Discoveries:					
Prior years' taxes	<u>68,043,369</u>	(1)	<u>243,083</u>	<u>239,724</u>	<u>3,359</u>
Total property valuation	<u>\$ 30,669,500,194</u>				
Deferred and waived			401,712	401,712	-
Penalty			134,863	134,863	-
Rebates			<u>(725,131)</u>	<u>(503,255)</u>	<u>(221,876)</u>
Net levy			121,044,584	110,385,108	10,659,476
Uncollected taxes at June 30,2005			<u>(1,889,585)</u>	<u>(561,467)</u>	<u>(1,328,118)</u>
Current year's taxes collected			<u>\$ 119,154,999</u>	<u>\$ 109,823,641</u>	<u>\$ 9,331,358</u>
Current levy collection percentage			<u>98.44%</u>	<u>99.49%</u>	<u>87.54%</u>

**Notes:**

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



**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2005**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Receivable June 30, 2004</b>	<b>Additions</b>	<b>Collections and Other Reductions</b>	<b>Taxes Receivable June 30, 2005 (1)</b>
1996 & Prior	\$ 824,131	\$ -	\$ 10,409	\$ 813,722
1997	266,969	-	9,500	257,469
1998	237,784	-	14,294	223,490
1999	256,599	-	16,035	240,564
2000	288,987	-	26,078	262,909
2001	279,645	-	34,638	245,007
2002	383,391	-	77,982	305,409
2003	583,934	-	201,319	382,615
2004	1,912,276	-	1,419,963	492,313
2005	<u>-</u>	<u>121,769,715</u>	<u>119,880,130</u>	<u>1,889,585</u>
<b>TOTALS</b>	<u><u>\$ 5,033,716</u></u>	<u><u>\$ 121,769,715</u></u>	<u><u>\$ 121,690,348</u></u>	<u><u>\$ 5,113,083</u></u>

(2)

**Notes:**

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$1,859,587).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 121,690,348
Penalties collected	458,005
Rebates and waived taxes	<u>(1,299,275)</u>
Ad valorem taxes collected per general fund financial statements	<u><u>\$ 120,849,078</u></u>

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

<b>Fiscal Year Ended June 30</b>	<b>Population</b>	<b>Taxable Property Assessed Value</b>	<b>8% Debt Limit</b>
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	2,141,792,777
2003	316,979	28,187,871,286	2,255,029,703
2004	328,880	29,380,152,451	2,350,412,196
2005	342,194	30,669,500,194	2,453,560,016

**Note:**

Population data for 2005 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, 2005 is as follows:

	<u>Gross</u>	<u>Net</u>
General Governmental Bonded Debt	<u>\$ 139,713,236</u>	<u>\$ 139,057,738</u>
Per Capita Bonded Debt	<u>\$ 408</u>	<u>\$ 406</u>

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

	<b>Gross Bonded Debt</b> (1)	<b>Net Bonded Debt</b> (2)	<b>Ratio of Net Bonded Debt to Taxable Property Assessed Value</b>	<b>Per Capita Bonded Debt</b>	
				<b>Gross</b>	<b>Net</b>
\$	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	457	426
	173,820,000	165,323,532	0.6	548	522
	182,795,000	174,787,426	0.6	556	531
	166,890,000	159,550,366	0.5	488	466

**STATEMENT OF LEGAL DEBT MARGIN  
June 30, 2005**

Assessed valuation - June 30, 2005		<u>\$ 30,669,500,194</u>
Debt limit - eight (8%) percent of assessed valuation	\$ 2,453,560,016	

Gross Debt

Outstanding general obligation

Bonded debt:

Governmental activities bonds	\$ 139,713,236
Water bonds	6,684,136
Sewer bonds	13,177,628
Parking deck bonds	7,315,000
	<u>166,890,000</u>

General obligation bonds

Authorized not Issued:

Governmental activities	85,250,000
	<u>85,250,000</u>

Other:

Installment financing agreements	338,563,390
Other installment obligations	2,856,619
Equipment fund certificates of participation	13,735,000
Reimbursement contracts - streets	2,443
Reimbursement contracts - water and sewer	151,732
	<u>355,309,184</u>

Gross debt	<u>607,449,184</u>
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Statutory Deductions

Bonded debt included in gross debt incurred for water	6,684,136
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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	655,498
	<u>7,339,634</u>

Net debt	<u>600,109,550</u>
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Legal debt margin		<u>\$ 1,853,450,466</u>
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**SCHEDULE OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2005**

	<b>Bonded Debt</b>	<b>Percentage Applicable to City</b>	<b>City's Share of Debt</b>
Direct Debt - City of Raleigh (1)	\$ 139,713,236	100.00%	\$ 139,713,236
Overlapping Debt: (2)			
Wake County General Improvement Bonds (3)	<u>1,049,485,000</u>	43.12% (4)	<u>452,537,932</u>
Total Direct and Overlapping Debt	<u>\$ 1,189,198,236</u>		<u>\$ 592,251,168</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 \$962,638,802 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, 2005 assessed valuation of the City of Raleigh (\$30,669,500,194) as compared to the June 30, 2005 assessed valuation of Wake County (\$71,124,926,626).

**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>
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
2005	11,689,914	6,298,514	9,959	17,998,387	245,634,561	7.3

**Note:**

(1) Includes general and special revenue funds.

**SCHEDULE OF REVENUE BOND COVERAGE  
WATER AND SEWER REVENUE BONDS  
For the Fiscal Year Ended June 30, 2005**

Fiscal Year Ended (1)	Gross Revenues	15% of PY Unrestricted Net Assets (5)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios		
					Principal	Interest	Total	Net Coverage	With 15%	Required Coverage
<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 (6)	59,832,587		46,909,635	12,922,952	2,395,000	3,874,439	6,269,439	2.06		1.25
2004 (6)	67,830,623 (5)	9,598,225 (5)	51,521,220	16,309,403	2,485,000	3,709,006	6,194,006	2.63	4.18	1.20
2005	79,603,480	8,103,566	52,518,696	27,084,784	2,575,000	3,664,485	6,239,485	4.34	5.64	1.20
<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 (6)	59,832,587		46,909,635	12,922,952	7,165,851	5,682,828	12,848,679	1.01		1.00
2004 (6)	67,830,623		51,521,220	16,309,403	6,974,451	5,165,065	12,139,516	1.34		1.00
2005	79,603,480		52,518,696	27,084,784	7,139,537	4,968,531	12,108,068	2.24		1.00

NOTES:

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999, January 1, 2001 and May 4, 2004.
- (2) Operating expenses are exclusive of depreciation and interest expense.
- (3) Parity debt service includes interest and principal of revenue bonds and certain State loans.
- (4) All water and sewer debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds.
- (5) The City entered into the First Amendatory Trust Agreement dated April 15, 2004. The first amendment provides that 15% of Water and Sewer unrestricted net assets as of the last day of the preceding fiscal year be added to gross revenues in computing the net revenue available for debt service. The required coverage for parity indebtedness was also decreased to 1.20% from 1.25%.
- (6) Re-stated from FY04 for the omission of special assessments revenues.

**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>
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
2005	1,573,051	1,349,450	1,240,250	1,682,251

**Note:**

Assessments receivable at June 30, 2005 consists of

Water and sewer assessments receivable	\$ 575,675
Other assessments receivable	<u>1,106,576</u>
Total	<u><u>\$ 1,682,251</u></u>



QR

The image shows the letters 'QR' in a dark blue, serif font. Below the letters is a light brown, semi-transparent shadow of the same text, creating a 3D effect. The shadow is slightly offset to the right and bottom.

**INSURANCE COVERAGE**  
**June 30, 2005**

<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 (with terrorism package) Buildings and Contents	Coverage Limits: \$472,464,997 Deductible Per Occurrence: \$100,000	July 1, 2004 to June 30, 2005	\$314,172
Property - Other	All Risk	Coverage Limits: \$15,980,000 Deductible Per Occurrence: \$50,000	July 1, 2004 to June 30, 2005	\$35,199
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 \$145,000 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, 2004 to June 30, 2005	\$15,052
Boiler and Machinery	All Risk: Pressure Vessels, HVAC Systems, Production Equipment	Coverage Limits: \$5,000,000 Deductible Per Occurrence: \$100,000	July 1, 2004 to June 30, 2005	\$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, 2004 to June 30, 2005	\$95,978
Police	Police: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2004 to June 30, 2005	\$73,963
Vehicle Liability	City-Owned Vehicles: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2004 to June 30, 2005	\$86,685
Umbrella Liability	Excess Liability Coverage General, Police, and Vehicle	Coverage Limits: \$10,000,000	July 1, 2004 to June 30, 2005	\$148,808
Physical Damage	All Fleet Vehicles: Fire, Theft and Vandalism	Coverage Limits: \$51,025,365 Deductible Per Occurrence: \$25,000	July 1, 2004 to June 30, 2005	\$34,111
Aggregate Stop-Loss	Bodily Injury and Property Damage	Annual Aggregate: \$3,000,000	July 1, 2004 to June 30, 2005	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, 2004 to June 30, 2005	\$2,017

**INSURANCE COVERAGE  
June 30, 2005**

<b><u>TYPE OF POLICY</u></b>	<b><u>TYPE OF COVERAGE</u></b>	<b><u>LIMITS OF COVERAGE</u></b>	<b><u>TERM OF POLICY</u></b>	<b><u>ANNUAL PREMIUM</u></b>
Public Official Bond	Tax Collector: City Taxes Finance Director	Coverage Limits: \$150,000	July 1, 2004 to June 30, 2005	\$1,600
Medical Professional Liability	City Nurses	Coverage Limits: \$1,000,000 per person \$3,000,000 per occurrence	July 1, 2004 to June 30, 2005	\$210
Special Program Liability	Grandfather Mountain Recreation Program: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 annually \$500,000 per occurrence	May 22, 2004 to May 22, 2005	\$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, 2004 to July 31, 2005	\$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, 2004 to June 30, 2005	\$132,172
Statue	Multi-Peril External Cause	Statue: Deductible: \$1,000	September 1, 2004 to August 31, 2005	\$626

**DEMOGRAPHIC CHARACTERISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>	<b>School Enrollment ADM</b>	<b>Retail Sales (5)</b>	
					<b>(In Billions)</b>	
<b>June 30</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>City</b>	<b>County</b>
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	33,627	5.2	107,448	7.297	12.402
2004	328,880	N/A	4.0	112,158	7.823	13.420
2005	342,194	N/A	4.3	117,986	N/A	N/A

**Notes:**

- (1) The City's Planning Department estimates the 2005 population to be 342,194. 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-Cary MSA.  
Data for 2004 and 2005 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 2005 is not available.

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

<b>Fiscal Year Ended June 30</b>	<b>Property Value (1)</b>	<b>Commercial Construction (2)</b>		<b>Residential Construction (2)</b>		<b>Bank Deposits (3)</b>
		<b>Number of Permits</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Value</b>	
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	1,257	423,679,211	6,244	544,853,112	8,538,970,000
2003	28,187,871,286	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	10,443,504,000
2005	30,669,500,194	1,374	571,041,444	6,796	814,472,835	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 2005 is not available. Source: North Carolina State Banking Commission.

**PRINCIPAL TAXPAYERS**  
**June 30, 2005**

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Progress Energy	Utility	\$ 348,863,637	1.14%
CVM Associates	Real estate	173,085,658	0.56
Highwoods Realty, Limited Partnership	Real estate	161,954,060	0.53
Bellsouth Telephone and Telegraph Company	Utility	154,182,212	0.50
Cisco Systems, Inc.	Technology Systems	141,016,791	0.46
UDRT of North Carolina, LLC	Real estate	115,509,333	0.38
JG North Raleigh, LLC	Real estate	102,399,685	0.33
Prudential Insurance Co. of America	Insurance	78,839,354	0.26
Capitol Center Acquisition LLC	Investment/Real estate	69,327,905	0.23
Mallinckrodt Inc.	Pharmaceuticals	<u>53,291,424</u>	<u>0.17</u>
		<u>\$ 1,398,470,059</u>	<u>4.56%</u>

**Note:**

Above assessed valuations are as of January 1, 2004 and the associated tax levies were due in the fiscal year ended June 30, 2005.

**MISCELLANEOUS STATISTICS**  
**June 30, 2005**

Population: 342,194

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

Form of government: Council/Manager

Area: 133 square miles

Miles of streets: 1,160.63

Number of street lights: 31,976

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: 728

Municipal water department:

Number of consumers: 137,330

Average daily consumption: 47.69 MGD

Miles of water mains: 1,415

Sewers:

Sanitary sewers: 1,501 miles

Average daily flow: 46.45 MGD

Recreation and Parks:

Number of major parks: 71

Total acreage of parkland, open space, greenways and lakes: 8,101

Number of staffed centers: 24

Neighborhood centers: 8

Park sites: 191

Greenway tracts: 494

Aquatic facilities: 8

Culture:

Number of libraries: 17

Number of volumes: 1,500,000

Employees: 3,099



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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 21, 2005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 05-1.

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 HP*

Raleigh, North Carolina  
October 21, 2005



**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, 2005. 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, 2005.

## 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 caused by error or fraud with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

*Cherry, Bekaert + Holland LLP*

Raleigh, North Carolina  
October 21, 2005



**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, 2005. 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, 2005.

## **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 caused by error or fraud with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

*Cherry, Bekaert + Holland JP*

Raleigh, North Carolina  
October 21, 2005



## **SINGLE AUDIT SCHEDULES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs:						
Federal Transit Administration						
Planning Assistance - Section 9	20.507	NC-90-2297	\$ 192,764	\$ 191,575	\$ -	\$ 191,575
Planning Assistance - Section 9	20.507	NC-90-2319	69,193	35,584	-	35,584
Planning Assistance - Section 9	20.507	NC-90-2341	168,607	96,508	2,354	98,862
Planning Assistance - Section 9	20.507	NC-90-2367	124,555	-	57,162	57,162
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,274,133	157,451	2,431,584
Capital Assistance - Section 9	20.507	NC-90-0256	6,232,233	6,008,604	77,735	6,086,339
Capital Assistance - Section 9	20.507	NC-90-0279	2,831,337	1,958,193	687,660	2,645,853
Capital Assistance - Section 9	20.507	NC-90-0297	2,605,520	2,232,081	325,632	2,557,713
Capital Assistance - Section 9	20.507	NC-90-0319	2,165,834	1,794,344	103,996	1,898,340
Capital Assistance - Section 9	20.507	NC-90-0341	2,402,640	110,432	1,541,342	1,651,774
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	27,562	2,885,064	2,912,626
Capital Assistance - Section 3	20.507	NC-03-0059	400,000	-	-	-
Capital Assistance - Section 3	20.507	NC-03-0061	147,339	-	-	-
			<u>23,396,518</u>	<u>14,729,016</u>	<u>5,838,396</u>	<u>20,567,412</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	69,432	69,432	-	69,432
Planning Assistance - Section 8	20.505	PTD 05-08-009	77,144	-	77,144	77,144
			<u>216,008</u>	<u>138,864</u>	<u>77,144</u>	<u>216,008</u>
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	WBS36126.2.4	524,869	391,192	-	391,192
Section 104(f) Technical Assistance	20.205	WBS39225.1.4	679,869	-	501,108	501,108
			<u>1,204,738</u>	<u>391,192</u>	<u>501,108</u>	<u>892,300</u>
Total U.S. Department of Transportation			<u>24,817,264</u>	<u>15,259,072</u>	<u>6,416,648</u>	<u>21,675,720</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program						
	94.011	439-S006/16	259,742	129,848	127,552	257,400
	94.011	05SFSNC002	130,771	-	129,871	129,871
			<u>390,513</u>	<u>129,848</u>	<u>257,423</u>	<u>387,271</u>
Retired Senior Volunteers Program						
	94.002	440-S025/21	57,718	46,199	11,337	57,536
	94.002	05SESNCC01	28,859	-	28,859	28,859
			<u>86,577</u>	<u>46,199</u>	<u>40,196</u>	<u>86,395</u>
Total Corporation for National Service			<u>477,090</u>	<u>176,047</u>	<u>297,619</u>	<u>473,666</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant Program						
	14.218	B96MC370009	2,416,000	2,397,814	10,992	2,408,806
	14.218	B99MC370009	2,336,000	2,335,950	50	2,336,000
	14.218	B00MC370009	2,365,000	2,333,563	31,437	2,365,000
	14.218	B01MC370009	2,446,000	2,329,474	116,526	2,446,000
	14.218	B02MC370009	2,420,000	1,687,364	491,398	2,178,762
	14.218	B03MC370009	2,814,000	338,364	1,427,791	1,766,155
	14.218	B04MC370009	2,813,000	-	834,053	834,053
			<u>17,610,000</u>	<u>11,422,529</u>	<u>2,912,247</u>	<u>14,334,776</u>
HOME Grant Program						
	14.239	M99MC370206	1,074,000	1,074,000	-	1,074,000
	14.239	M00MC370206	1,073,000	926,599	-	926,599
	14.239	M01MC370206	1,191,000	536,976	9,600	546,576
	14.239	M02MC370206	1,188,000	297,512	313,160	610,672
	14.239	M03MC370206	1,448,995	(113,737)	456,088	342,351
	14.239	M04MC370206	1,690,822	-	92,013	92,013
			<u>7,665,817</u>	<u>2,721,350</u>	<u>870,861</u>	<u>3,592,211</u>
Emergency Shelter Grant Program						
		S04MC37005	102,935	-	-	-
Total U.S. Department of Housing and Urban Development			<u>25,378,752</u>	<u>14,143,879</u>	<u>3,783,108</u>	<u>17,926,987</u>

Continued



**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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>U.S. DEPARTMENT OF JUSTICE</u>						
Direct Programs:						
Cops More	16.710	01CLWX0010	\$ 685,248	\$ 639,230	\$ 45,849	\$ 685,079
Cops in Schools	16.710	02SHWX0717	122,087	101,902	20,186	122,088
			<u>807,335</u>	<u>741,132</u>	<u>66,035</u>	<u>807,167</u>
LLE Block Grant Program	16.592	02LBBX2438	461,908	392,261	63,710	455,971
LLE Block Grant Program	16.592	03LBBX2766	288,176	158,432	75,538	233,970
LLE Block Grant Program	16.592	04LBBX1033	119,224	-	31,494	31,494
			<u>869,308</u>	<u>550,693</u>	<u>170,742</u>	<u>721,435</u>
Weed & Seed Program	16.595	01WSQX0092	225,000	214,610	10,390	225,000
Weed & Seed Program	16.595	01WSQX0092	225,000	218,279	6,720	224,999
Weed & Seed Program	16.595	01WSQX0092	225,000	122,382	90,990	213,372
Weed & Seed Program	16.595	01WSQX0092	175,000	-	103	103
Weed & Seed Program	16.595	N/A	53,161	48,160	-	48,160
Weed & Seed Program	16.595	N/A	50,000	39,581	-	39,581
			<u>953,161</u>	<u>643,012</u>	<u>108,203</u>	<u>751,215</u>
2004 Bullet Proof Vest Grant		N/A	<u>7,225</u>	<u>-</u>	<u>7,225</u>	<u>7,225</u>
Passed-Through N.C. Department of Crime Control and Public Safety:						
VOCA - Domestic Violence Social Worker		092102010V771	113,352	108,993	(768)	108,225
VOCA - Domestic Violence Social Worker		092104010AV157	73,294	-	73,294	73,294
Juvenile Cyber Tech Investigations		092101003H874	48,624	45,835	2,665	48,500
			<u>235,270</u>	<u>154,828</u>	<u>75,191</u>	<u>230,019</u>
Total U.S. Department of Justice			<u>2,872,299</u>	<u>2,089,665</u>	<u>427,396</u>	<u>2,517,061</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Direct Programs:						
Brownfields Assessment Grant	66.811	BP984864-99-0	200,000	195,442	-	195,442
Brownfields Assessment Grant	66.818	BF964167040	400,000	-	2,156	2,156
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	10,585	10,000	20,585
			<u>1,600,000</u>	<u>206,027</u>	<u>12,156</u>	<u>218,183</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Direct Programs:						
Solid Waste Services WHIP Grant	10.914	72453232162	<u>9,802</u>	<u>2,886</u>	<u>2,328</u>	<u>5,214</u>
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborhoods"	10.664	F04037	8,500	2,066	6,434	8,500
USFS - "Raleigh Neighborhoods"	10.664	FS05022	8,500	-	2,666	2,666
			<u>17,000</u>	<u>2,066</u>	<u>9,100</u>	<u>11,166</u>
Total U.S. Department of Agriculture			<u>26,802</u>	<u>4,952</u>	<u>11,428</u>	<u>16,380</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Direct Programs:						
Assistance to Firefighters	97.044	EMW2004FG18167	<u>122,533</u>	<u>-</u>	<u>122,526</u>	<u>122,526</u>
Passed-Through N.C. Department of Crime Control and Public Safety:						
Public Assistance - 2002 Ice Storm	97.036	1448-DR-NC	9,733,379	9,733,379	-	9,733,379
Public Assistance - Hurricane Isabel	97.036	1490-DR-NC	866,944	966,944	-	966,944
Total Dept. of Homeland Security			<u>10,722,856</u>	<u>10,700,323</u>	<u>122,526</u>	<u>10,822,849</u>
Total Expenditures of Federal Awards			<u>\$ 65,895,063</u>	<u>\$ 42,579,965</u>	<u>\$ 11,070,881</u>	<u>\$ 53,650,846</u>

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF STATE AWARDS:						
<u>N. C. DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Planning Assistance		PTD 02-09-007	\$ 24,095	\$ 23,947	\$ -	\$ 23,947
Public Transportation Planning Assistance		PTD 03-09-007	8,649	4,448	-	4,448
Public Transportation Planning Assistance		PTD 04-09-007	21,075	12,063	294	12,357
Public Transportation Planning Assistance		PTD 05-09-007	15,569	-	7,145	7,145
Public Transportation Planning Assistance		PTD 03-08-009	8,679	8,679	-	8,679
Public Transportation Planning Assistance		PTD 04-08-009	8,679	8,679	-	8,679
Public Transportation Planning Assistance		PTD 05-08-009	9,693	-	9,693	9,693
Public Transportation Capital Assistance		PTD 98-09-007	146,457	129,628	-	129,628
Public Transportation Capital Assistance		PTD 99-09-004	166,817	146,067	19,681	165,748
Public Transportation Capital Assistance		PTD 00-09-007	640,829	612,875	9,716	622,591
Public Transportation Capital Assistance		PTD 01-09-007	69,387	80,874	(16,720)	64,154
Public Transportation Capital Assistance		PTD 02-09-007	364,360	2,773	290,255	293,028
Public Transportation Capital Assistance		NC-03-0059	50,000	-	-	-
Public Transportation Capital Assistance		NC-03-0061	18,427	-	-	-
Public Transportation Maintenance Assistance						
Program - Operating		05SM013	2,016,380	-	2,016,380	2,016,380
Greenskills Project		WBS33950.1.1	25,000	7,475	8,177	15,652
Leesville Road Extension		9.8052061	150,000	150,000	-	150,000
Traffic Signal Upgrade		WBS35247.5.6	337,500	-	337,500	337,500
Morgan Street Two Way Traffic		-	25,000	-	-	-
Duraleigh Road at U.S. 70		9.8052058	150,000	150,000	-	150,000
Western Boulevard Landscaping		E-2973-E	100,000	61,181	27,839	89,020
House Creek Greenway		E-4929	500,000	-	-	-
Stonybrook Drive Bridge Design		-	443,334	66,929	20,649	87,578
GHSP Equipment Grant		-	3,120	-	2,941	2,941
Neuse River Greenway Grant		E-4829	500,000	-	-	-
Powell Bill		-	8,916,050	-	8,916,050	8,916,050
Total N. C. Department of Transportation			14,719,100	1,465,618	11,649,600	13,115,218
<u>N.C. HOUSING FINANCE AGENCY</u>						
Job Training Grant		-	114,000	5,576	106,462	112,038
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
Disaster Assistance - December 2002 Ice Storm		1448-DR-NC	3,244,460	3,244,460	-	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	15,000	-	15,000
Fire Department Hazmat Grant		HS-TE-02-1105	90,900	90,611	(128)	90,483
Fire Department Hazmat Grant		HS-TE-02-4113	21,730	-	20,397	20,397
CERT Grant		-	33,500	-	33,311	33,311
RRT Grant		-	57,000	-	40,549	40,549
Summit House		-	18,099	-	7,354	7,354
Child Development Program		092103018AD824	42,560	18,115	11,898	30,013
Youth Gang Violence Prevention		092102P11AK207	13,905	6,062	221	6,283
Project Safe Neighborhoods		092102001AZ121	10,000	-	9,999	9,999
TRAC Initiative		092103001AZ128	70,000	-	70,000	70,000
Gang Violence Intervention		092103P06AK618	10,935	-	9,994	9,994
Total N. C. Department of Crime Control and Public Safety			3,917,070	3,663,229	203,595	3,866,824
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Water Construction Loan #HLRXF01093		-	2,900,000	1,629,357	1,188,584	2,817,941
Water Construction Grant #HGNAB98098		-	154,558	-	154,558	154,558
PARTF - Buffalo Road Park		2003-316	241,000	21,243	116,966	138,209
PARTF - Honeycutt Park		2004-380	250,000	-	-	-
LWCF - Honeycutt Park		37-01006	171,483	-	-	-
PARTF - Lake Johnson Park		2004-357	250,000	-	250,000	250,000
Soil Erosion Engineering Program		L04002	2,244	903	-	903
Total N. C. Department of Environment and Natural Resources			3,969,285	1,651,503	1,710,108	3,361,611

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Grant Award</b>	<b>Expenditures</b>		
				<b>Prior Year</b>	<b>Current Year</b>	<b>Total to Date</b>
Total Expenditures of State Awards			\$ 22,719,455	\$ 6,785,926	\$ 13,669,765	\$ 20,455,691
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Special Populations Program			\$ 76,366	\$ 76,366	\$ -	\$ 76,366
Special Populations Program			76,366	-	76,366	76,366
Open Space Program			200,000	136,194	-	136,194
Foster Grandparents Program			14,000	14,000	(4,244)	9,756
Retired Senior Volunteer Program			5,244	-	5,244	5,244
Child Development Program			7,093	3,019	2,564	5,583
LLE Block Grant Program			5,000	5,000	-	5,000
			<u>384,069</u>	<u>234,579</u>	<u>79,930</u>	<u>314,509</u>
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Alternate Fuel Grant			21,420	-	13,503	13,503
Total Expenditures of Other Awards			\$ 405,489	\$ 234,579	\$ 93,433	\$ 328,012
Total Expenditures - All Awards			\$ 89,020,007	\$ 49,600,470	\$ 24,834,079	\$ 74,434,549

Notes:

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

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2005. 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, 2005 is \$-0-.

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY05.





CITY OF RALEIGH, NORTH CAROLINA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2005

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

*None.*

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

*None.*

CITY OF RALEIGH, NORTH CAROLINA  
**CORRECTIVE ACTION PLAN**  
Year Ended June 30, 2005

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**II – Financial Statement Findings**

**Finding #:** 05-1

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

**Corrective Action Plan:** The City agrees that additional reserve funding will be required in the risk management internal service fund.

**Proposed Completion Date:** Fiscal 2005-2006.

CITY OF RALEIGH, NORTH CAROLINA  
**SUMMARY OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2005

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**Finding 04-1**

This is a recurring finding in 2005 (Finding 05-1).

**Finding 04-2**

Management has corrected this finding in 2005.

**Finding 04-3**

Management has corrected this finding in 2005.





## **Office of the City Manager**

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919-890-3070

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

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