



FINANCIAL SECTION





Report of Independent Auditor

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

Report on the Financial Statements

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 City of Raleigh, North Carolina (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 4. F. to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, and is also not a required part of the financial statements.

The combining and individual fund statements and schedules, as listed in the table of contents, and the accompanying schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 22, 2013

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, 2013. 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

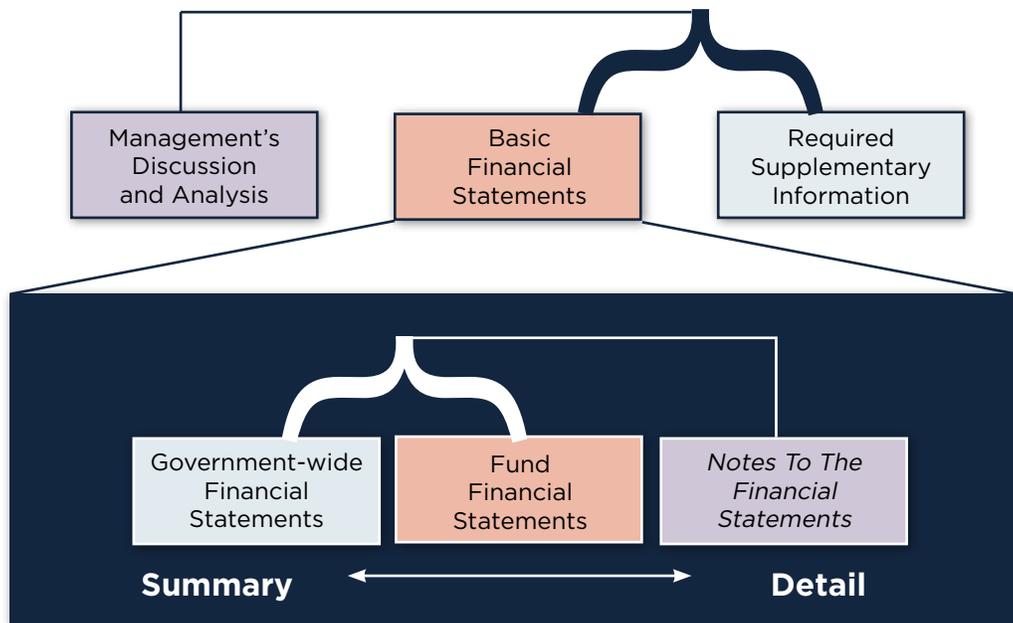
- The assets and deferred outflows of resources of the City of Raleigh exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1.9 billion (*net position*). This amount represents a \$111.1 million increase from prior year. Of this amount, \$302.2 million (*unrestricted net position*) 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 \$440.2 million. Of this total amount, 66.2% or \$291.4 million is *available for spending* at the government's discretion (*assigned for specific purposes or unassigned fund balance*). A large part of this amount is either designated or appropriated for continuing activities of the City.
- At the end of the current fiscal year, assigned fund balance for the general fund was \$35.4 million or 11.3% of total general fund expenditures. Unassigned fund balance is \$68.0 million and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City's total long-term obligations increased by a net of \$59.0 million during the current fiscal year as the issuance of new debt exceeded principal repayments. Highlights of financing issues are as follows:
 - The City issued \$136.25 million in water and sewer revenue refunding bonds to refund prior revenue bond issues.
 - The City issued \$66.9 million in new water and sewer revenue bonds for the construction of various utility projects.
 - The City entered into a new installment financing agreement of \$34.5 million for the purchase of rolling stock equipment.
- The City of Raleigh continues to maintain its AAA/Aaa general obligation bond rating from all three major rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Components of the Financial Section



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

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference between reported as *net position*. 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 position 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 position changed during the most recent fiscal year. All changes in net position 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, leisure services, and economic development programs. The business-type activities of the City include water and sewer, convention and performing arts complex fund, parking facilities, mass transit, stormwater management and solid waste services. The solid waste services activity was converted from a governmental activity to a business-type activity for the fiscal year ended June 30, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 57 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 58 - 61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental 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 62-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the City of Raleigh, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,855.3 million at the close of the most recent fiscal year, compared to \$1,744.2 million at the end of the previous fiscal year.

The following table reflects the condensed Statement of Net Position:

Net Position (in millions of dollars)						
	Governmental activities		Business-type activities		Total activities	
	2012*	2013	2012*	2013	2012*	2013
Current and other assets	\$ 609.5	\$ 615.1	\$ 285.3	\$ 363.8	\$ 894.8	\$ 978.9
Capital assets	860.5	872.1	1,633.2	1,702.2	2,493.7	2,574.3
Deferred outflows of resources	7.8	6.9	105.2	85.9	113.0	92.8
Total assets and deferred outflows of resources	1,477.8	1,494.1	2,023.7	2,151.9	3,501.5	3,646.0
Long-term debt outstanding	541.7	525.9	1,034.9	1,109.8	1,576.6	1,635.7
Other liabilities	69.7	43.0	109.0	109.8	178.7	152.8
Deferred inflows of resources	1.4	0.9	0.6	1.3	2.0	2.2
Total liabilities and deferred inflows of resources	612.8	569.8	1,144.5	1,220.9	1,757.3	1,790.7
Net investment in capital assets	563.3	570.8	703.5	717.9	1266.8	1,288.7
Restricted	294.5	264.4	-	-	294.5	264.4
Unrestricted	7.2	89.1	175.7	213.1	182.9	302.2
Total net position	\$ 865.0	\$ 924.3	\$ 879.2	\$ 931.0	\$ 1,744.2	\$ 1,855.3

* 2012 figures have been restated to reflect the implementation of GASB 63 and 65.

By far the largest portion of the City of Raleigh's net position (\$1.3 billion or 69.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) net of 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 outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$264.4 million or 14.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$302.2 million or 16.3%) 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 position both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased by \$111.1 million during the current fiscal year which includes a reduction in net position of \$3.3 million for a prior period adjustment due to the implementation of GASB 65. The following table summarizes the changes in net position:

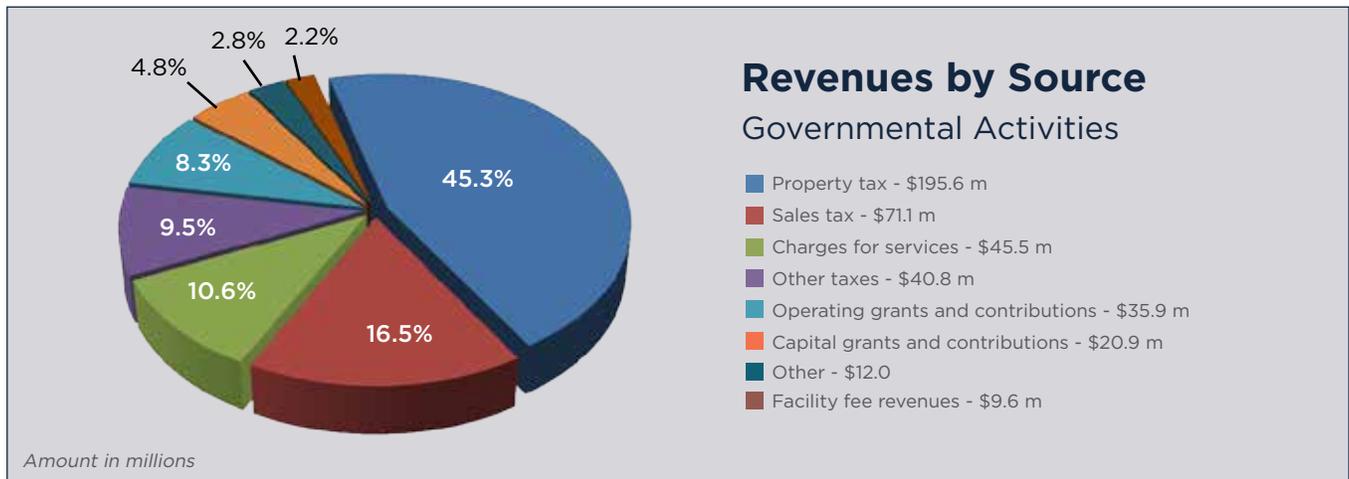
Changes in Net Position						
(in millions of dollars)						
	Governmental activities		Business-type activities		Total activities	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 61.8	\$ 45.5	\$ 215.3	\$ 250.7	\$ 277.1	\$ 296.2
Operating grants and contributions	41.7	35.9	7.5	9.3	49.2	45.2
Capital grants and contributions	17.2	20.9	6.0	7.1	23.2	28.0
General revenues:						
Property taxes	189.4	195.6	-	-	189.4	195.6
Other taxes	108.6	111.9	-	-	108.6	111.9
Other	12.9	21.6	1.1	0.3	14.0	21.9
Total revenues	431.6	431.4	229.9	267.4	661.5	698.8
Expenses:						
General government	52.4	39.2	-	-	52.4	39.2
Community development services	25.0	25.1	-	-	25.0	25.1
Public works	51.8	48.5	-	-	51.8	48.5
Public safety	141.6	142.1	-	-	141.6	142.1
Leisure services	60.3	56.2	-	-	60.3	56.2
Economic development programs	5.7	4.6	-	-	5.7	4.6
Interest on long-term debt	11.0	14.8	-	-	11.0	14.8
Water and sewer	-	-	133.8	135.1	133.8	135.1
Convention center	-	-	34.1	34.1	34.1	34.1
Mass transit	-	-	34.7	33.8	34.7	33.8
Parking facilities	-	-	11.7	11.8	11.7	11.8
Stormwater	-	-	10.6	11.2	10.6	11.2
Solid waste services	23.6	-	-	27.9	23.6	27.9
Total expenses	371.4	330.5	224.9	253.9	596.3	584.4
Increase (decrease) in net position before transfers	60.2	100.9	5.0	13.5	65.2	114.4
Transfers in (out)	(34.2)	(41.2)	34.2	41.2	-	-
Increase (decrease) in net position	26.0	59.7	39.2	54.7	65.2	114.4
Net position, beginning of year	839.0	865.0	840.0	879.2	1,679.0	1,744.2
Prior period adjustment	-	(0.4)	-	(2.9)	-	(3.3)
Net position, end of year	\$ 865.0	\$ 924.3	\$ 879.2	\$ 931.0	\$ 1,744.2	\$ 1,855.3

The change in net position of \$111.1 million was impacted by the following:

- The City's total revenues were \$698.8 million, a 5.6% increase over prior year. A decrease in charges for services in the governmental revenues category is the result of the Solid Waste Services activity being reflected as an enterprise fund rather than as a governmental activity. This decrease in governmental type revenue was offset by the creation of the Solid Waste Services fund in the business type category. Capital grants, property taxes/other taxes and other revenues also saw an increase in fiscal year 2013. The two largest revenue sources for the City are charges for services, which come predominately from water and sewer charges, and makes up 42.4% of the total, and property taxes, which represents 28.0%.
- The total cost of all programs and services was \$596.3 million, a modest 0.4% increase over prior year. Cost containment measures have kept costs relatively flat. The City's expenses cover a range of services, the largest of which are 23.7% related to public safety (police, fire and emergency communications), and 22.4% related to utilities (water and sewer).

GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$431.4 million, while expenses were \$330.5 million. The increase in net position for governmental activities (after transfers out of \$41.2 million and a prior period adjustment of \$0.4 million) was \$59.3 million in 2013.



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

The City received \$329.1 million (or 76.3%) in general revenues from taxes and other revenues:

- Property tax - \$195.6 million
- Sales taxes - \$71.1 million
- Other taxes - \$40.8 million
- Facility fee revenues - \$9.6 million
- Other revenues (such as interest and unrestricted grants) - \$12.0 million

General revenues are used to pay for the \$228.2 million net cost of governmental activities, which represents the cost of services not covered by program revenues.

Those who directly benefited from service-fee based programs, such as parks and recreation, paid \$45.5 million in charges for those services.

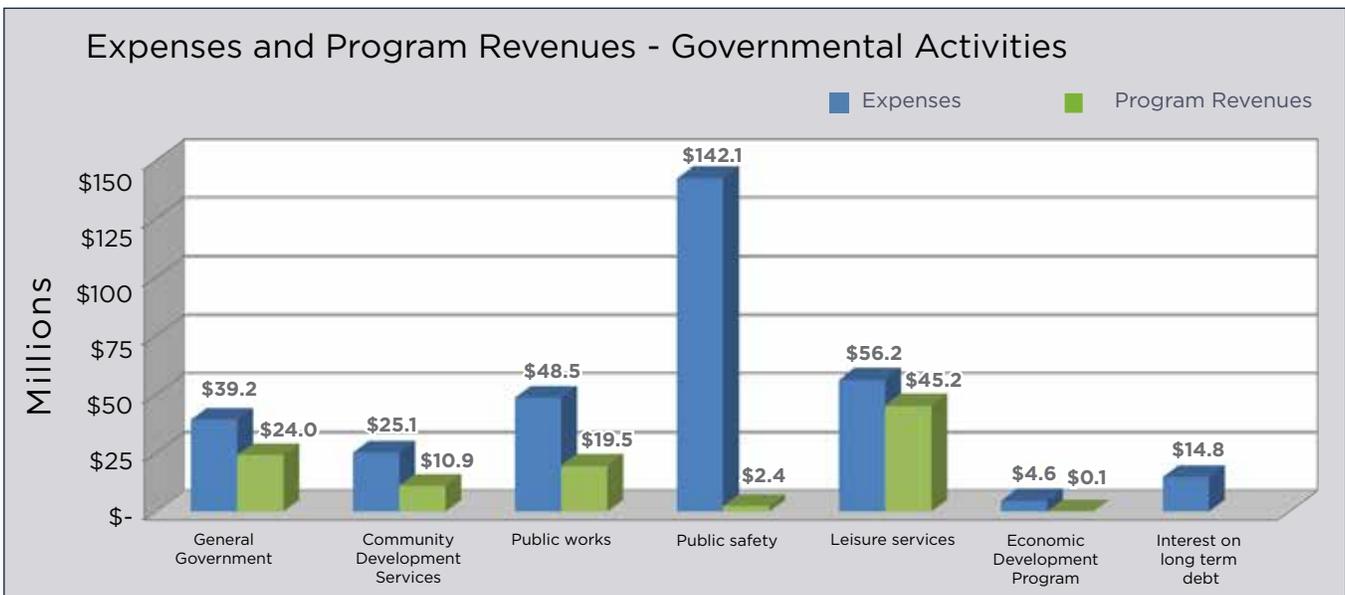
Other governments and organizations subsidized certain City programs with grants and contributions totaling \$56.8 million. Some of the grants and contributions include:

- Support from various federal and state agencies - \$24.4 million
- Interlocal support from Wake County for debt service and other expenses on the convention center - \$17.5 million
- Contributions from annexations of streets and sidewalks - \$7.7 million

The total cost of all governmental activities this year was \$330.5 million. This cost was incurred in order to provide basic municipal services to the citizens of Raleigh. These services include, but are not limited to: public safety (police, fire, emergency communication) leisure services (parks, recreation and cultural resources), public works (street maintenance), general government including city attorney, finance, and information technology. The City's four largest governmental programs represent 86.6% of the total governmental activities:

- Public safety - 43.0%
- Leisure services - 17.0%
- Public works - 14.7%
- General government - 11.9%

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



BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$267.4 million, and expenses were \$253.9 million. The increase in net position for business-type activities (after transfers in of \$41.2 million and a prior period adjustment of \$2.9 million) was \$51.8 million in 2013. The following table shows the total cost and net cost or revenue for these services.

	Total Cost of Services		Net (Cost) Revenue of Services	
	2012	2013	2012	2013
Water and sewer	\$ 133.8	\$ 135.1	\$ 41.0	\$ 57.4
Convention center	34.1	34.1	(21.6)	(21.8)
Parking facilities	11.7	11.8	(0.9)	(1.1)
Mass transit	34.7	33.8	(19.9)	(19.3)
Stormwater	10.6	11.2	5.3	6.4
Solid waste services*	-	27.9	-	(8.4)
Total	\$ 224.9	\$ 253.9	\$ 3.9	\$ 13.2

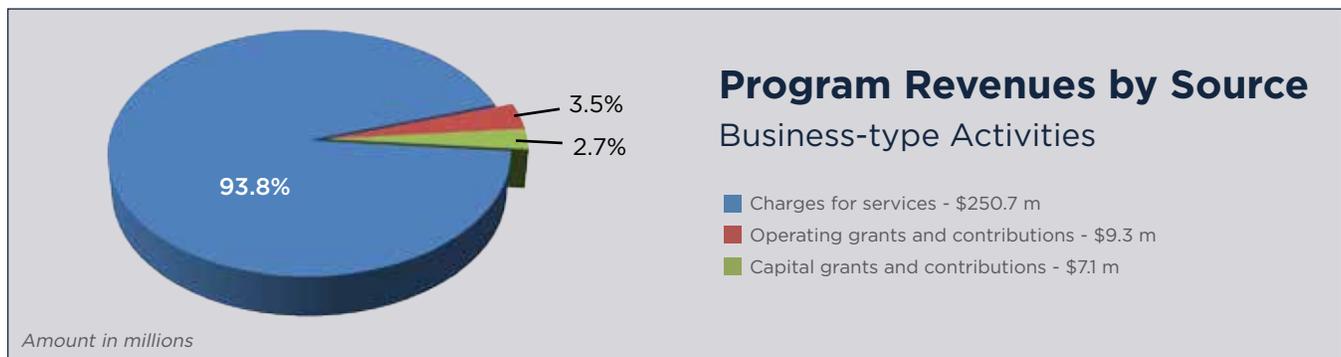
*Previous to 2013, solid waste services activity was reported within governmental activities.

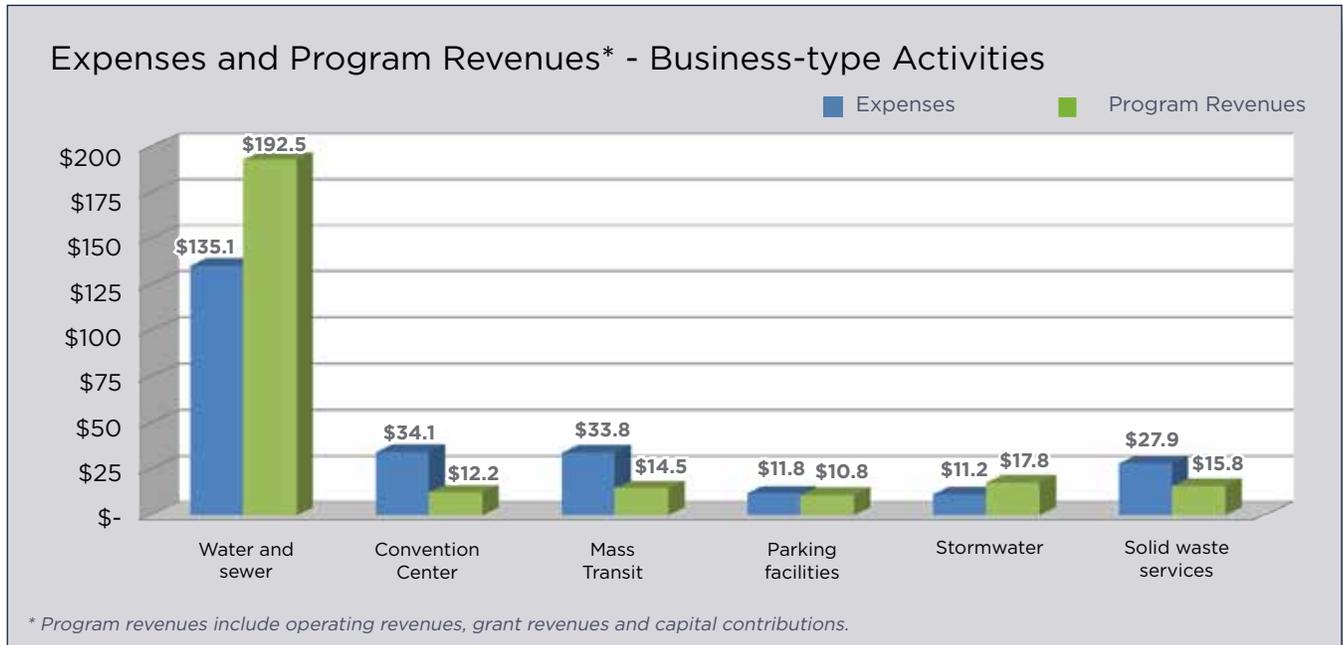
Water and sewer operating revenue of \$186.5 million reflects an increase of 9.4% from the prior year. The increase in revenue was the result of an increase in fees associated with development activity. Operating expenses of \$119.9 million decreased 2.0% from 2012. This slight decrease is largely the result of continuous cost containment efforts from the Public Utilities department.

Convention Center operations including the Performing Arts venue delivered \$12.2 million of operating revenues in 2013, a slight decrease of 1.6% compared to 2012. Operating expenses remained relatively flat compared to 2012. Overall, operations were consistent with expectations.

The parking facilities operations provided \$10.8 million of revenues in 2013, which remained relatively flat when compared to 2012. Operating expenses increased slightly by \$0.3 million, an increase of 3.4% compared to 2012. This increase is a normal fluctuation when considering the nature of operations and scheduled maintenance and labor for the parking operations.

Operating revenues in the mass transit operation of \$5.2 million in 2013 remained relatively flat when compared to prior year. Operating expenses of \$33.4 million in 2013 decreased slightly 3.2% from 2012 which is the result of continuous cost containment efforts. The mass transit operations are subsidized by the general fund and at the Federal and State level through grant funding.





Stormwater operating revenues of \$16.0 million in 2013 are 3.2% higher than in 2012. Stormwater fees were impacted positively by the increase in development activities. Operating expenses of \$11.4 million increased 6.5% from 2012. This was the result of an increase in projects and management initiatives during the year.

The Solid Waste Services fund was created in 2013. The new enterprise fund saw \$19.5 million in revenue and \$29.1 million of operating expenses. This fund is highly subsidized by the general fund with a transfer of \$12.3 million in 2013. By moving the solid waste services activity from the general fund to a standalone enterprise fund, this allows the City to have improved analysis and modeling with the goal of reducing the subsidy from the general fund in future years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

- *Nonspendable* fund balance is 0.7%, representing the City's investment in inventories.
- *Restricted* fund balance of 17.6%, indicates that it is not available for new spending because it has already been committed to cover debt service costs (\$35.2 million), restricted by state statute (\$38.2 million), restricted for federal program reserves (\$1.9 million), restricted for streets (\$0.2 million) or restricted for public safety (\$1.8 million).
- *Committed* fund balance of 15.6%, which can only be used for specific purposes imposed by majority vote by City Council.
- *Assigned* fund balance of 50.6%, which is available for spending at the government's discretion.
- The remaining fund balance of 15.3% is *unassigned*, and represents the City's residual net resources.

Governmental Fund Balance Classification at June 30, 2013 (in millions of dollars)

	General Fund	Nonmajor Governmental	Total Governmental	%
Nonspendable	\$ 3.0	\$ -	\$ 3.0	0.7%
Restricted:				
State statute	38.2	-	38.2	8.7%
Debt service	-	35.2	35.2	8.0%
Federal programs	1.9	-	1.9	0.4%
Streets	0.2	-	0.2	0.2%
Public safety	-	1.8	1.8	0.3%
	<u>40.3</u>	<u>37.0</u>	<u>77.3</u>	<u>17.6%</u>
Committed	68.5	-	68.5	15.6%
Assigned	35.4	188.0	223.4	50.6%
Unassigned	68.0	-	68.0	15.3%
	<u><u>\$ 215.2</u></u>	<u><u>\$ 225.0</u></u>	<u><u>\$ 440.2</u></u>	<u><u>100.0%</u></u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned fund balance of the general fund was \$35.4 million, while total fund balance was \$215.2 million. As a measure of the general fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to total fund expenditures. Assigned fund balance represents 11.3% of total general fund expenditures, while total fund balance represents 68.8% of that same amount, amounts generally consistent with the prior year.

The North Carolina Local Government Commission strongly recommends that local governments maintain an unassigned fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an unassigned fund balance of at least 14% of the succeeding year's expenditure budget. Unassigned fund balance is the amount remaining after management's policy designations. The City's designations of assigned fund balance total \$35.4 million as specified on page 26 of the notes to the financial statements. This includes \$21.3 million appropriated for 2013-14. Unassigned fund balance of \$67.9 million represents 15.9% of the 2013-14 general fund expenditure budget.

The fund balance of the City's general fund increased by \$5.0 million during the current fiscal year. Increased revenues for sales tax (\$3.2 million), property tax (\$5.9 million), and the effects of moving Solid Waste Services into a standalone enterprise fund explains much of this increase.

Proprietary funds. The City of Raleigh's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All enterprise funds are treated as major funds and include the water and sewer, convention and performing arts complex, mass transit, stormwater, parking and solid waste services funds. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

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

General Fund. General fund revenues recognized positive budget variances during 2012-13 with actual results coming in at \$7.7 million above final budget. This is an improvement over recent years, bolstered by positive collection results for property tax and sales tax, two of the City's primary revenue streams. General fund expenditures came in well below budget which resulted in a positive budget variance of \$38.8 million. All expenditures functions and departments reported positive budget variances, which is a result of conservative budget practices as well as the City's cost management efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's cumulative investment in capital assets for its governmental and business type activities as of June 30, 2013, amounts to \$2.6 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery, water and sewer systems, streets and sidewalks, parking decks, buses, equipment, furniture and fixtures, enterprise-wide software and general improvements. The City's investment in capital assets for the current fiscal year was \$80.6 million, a 3.2% increase over prior year.

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

- Construction began and/or was completed for governmental activities including a variety of street projects, parks and greenways, and fire stations. Total governmental projects completed and capitalized in fiscal year 2012-13 were \$22.0 million.
 - One of those completed projects was the Buffalo Road Aquatics Center opened in September 2012, at a total cost of \$8.3 million.
- Equipment acquisitions added \$5.3 million to the City's rolling stock inventory.
- Construction began and/or was completed on additional facilities for various enterprise operations. Total enterprise projects completed and capitalized in fiscal year 2012-13 was \$2.5 million.
 - One of those completed projects was the transit bus terminal, at a total capitalized cost of \$0.4 million.
- Equipment acquisitions added \$2.0 million to the City's rolling stock inventory.
- Annexations added \$7.7 million to streets for governmental activities and \$5.5 million to water and sewer systems for the business-type activities.

Capital Assets*

(in millions of dollars)

	Governmental activities		Business-type activities		Total activities	
	2012	2013	2012	2013	2012	2013
Land	\$ 148.3	\$ 146.9	\$ 75.3	\$ 78.2	\$ 223.6	\$ 225.1
Buildings and machinery	64.7	61.8	314.6	305.5	379.3	367.3
Water and sewer systems	-	-	829.4	812.2	829.4	812.2
Streets and sidewalks	318.5	305.0	1.0	0.9	319.5	305.9
Parking decks	-	-	117.7	114.1	117.7	114.1
Buses	-	-	11.5	10.3	11.5	10.3
Equipment	24.2	23.4	8.1	7.5	32.3	30.9
Furniture and fixtures	0.2	0.1	0.5	0.2	0.7	0.3
Improvements	84.1	84.7	99.8	99.2	183.9	183.9
Enterprise-wide software	33.0	34.6	-	-	33.0	34.6
Construction in progress	187.5	215.6	175.3	274.1	362.8	489.7
Total	\$ 860.5	\$ 872.1	\$ 1,633.2	\$ 1,702.2	\$ 2,493.7	\$ 2,574.3

* Amounts shown net of accumulated depreciation

Additional information on the City's capital assets can be found on pages 30 - 32 of the notes to the financial statements of this report.

Long-term debt. At the end of the current fiscal year, the City had total general obligation bonds outstanding of \$327.8 million. The remainder of the City's debt represents revenue bonds (\$681.6 million) and installment financing agreements (\$507.7 million – installment notes, COPS, etc.) secured solely by specified revenue sources and property. The City's total liability for bonded debt and other installment financing agreements increased by \$50.8 million (3.5%) during 2012-13.

In May 2013, the City issued \$66.9 million in new water and sewer revenue bonds for various utility projects. Additionally, it included \$136.3 million in water and sewer revenue refunding bonds to refund previously issued revenue bonds. The economic benefit to the City from this refunding was \$13.4 million. The issue was rated AAA by Fitch, AAA by Standard and Poor's and Aa1 by Moody's.

Also in May 2013, the City entered into a \$22.0 million drawdown program installment financing for improvements to the performing arts center, street project design and purchase of downtown property. At fiscal year-end, \$0.3 million in proceeds had been drawn down. Subsequent to year end, the agreement was amended to increase the total maximum to \$25.3 million for the purchase of \$3.5 million of additional pieces of property.

Long-Term Debt (stated in millions)						
	Governmental activities		Business-type activities		Total activities	
	2012	2013	2012	2013	2012	2013
General obligation bonds	\$ 344.0	\$ 322.8	\$ 6.7	\$ 5.0	\$ 350.7	\$ 327.8
Revenue bonds	-	-	629.8	681.6	629.8	681.6
Installment financing agreements	142.9	139.1	342.9	368.6	485.8	507.7
Total	\$ 486.9	\$ 461.9	\$ 979.4	\$ 1,055.2	\$ 1,466.3	\$ 1,517.1

In June 2013, the City entered into an installment financing agreement of \$34.5 million for the replacement of governmental rolling stock equipment. Principal and interest installments are paid monthly and carry an interest rate of 0.9%.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8.0% of the total assessed value of taxable property. The City's outstanding net debt of \$867.7 million is significantly less than the current debt limitation of \$4.1 billion.

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

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 34 – 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The financial results for the year ended June 30, 2013, as outlined in the above discussion and analysis, continue to show improvement from prior years, which is indicative of the economic stabilization and steady growth occurring in the local and state economy. Economic improvement is expected to continue in the second half of 2013 and into 2014 as retail, housing, and public revenue sectors show solid signs of growth. Moderate growth in property tax, sales tax, and development revenues are projected for fiscal year 2013-14; however, the City continues to emphasize a disciplined and strategic allocation of resources and fiscal prudence to ensure long-term financial sustainability. The City's ongoing management of its finances has enabled the City to meet its fund balance goals and maintain an AAA/Aaa general credit ratings while continuing to provide the citizens of Raleigh with high levels of service.

Significant factors considered in preparing the City's budget for the 2013-14 fiscal year include the following:

- The 2013-14 combined budgets for operating and capital programs totals \$707.8 million, representing a 5.3% overall increase over the 2012-13 combined budget.
- The adopted General Fund budget for 2013-14 of \$404.8 million is an increase of 5.5% over the adopted 2012-13 budget.
 - The primary revenue, property taxes, is budgeted at \$203.4 million, an increase of \$9.1 million, or 4.7% from 2012-13.
 - The property tax rate remained unchanged at \$.3826/\$100 of assessed valuation from 2012-13.
 - The 2013-14 budget for sales tax is \$74.2 million, an increase of \$5.5 million, or 8.1%, from the 2012-13 budget.
- Consistent with the City's multi-year utility rate model, the budget for water and sewer charges increased 9.8% from \$173.1 million to \$190.1 million for the 2013-14 budget year. This increase is attributed to a sewer rate adjustment and some projected growth.
- The 2013-14 capital budget includes new and/or continuing projects totaling \$177.9 million, including projects for roads, parks, utilities and general public facilities.

REQUESTS FOR INFORMATION

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

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



Basic Financial Statements

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



STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 340,962,774	\$ 202,292,267	\$ 543,255,041
Taxes receivable, net of allowance for uncollectibles of \$10,242,552	2,349,353	-	2,349,353
Assessments receivable, net of allowance for uncollectibles of \$272,878	1,457,168	1,821,998	3,279,166
Customer receivables, net of allowance for uncollectibles of \$7,329,467	17,205	19,860,512	19,877,717
Due from transit management	-	1,162,777	1,162,777
Due from other governmental agencies	11,438,831	2,982,702	14,421,533
Accrued interest receivable	517,092	313,856	830,948
Other receivables and assets	8,151,610	1,779,523	9,931,133
Sales tax receivable	20,199,103	2,823,350	23,022,453
Internal balances	(4,153,201)	4,153,201	-
Inventories	3,809,326	8,855,819	12,665,145
Loans receivable	62,541,845	-	62,541,845
Cash and cash equivalents/investments - restricted deposits and bond proceeds	165,668,745	117,747,436	283,416,181
Net pension assets	2,111,278	-	2,111,278
Capital assets:			
Land and construction in progress	362,527,150	352,344,216	714,871,366
Other capital assets, net of depreciation	509,616,553	1,349,887,101	1,859,503,654
Total assets	1,487,214,832	2,066,024,758	3,553,239,590
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding charges	6,926,204	22,189,288	29,115,492
Accumulated decrease in fair value of hedging derivatives	-	63,704,856	63,704,856
Total deferred outflows of resources	6,926,204	85,894,144	92,820,348
LIABILITIES			
Accounts payable	21,346,897	12,234,287	33,581,184
Accrued salaries and employee payroll taxes	687,776	135,062	822,838
Accrued interest payable	4,071,768	11,378,654	15,450,422
Rehabilitation loans escrow	906,672	-	906,672
Due to pension trust funds	99	-	99
Other current liabilities	196,093	-	196,093
Escrow and other deposits payable from restricted assets	994,054	22,315,164	23,309,218
Reimbursable facility fees	5,328,607	-	5,328,607
Derivative instrument liability	-	63,704,856	63,704,856
Long-term liabilities:			
Due within one year	52,408,645	29,841,131	82,249,776
Due in more than one year	482,259,437	1,079,833,982	1,562,093,419
Net OPEB pension liability	693,979	242,917	936,896
Total liabilities	568,894,027	1,219,686,053	1,788,580,080
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	135,521	-	135,521
Prepaid taxes and assessments	548,136	-	548,136
Prepaid fees	55,820	12,435	68,255
Unearned revenues	201,106	1,250,018	1,451,124
Total deferred inflows of resources	940,583	1,262,453	2,203,036
NET POSITION			
Net investment in capital assets	570,847,812	717,882,026	1,288,729,838
Restricted for:			
Capital projects	178,628,272	-	178,628,272
Community development projects	46,555,453	-	46,555,453
Stabilization by state statute	37,275,769	-	37,275,769
Federal programs	1,903,329	-	1,903,329
Unrestricted	89,095,791	213,088,370	302,184,161
Total net position	\$ 924,306,426	\$ 930,970,396	\$ 1,855,276,822

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 39,184,691	\$ 9,905,717	\$ 14,130,246	\$ -
Community development services	25,083,943	5,315,658	1,144,116	4,534,633
Public works	48,525,192	10,607,085	960,879	7,922,777
Public safety	142,121,282	332,600	2,103,180	-
Leisure services	56,159,746	19,252,439	17,589,309	8,429,865
Economic development programs	4,601,480	53,195	14,145	-
Interest on long-term debt	14,816,089	-	-	-
Total governmental activities	330,492,423	45,466,694	35,941,875	20,887,275
Business-type activities:				
Water and sewer	135,146,023	186,969,495	-	5,607,636
Convention center complex	34,057,518	12,230,716	-	-
Mass transit	33,765,586	5,193,953	7,922,970	1,368,029
Parking facilities	11,826,173	10,771,707	-	-
Solid waste services	27,918,995	19,515,528	-	-
Stormwater	11,209,348	16,024,954	1,405,483	162,995
Total business-type activities	253,923,643	250,706,353	9,328,453	7,138,660
Total City of Raleigh	\$ 584,416,066	\$ 296,173,047	\$ 45,270,328	\$ 28,025,935

General revenues:
Taxes:
Property taxes, levied for general purpose
Local sales tax
Franchise tax
Other taxes
Privilege license tax
Unrestricted investment earnings
Miscellaneous
Total general revenues not including transfers
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment (note 4.D, page 50)
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (15,148,728)	\$ -	\$ (15,148,728)
(14,089,536)	-	(14,089,536)
(29,034,451)	-	(29,034,451)
(139,685,502)	-	(139,685,502)
(10,888,133)	-	(10,888,133)
(4,534,140)	-	(4,534,140)
(14,816,089)	-	(14,816,089)
<u>(228,196,579)</u>	<u>-</u>	<u>(228,196,579)</u>
-	57,431,108	57,431,108
-	(21,826,802)	(21,826,802)
-	(19,280,634)	(19,280,634)
-	(1,054,466)	(1,054,466)
-	(8,403,467)	(8,403,467)
-	6,384,084	6,384,084
-	13,249,823	13,249,823
<u>(228,196,579)</u>	<u>13,249,823</u>	<u>(214,946,756)</u>
195,567,590	-	195,567,590
71,115,246	-	71,115,246
21,312,875	-	21,312,875
11,517,376	-	11,517,376
7,948,748	-	7,948,748
1,203,856	252,902	1,456,758
20,416,318	-	20,416,318
<u>329,082,009</u>	<u>252,902</u>	<u>329,334,911</u>
<u>(41,209,726)</u>	<u>41,209,726</u>	<u>-</u>
287,872,283	41,462,628	329,334,911
59,675,704	54,712,451	114,388,155
865,032,139	879,179,906	1,744,212,045
(401,417)	(2,921,961)	(3,323,378)
<u>\$ 924,306,426</u>	<u>\$ 930,970,396</u>	<u>\$ 1,855,276,822</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 174,703,975	\$ 112,721,991	\$ 287,425,966
Taxes receivable, net of allowance for uncollectibles of \$10,242,552	2,349,353	-	2,349,353
Assessments receivable, net of allowance for uncollectibles of \$73,406	483,309	973,859	1,457,168
Customer receivables	17,205	-	17,205
Due from other governmental agencies	260,897	11,177,934	11,438,831
Accrued interest receivable	387,863	129,229	517,092
Other receivables and assets	7,004,189	-	7,004,189
Sales tax receivable	19,477,575	721,528	20,199,103
Due from other funds	4,299,022	513,643	4,812,665
Inventories	3,019,687	-	3,019,687
Other assets	127,013	-	127,013
Loans receivable	2,037,952	60,503,893	62,541,845
Noncurrent assets:			
Cash and cash equivalents /investments - restricted deposits and bond proceeds	18,007,100	118,651,502	136,658,602
Total assets	<u>\$ 232,175,140</u>	<u>\$ 305,393,579</u>	<u>\$ 537,568,719</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 3,772,824	\$ 8,594,772	\$ 12,367,596
Accrued salaries and employee payroll taxes	884,763	9,106	893,869
Employee taxes and related withholdings	5,251,869	-	5,251,869
Loan servicing escrow	464,476	442,196	906,672
Other liabilities	682,711	5,164	687,875
Due to other funds	111,884	3,322,396	3,434,280
Reimbursable facility fees	232,692	5,095,915	5,328,607
Escrow and other deposits payable from restricted assets	-	994,054	994,054
Due to other governmental agencies	-	196,093	196,093
Total liabilities	<u>11,401,219</u>	<u>18,659,696</u>	<u>30,060,915</u>
DEFERRED INFLOWS OF RESOURCES			
Loans receivable	2,037,952	60,503,893	62,541,845
Property tax receivable	2,349,353	-	2,349,353
Assessments receivable	483,309	973,859	1,457,168
Prepaid assessments	-	4,033	4,033
Prepaid taxes and facility fees	544,103	-	544,103
Unearned revenue	135,521	256,926	392,447
Total deferred inflows of resources	<u>5,550,238</u>	<u>61,738,711</u>	<u>67,288,949</u>
FUND BALANCES			
Nonspendable:			
Inventories	3,019,687	-	3,019,687
Restricted:			
Stabilization by state statute	38,210,531	-	38,210,531
Debt service	-	35,193,038	35,193,038
Federal programs	1,903,329	-	1,903,329
Streets	188,553	-	188,553
Public safety	-	1,838,105	1,838,105
Committed:			
Debt service	68,465,787	-	68,465,787
Assigned:			
Subsequent year's appropriation	21,311,467	167,285,719	188,597,186
Community development	772,137	5,103,214	5,875,351
City projects	514,779	14,159,506	14,674,285
Disaster recovery	-	1,415,590	1,415,590
Debt service	12,523,397	-	12,523,397
Parks and recreation	323,568	-	323,568
Unassigned	67,990,448	-	67,990,448
Total fund balances	<u>215,223,683</u>	<u>224,995,172</u>	<u>440,218,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 232,175,140</u>	<u>\$ 305,393,579</u>	<u>\$ 537,568,719</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 POSITION**
June 30, 2013

Total <i>fund balances</i> for governmental funds	\$	440,218,855
Total <i>net position</i> reported for governmental activities in the statement of net position 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 - \$362,527,150 capital assets being depreciated, net - \$489,728,712).		852,255,862
The net pension assets / liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.		1,417,289
Unamortized refunding charges are reported as expenditures in the funds because current financial resources are used.		6,926,204
Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, employees' health benefits, equipment replacement and vehicle fleet services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.		29,481,204
Taxes receivable - \$2,349,353, and assessments receivable - \$1,457,168 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 inflows of resources in the funds.		3,806,521
Loans receivable - \$62,541,845, a long-term asset, is not available to pay for current expenditures and, therefore is reported as deferred inflows of resources in the funds.		62,541,845
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See below for detail regarding these liabilities.		
General obligation Bonds - long-term, net of issuance premium	\$	(351,611,756)
Installment Financing Agreements - long-term, net of unamortized refunding charges and issuance premium		(99,421,390)
Earned Vacation Pay		(17,236,440)
Accrued Interest Payable		(4,071,768)
	\$	(472,341,354)
Net position of governmental activities	\$	924,306,426

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

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

For the Fiscal Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 195,391,930	\$ -	\$ 195,391,930
Intergovernmental	40,161,322	44,981,904	85,143,226
Developer participation	-	56,756	56,756
Assessments	-	1,124,064	1,124,064
Local sales tax	71,115,246	-	71,115,246
Licenses	21,279,854	-	21,279,854
Gain (loss) on investments	(2,120)	2,983	863
Inspections fees	9,290,731	-	9,290,731
Highway maintenance refunds	1,124,633	-	1,124,633
Facility fees	-	9,570,505	9,570,505
Other fees and charges	18,900,984	-	18,900,984
Rents	491,453	157,592	649,045
Program income	76,467	2,263,007	2,339,474
Other revenues	2,467,151	-	2,467,151
Miscellaneous other	-	875,447	875,447
Total revenues	<u>360,297,651</u>	<u>59,032,258</u>	<u>419,329,909</u>
EXPENDITURES			
Current:			
General government	35,994,581	729,080	36,723,661
Community development services	18,130,534	7,257,488	25,388,022
Public works	19,505,089	2,710,047	22,215,136
Public safety	141,909,104	2,554,367	144,463,471
Leisure services	48,174,341	1,848,692	50,023,033
Economic development programs	2,289,651	2,311,829	4,601,480
Capital outlay	63	66,278,508	66,278,571
Debt service:			
Principal	30,371,026	-	30,371,026
Interest	15,841,528	-	15,841,528
Other debt service expenditures	436,261	-	436,261
Total expenditures	<u>312,652,178</u>	<u>83,690,011</u>	<u>396,342,189</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,645,473</u>	<u>(24,657,753)</u>	<u>22,987,720</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,724,532	23,257,205	32,981,737
Transfers out	(52,362,848)	(24,700,000)	(77,062,848)
Capital related debt issued	63	239	302
Total other financing sources (uses)	<u>(42,638,253)</u>	<u>(1,442,556)</u>	<u>(44,080,809)</u>
Net change in fund balances	5,007,220	(26,100,309)	(21,093,089)
Fund balances - beginning	210,216,463	251,095,481	461,311,944
Fund balances - ending	<u>\$ 215,223,683</u>	<u>\$ 224,995,172</u>	<u>\$ 440,218,855</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, 2013

Net change in *fund balances* - total governmental funds \$ (21,093,089)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$65,524,362 exceeded depreciation \$38,711,138 in the current period. 26,813,224

The net book value (cost \$26,520,158 less total accumulated depreciation \$22,769,989) of capital assets donated to the Solid Waste Services Enterprise Fund reported in business-type activities. 3,750,169

Net change in net pension assets/liabilities. 1,868,362

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$7,724,793; Property taxes - \$175,660; Assessments - (\$210,065); Loss on the Sale of Assets - (\$155,756). 7,534,632

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. 2,326,529

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments \$30,491,025 exceeded proceeds of \$302.

Debt issued or incurred:			
Installment financing		\$	302
Principal repayments:			
General obligation debt			(21,227,470)
Installment financing			(9,263,555)
Net adjustment		\$	<u>(30,490,723)</u>
			30,490,723

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Change in earned vacation pay -(\$338,860), and change in accrued interest expense - (\$246,164). (585,024)

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 refunding charges and premium on bonds are expenses or reduction of expenses in the governmental activities. 1,446,628

Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, employees' health benefits, equipment replacement, and vehicle fleet services to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities. 7,123,550

Change in net position of governmental activities \$ 59,675,704

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Ad valorem taxes	\$ 194,239,035	\$ 194,239,035	\$ 195,391,930	\$ 1,152,895
Intergovernmental	40,934,409	41,063,755	40,161,322	(902,433)
Local sales tax	68,695,536	68,720,536	71,115,246	2,394,710
Licenses	20,205,648	20,705,648	21,279,854	574,206
Gain (loss) on investments	1,237,658	1,237,658	7,810	(1,229,848)
Inspection fees	7,555,750	7,574,842	9,290,731	1,715,889
Highway maintenance refunds	1,150,000	1,150,000	1,124,633	(25,367)
Parks and recreation fees	8,619,226	8,660,936	9,497,081	836,145
Other fees and charges	6,260,042	7,263,837	9,403,903	2,140,066
Other revenues	1,357,270	1,425,270	2,466,990	1,041,720
Total revenues	<u>350,254,574</u>	<u>352,041,517</u>	<u>359,739,500</u>	<u>7,697,983</u>
EXPENDITURES				
General government:				
City council	272,644	274,265	210,237	64,028
City clerk	537,338	544,844	449,596	95,248
City attorney	2,606,625	2,606,625	2,288,482	318,143
Special appropriations	16,337,262	16,122,504	15,406,793	715,711
Agency appropriations	3,575,460	4,159,622	3,535,099	624,523
City manager	2,242,547	2,293,174	2,285,990	7,184
Public affairs office	1,727,752	1,735,164	1,510,015	225,149
Personnel	3,063,718	3,130,809	2,676,208	454,601
Administrative service	1,396,621	1,435,573	1,402,113	33,460
Finance	11,236,131	13,349,703	10,731,667	2,618,036
Information technology	16,339,409	19,012,867	16,521,298	2,491,569
Total general government	<u>59,335,507</u>	<u>64,665,150</u>	<u>57,017,498</u>	<u>7,647,652</u>
Community development services:				
Planning	8,322,105	8,553,857	7,866,962	686,895
Inspections	7,741,386	7,577,223	6,917,020	660,203
Community services	1,793,287	1,713,387	1,445,280	268,107
Economic development	2,130,302	2,395,497	2,289,651	105,846
Total community development services	<u>19,987,080</u>	<u>20,239,964</u>	<u>18,518,913</u>	<u>1,721,051</u>
Public works:				
Central engineering	17,867,117	18,097,115	16,802,865	1,294,250
Transportation	9,963,305	10,365,658	9,709,863	655,795
Total public works	<u>27,830,422</u>	<u>28,462,773</u>	<u>26,512,728</u>	<u>1,950,045</u>
Public safety:				
Emergency communications center	7,280,440	7,691,427	6,622,180	1,069,247
Police	88,398,735	91,022,559	85,324,709	5,697,850
Fire	50,483,534	51,464,579	49,962,215	1,502,364
Total public safety	<u>146,162,709</u>	<u>150,178,565</u>	<u>141,909,104</u>	<u>8,269,461</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Leisure services:				
Parks and recreation	\$ 45,743,563	\$ 47,456,296	\$ 43,239,709	\$ 4,216,587
Continuing recreation activities	8,216,977	8,573,030	4,934,632	3,638,398
Total leisure services	<u>53,960,540</u>	<u>56,029,326</u>	<u>48,174,341</u>	<u>7,854,985</u>
Other expenditures:				
Capital outlay - installment note obligations	63	63	63	-
Total other expenditures	<u>63</u>	<u>63</u>	<u>63</u>	<u>-</u>
Debt service:				
Principal and interest	51,308,546	51,308,546	46,212,554	5,095,992
Other debt service expenditures	1,385,000	1,449,587	436,261	1,013,326
Total debt service	<u>52,693,546</u>	<u>52,758,133</u>	<u>46,648,815</u>	<u>6,109,318</u>
Total expenditures before charge-out	359,969,867	372,333,974	338,781,462	33,552,512
Less: administrative costs charged to other funds	30,384,449	30,384,449	28,030,556	2,353,893
Total expenditures	<u>329,585,418</u>	<u>341,949,525</u>	<u>310,750,906</u>	<u>31,198,619</u>
Excess (deficiency) of revenues over expenditures	20,669,156	10,091,992	48,988,594	38,896,602
OTHER FINANCING SOURCES (USES)				
Transfers in	6,930,348	8,536,996	8,393,105	(143,891)
Transfers out	(43,521,728)	(52,268,596)	(52,268,596)	-
Capital related debt issued	63	63	63	-
Total other financing sources (uses)	<u>(36,591,317)</u>	<u>(43,731,537)</u>	<u>(43,875,428)</u>	<u>(143,891)</u>
Net changes in fund balance	<u>\$ (15,922,161)</u>	<u>\$ (33,639,545)</u>	5,113,166	<u>\$ 38,752,711</u>
Fund balance appropriated	<u>\$ 15,922,161</u>	<u>\$ 33,639,545</u>		
Fund balance - beginning of year			207,807,842	
Fund balance - end of year			<u>\$ 212,921,008</u>	
A legally budgeted Housing Development Fund is consolidated into the General Fund for reporting purposes:				
Gain (loss) on investments			\$ (9,930)	
Rents income			491,453	
Program income			76,467	
Other revenues			161	
Community development expenditures			(1,901,272)	
Net transfer in from the general fund			1,268,711	
Transfer to other funds			(31,536)	
Fund Balance Beginning			2,408,621	
Fund Balance Ending			<u>\$ 2,302,675</u>	

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 June 30, 2013

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 150,366,167	\$ 9,678,059	\$ (163,861)
Customer receivables, net of allowance for uncollectibles of \$7,329,467	17,140,465	-	-
Assessments receivable, net of allowance for uncollectibles of \$99,472	1,821,998	-	-
Due from transit management	-	-	1,162,777
Due from other governmental agencies	1,708,166	-	962,867
Due from other funds	98,877	-	95,157
Accrued interest receivable	236,169	11,952	-
Other receivables and assets	1,035,398	447,417	-
Sales tax receivable	2,464,413	156,028	118,439
Inventories	8,318,026	-	537,793
Insurance deposit	-	-	-
Total current assets	<u>183,189,679</u>	<u>10,293,456</u>	<u>2,713,172</u>
Noncurrent assets:			
Restricted cash and cash equivalents	106,728,386	254,925	50,305
Capital assets:			
Land and improvements	39,735,727	20,829,848	3,994,684
Construction in progress	233,371,244	537,931	435,020
Water and sewer systems	1,118,180,950	-	-
Buildings and machinery	88,737,597	271,091,201	27,539,549
Parking decks	-	-	-
Buses	-	-	29,525,612
Equipment	19,459,190	1,967,772	1,994,629
Furniture and fixtures	50,687	2,490,325	50,046
Improvements	102,286,739	26,577,706	1,787,427
Less accumulated depreciation	<u>(391,191,668)</u>	<u>(63,880,376)</u>	<u>(25,551,684)</u>
Total noncurrent assets	<u>1,317,358,852</u>	<u>259,869,332</u>	<u>39,825,588</u>
Total assets	<u>1,500,548,531</u>	<u>270,162,788</u>	<u>42,538,760</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bond refunding charges	22,132,736	-	-
Accumulated decrease in fair value of hedging derivatives	24,730,022	38,974,834	-
Total deferred outflows of resources	<u>46,862,758</u>	<u>38,974,834</u>	<u>-</u>

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



Enterprise Funds				
Stormwater Fund	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
\$ 35,092,392	\$ 6,992,275	\$ (27,062)	\$ 201,937,970	\$ 53,891,105
1,001,771	554,065	1,164,211	19,860,512	-
-	-	-	1,821,998	-
-	-	-	1,162,777	-
311,669	-	-	2,982,702	-
-	-	-	194,034	-
56,771	7,470	-	312,362	85,576
-	-	296,708	1,779,523	175
37,754	19,747	21,997	2,818,378	541,123
-	-	-	8,855,819	789,639
-	-	-	-	400,000
<u>36,500,357</u>	<u>7,573,557</u>	<u>1,455,854</u>	<u>241,726,075</u>	<u>55,707,618</u>
7,314,361	2	-	114,347,979	32,409,600
2,724,629	8,009,899	2,952,033	78,246,820	-
23,561,255	942,306	15,249,640	274,097,396	-
-	-	-	1,118,180,950	-
-	-	240,699	387,609,046	263,470
-	146,335,184	-	146,335,184	-
-	-	-	29,525,612	-
833,863	286,332	914,436	25,456,222	103,807,552
-	51,382	133,350	2,775,790	5,636
20,953,612	1,814,807	7,135,498	160,555,789	-
(6,757,420)	(32,751,318)	(3,604,353)	(523,736,819)	(81,003,490)
<u>48,630,300</u>	<u>124,688,594</u>	<u>23,021,303</u>	<u>1,813,393,969</u>	<u>55,482,768</u>
<u>85,130,657</u>	<u>132,262,151</u>	<u>24,477,157</u>	<u>2,055,120,044</u>	<u>111,190,386</u>
-	56,552	-	22,189,288	-
-	-	-	63,704,856	-
-	<u>56,552</u>	-	<u>85,894,144</u>	-

Continued

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
LIABILITIES			
Liabilities:			
Accounts payable	\$ 8,401,794	\$ 601,023	\$ 284,401
Accrued salaries and employee payroll taxes	75,930	23,881	1,071
Accrued interest payable	7,014,109	3,442,071	-
Claims payable and other liabilities	-	95,484	-
Due to other funds	38,271	524,781	48,833
Landfill postclosure liability	-	-	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	19,596,262	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	991,186	-	-
Total current liabilities	<u>36,117,552</u>	<u>4,687,240</u>	<u>334,305</u>
Noncurrent liabilities:			
Claims payable and other liabilities	-	-	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	711,116,504	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	12,727,030	243,689,844	-
Landfill postclosure liability	-	-	-
Escrow and other deposits payable from restricted assets	14,695,573	254,925	50,305
Derivative instrument liability	24,730,022	38,974,834	-
Earned vacation pay	2,036,453	571,419	40,350
Net OPEB pension liability	143,497	25,467	3,673
Total noncurrent liabilities	<u>765,449,079</u>	<u>283,516,489</u>	<u>94,328</u>
Total liabilities	<u>801,566,631</u>	<u>288,203,729</u>	<u>428,633</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	64,642	300,701	884,675
Advance construction reimbursements	-	-	-
Total deferred inflows of resources	<u>64,642</u>	<u>300,701</u>	<u>884,675</u>
NET POSITION			
Net investment in capital assets	580,365,033	15,924,563	39,775,283
Unrestricted	165,414,983	4,708,629	1,450,169
Total net position	<u>\$ 745,780,016</u>	<u>\$ 20,633,192</u>	<u>\$ 41,225,452</u>

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

Enterprise Funds				
Stormwater Fund	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
\$ 1,773,361	\$ 285,506	\$ 888,298	\$ 12,234,383	\$ 2,815,077
8,573	4,110	21,497	135,062	9,247
-	775,510	145,779	11,377,469	10,413
-	-	-	95,484	9,367,352
830	936	-	613,651	958,670
-	-	391,996	391,996	-
-	541,884	-	20,138,146	12,885,367
6,981	3,351,343	1,360,246	5,709,756	-
<u>1,789,745</u>	<u>4,959,289</u>	<u>2,807,816</u>	<u>50,695,947</u>	<u>26,046,126</u>
-	-	-	-	16,279,184
-	1,245,538	-	712,362,042	32,305,828
125,649	83,648,439	18,860,237	359,051,199	-
-	-	3,437,339	3,437,339	-
7,314,361	-	-	22,315,164	-
-	-	-	63,704,856	-
219,359	91,273	820,592	3,779,446	270,473
11,754	8,571	49,955	242,917	-
<u>7,671,123</u>	<u>84,993,821</u>	<u>23,168,123</u>	<u>1,164,892,963</u>	<u>48,855,485</u>
<u>9,460,868</u>	<u>89,953,110</u>	<u>25,975,939</u>	<u>1,215,588,910</u>	<u>74,901,611</u>
-	-	-	1,250,018	-
12,435	-	-	12,435	-
<u>12,435</u>	<u>-</u>	<u>-</u>	<u>1,262,453</u>	<u>-</u>
41,183,309	35,957,942	2,800,820	716,006,950	10,291,573
34,474,045	6,407,651	(4,299,602)	208,155,875	25,997,202
<u>\$ 75,657,354</u>	<u>\$ 42,365,593</u>	<u>\$ (1,498,782)</u>	<u>924,162,825</u>	<u>\$ 36,288,775</u>

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

6,807,571

Net position of business-type activities

\$ 930,970,396

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the fiscal year ended June 30, 2013

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
Operating revenues			
User charges	\$ 179,299,081	\$ 12,213,300	\$ 5,061,946
Charges for services - internal	-	-	-
Other	7,224,196	-	132,007
Drug rebate	-	-	-
Total operating revenues	<u>186,523,277</u>	<u>12,213,300</u>	<u>5,193,953</u>
Operating expenses			
Personnel services	-	7,609,156	516,864
Other facility operating costs	-	8,223,893	14,261,398
Operational expenses	-	-	-
Administration	8,347,733	-	-
Water supply and treatment	26,391,914	-	-
Sewer system and treatment	15,396,662	-	-
Warehousing, maintenance and construction	19,144,497	-	-
Other services	4,288,600	-	-
Non-departmental charges	15,485,846	-	-
Management contract charges	-	-	15,512,198
Claims	-	-	-
Premiums	-	-	-
Depreciation	30,831,741	8,644,033	3,126,066
Other	-	-	-
Total operating expenses	<u>119,886,993</u>	<u>24,477,082</u>	<u>33,416,526</u>
Operating income (loss)	<u>66,636,284</u>	<u>(12,263,782)</u>	<u>(28,222,573)</u>
Nonoperating revenue (expense)			
Gain (loss) on investments	397,047	(47,048)	-
Subsidy income - federal and state	-	-	7,922,970
Recovery of claims	-	-	-
Other revenues	325,005	17,416	-
Interest expense	(13,883,263)	(8,297,754)	-
Gain (loss) on disposal for capital assets	121,213	-	(21,976)
Miscellaneous expense	(2,636,245)	(1,436,646)	(336,707)
Total nonoperating revenue (expense)	<u>(15,676,243)</u>	<u>(9,764,032)</u>	<u>7,564,287</u>
Income (loss) before contributions, transfers and special items	50,960,041	(22,027,814)	(20,658,286)
Capital contributions (deficit)	5,607,636	-	1,368,029
Transfers in	75,148	16,689,273	19,095,172
Transfers out	(2,619,091)	(132,301)	(2,458,316)
Change in net position	54,023,734	(5,470,842)	(2,653,401)
Total net position, beginning of year as previously reported	<u>692,995,860</u>	<u>27,513,228</u>	<u>43,878,853</u>
Prior period adjustment			
Adjustment for change in accounting for unamortized issue costs on bonds payable (Note 4d, Page 50)	(1,239,578)	(1,409,194)	-
Total net position, end of year	<u>\$ 745,780,016</u>	<u>\$ 20,633,192</u>	<u>\$ 41,225,452</u>

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

Enterprise Funds				
Stormwater Fund	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
\$ 15,620,142	\$ 10,711,984	\$ 19,496,966	\$ 242,403,419	\$ -
-	-	-	-	69,690,408
404,812	59,723	18,562	7,839,300	35,458
-	-	-	-	749,908
<u>16,024,954</u>	<u>10,771,707</u>	<u>19,515,528</u>	<u>250,242,719</u>	<u>70,475,774</u>
3,527,053	1,604,618	11,100,851	24,358,542	4,035,694
6,817,159	3,876,162	17,587,588	50,766,200	12,594,745
-	-	-	-	3,928,271
-	-	-	8,347,733	-
-	-	-	26,391,914	-
-	-	-	15,396,662	-
-	-	-	19,144,497	-
-	-	-	4,288,600	-
-	-	-	15,485,846	-
-	-	-	15,512,198	-
-	-	-	-	31,479,442
-	-	-	-	1,550,353
1,096,082	3,635,908	374,287	47,708,117	7,404,092
-	-	-	-	45,353
<u>11,440,294</u>	<u>9,116,688</u>	<u>29,062,726</u>	<u>227,400,309</u>	<u>61,037,950</u>
4,584,660	1,655,019	(9,547,198)	22,842,410	9,437,824
(82,939)	(12,960)	-	254,100	1,204,778
1,405,483	-	-	9,328,453	-
-	-	-	-	778,222
-	-	-	342,421	-
-	(2,331,068)	(270,812)	(24,782,897)	(348,131)
-	-	-	99,237	55,601
-	(436,153)	-	(4,845,751)	-
<u>1,322,544</u>	<u>(2,780,181)</u>	<u>(270,812)</u>	<u>(19,604,437)</u>	<u>1,690,470</u>
5,907,204	(1,125,162)	(9,818,010)	3,237,973	11,128,294
162,995	-	(3,750,169)	3,388,491	-
180,486	2,031,145	12,328,519	50,399,743	568,020
<u>(242,911)</u>	<u>(156,127)</u>	<u>(259,122)</u>	<u>(5,867,868)</u>	<u>(1,018,784)</u>
6,007,774	749,856	(1,498,782)	51,158,339	10,677,530
<u>69,649,580</u>	<u>41,888,926</u>	<u>-</u>	<u>-</u>	<u>25,611,245</u>
-	(273,189)	-	-	-
<u>\$ 75,657,354</u>	<u>\$ 42,365,593</u>	<u>\$ (1,498,782)</u>	<u>\$ -</u>	<u>\$ 36,288,775</u>

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

3,554,112

Change in net position of business-type activities

\$ 54,712,451

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the fiscal year ended June 30, 2013

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 186,021,811	\$ 12,748,783	\$ 5,061,946
Payments to employees	(34,565,540)	(7,638,530)	(523,047)
Payments to suppliers and service providers	(55,387,901)	(8,395,066)	(29,544,300)
Claims paid	-	-	-
Premiums paid	-	-	-
Other receipts	325,005	17,416	132,007
Other payments	-	(1,436,646)	-
Net cash provided by (used in) operating activities	<u>96,393,375</u>	<u>(4,704,043)</u>	<u>(24,873,394)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	75,148	16,689,273	19,095,172
Operating subsidies and transfers to other funds	(2,619,091)	(132,301)	(2,458,316)
Operating grants received	-	-	10,487,532
Internal activity - payments from (to) other funds	(45,244)	(159,990)	(46,324)
Net cash provided by (used in) noncapital financing activities	<u>(2,589,187)</u>	<u>16,396,982</u>	<u>27,078,064</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(63,161,919)	(603,158)	(1,571,826)
Capital grants and other capital contributions	898,899	-	(1,804,449)
Proceeds from capital debt	219,771,700	264,844	-
Principal paid on capital debt	(153,524,371)	-	-
Interest paid on capital debt	(29,410,797)	(8,278,737)	-
Other debt related payments	(2,636,245)	-	-
Proceeds from the sale of capital assets	121,213	-	(21,976)
Escrow deposits	1,678,312	-	-
Net cash used in capital and related financing activities	<u>(26,263,208)</u>	<u>(8,617,051)</u>	<u>(3,398,251)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on investments held	444,524	(17,146)	-
Net cash provided by investing activities	<u>444,524</u>	<u>(17,146)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	67,985,504	3,058,742	(1,193,581)
Cash and cash equivalents - beginning of year	189,109,049	6,874,242	1,080,025
Cash and cash equivalents - end of year	<u>\$ 257,094,553</u>	<u>\$ 9,932,984</u>	<u>\$ (113,556)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 66,636,284	\$ (12,263,782)	\$ (28,222,573)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	30,831,741	8,644,033	3,126,066
Miscellaneous nonoperating income	325,005	17,416	-
Miscellaneous nonoperating expense	-	(1,436,646)	-
Change in assets and liabilities:			
Operating receivables	(26,438)	111,231	198,584
Sales tax receivable	(923,319)	(103,156)	42,408
Inventories	(98,435)	-	94,226
Other receivables and assets	(492,129)	-	-
Accounts payable and other accrued liabilities	13,086	(179,248)	(106,923)
Landfill postclosure liability	-	-	-
Escrow and other deposits	-	254,925	1,000
Earned vacation pay and other payroll liabilities	110,479	(29,374)	(6,182)
Unearned revenue	17,101	280,558	-
Total adjustments	<u>29,757,091</u>	<u>7,559,739</u>	<u>3,349,179</u>
Net cash provided by (used in) operating activities	<u>\$ 96,393,375</u>	<u>\$ (4,704,043)</u>	<u>\$ (24,873,394)</u>
Noncash investing, capital, and financing activities:			
Capital contributions from annexations and mergers	<u>\$ 5,503,212</u>	<u>\$ -</u>	<u>\$ -</u>
Capital contributions from grant and assessment receivables	<u>\$ (794,475)</u>	<u>\$ -</u>	<u>\$ -</u>
Prior period adjustment for unamortized bond refunding charges	<u>\$ 1,239,578</u>	<u>\$ 1,409,194</u>	<u>\$ -</u>
Net transfer of assets (liabilities) from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 1,113,895</u>	<u>\$ 52,857</u>	<u>\$ -</u>

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

Enterprise Funds				
Stormwater Fund	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
\$ 15,892,623	\$ 10,824,052	\$ 18,054,609	\$ 248,603,824	\$ 69,690,408
(3,571,952)	(1,606,059)	(10,974,328)	(58,879,456)	(4,035,835)
(6,705,525)	(3,793,570)	(17,073,861)	(120,900,223)	(16,231,689)
-	-	-	-	(33,492,912)
-	-	-	-	(1,550,353)
-	-	-	474,428	1,563,588
-	-	-	(1,436,646)	(45,353)
<u>5,615,146</u>	<u>5,424,423</u>	<u>(9,993,580)</u>	<u>67,861,927</u>	<u>15,897,854</u>
180,486	2,031,145	12,328,519	50,399,743	568,020
(242,911)	(156,127)	(259,122)	(5,867,868)	(1,018,784)
-	-	-	10,487,532	-
830	(772,295)	-	(1,023,023)	1,085,182
<u>(61,595)</u>	<u>1,102,723</u>	<u>12,069,397</u>	<u>53,996,384</u>	<u>634,418</u>
(6,882,509)	(314,752)	-	(72,534,164)	(5,020,428)
1,684,889	-	-	779,339	-
-	-	-	220,036,544	34,526,906
-	(3,751,029)	(1,268,705)	(158,544,105)	(5,822,564)
-	(2,382,707)	(834,174)	(40,906,415)	(351,482)
-	(436,154)	-	(3,072,399)	-
-	-	-	99,237	55,601
(68,164)	-	-	1,610,148	-
<u>(5,265,784)</u>	<u>(6,884,642)</u>	<u>(2,102,879)</u>	<u>(52,531,815)</u>	<u>23,388,033</u>
(48,490)	(8,625)	-	370,263	1,204,596
<u>(48,490)</u>	<u>(8,625)</u>	<u>-</u>	<u>370,263</u>	<u>1,204,596</u>
239,277	(366,121)	(27,062)	69,696,759	41,124,901
42,167,476	7,358,398	-	246,589,190	45,175,804
<u>\$ 42,406,753</u>	<u>\$ 6,992,277</u>	<u>\$ (27,062)</u>	<u>\$ 316,285,949</u>	<u>\$ 86,300,705</u>
\$ 4,584,660	\$ 1,655,019	\$ (9,547,198)	\$ 22,842,410	\$ 9,437,824
1,096,082	3,635,908	374,287	47,708,117	7,404,092
-	-	-	342,421	778,222
-	-	-	(1,436,646)	-
(132,331)	52,345	(1,164,211)	(960,820)	-
(8,697)	(6,147)	(21,997)	(1,020,908)	(65,041)
-	-	-	(4,209)	177,553
-	-	(296,708)	(788,837)	(175)
120,331	88,739	909,794	845,779	(1,834,655)
-	-	(352,573)	(352,573)	-
-	-	-	255,925	-
(44,899)	(1,441)	105,026	133,609	34
-	-	-	297,659	-
<u>1,030,486</u>	<u>3,769,404</u>	<u>(446,382)</u>	<u>45,019,517</u>	<u>6,460,030</u>
<u>\$ 5,615,146</u>	<u>\$ 5,424,423</u>	<u>\$ (9,993,580)</u>	<u>\$ 67,861,927</u>	<u>\$ 15,897,854</u>
\$ -	\$ -	\$ -	\$ 5,503,212	\$ -
\$ -	\$ -	\$ -	\$ (794,475)	\$ -
\$ -	\$ 273,189	\$ -	\$ 2,921,961	\$ -
\$ -	\$ -	\$ (3,750,169)	\$ (3,750,169)	\$ -
<u>\$ 1,156,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,323,453</u>	<u>\$ -</u>

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 June 30, 2013

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 64,816,255
Accrued interest receivable	59,574
	<hr/>
Total assets	64,875,829
	<hr/>
LIABILITIES	
Claims payable	660,000
Due to other funds	99
Accounts payable	2,616
	<hr/>
Total liabilities	662,715
	<hr/>
NET POSITION	
Held in trust for employees' retirement and other post-employment benefits	\$ 64,213,114
	<hr/> <hr/>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 18,332,056
Retiree contributions	1,954,778
Interest	1,385,837
Net increase in the fair value of investments	4,203,900
Less investment expense	(68,855)
Total additions	<u>25,807,716</u>
DEDUCTIONS	
Benefits	15,189,883
Withdrawals and forfeitures	202,934
Professional services	8,853
Total deductions	<u>15,401,670</u>
Change in net position restricted for:	
Employees' retirement and other post-employment benefits	10,406,046
Net position, beginning of year	<u>53,807,068</u>
Net position, end of year	<u>\$ 64,213,114</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

Stormwater fund – The stormwater fund is established to account for revenues and expense related to stormwater management.

Parking 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.

Solid Waste Services fund – The solid waste services fund accounts for the revenues and expenditures related to the operation of the City's residential garbage collection and recycling programs.

Additionally, the City reports the following fund types:

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

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

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, Deferred Outflows/Inflows of Resources and net position or equity

1. Deposits and investments

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

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. In accordance with State law, the City has a portion of its investments in callable securities, some of which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Receivables and payables

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

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

Uncollected taxes billed for vehicles registered by February of the fiscal year are shown as a receivable in the financial statements and are offset by unavailable revenue. Taxes for vehicles registered after February 28, apply to the 2013-14 fiscal year and are not shown as receivables at June 30, 2013.

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 unavailable revenue in an equal amount.

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

Any other accounts receivable which represent amounts not subject to accrual as earned revenue are recorded as assets and are offset by unavailable 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 restricted for specific programs and capital projects. Program grants, primarily accounted for in the special revenue funds, are recognized as receivables and revenue in the period benefited, i.e., at the time reimbursable program costs are incurred.

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

3. Inventories and prepaid items

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

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

4. Restricted Assets

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

5. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City for business-type activities during the fiscal year was \$40,906,415. Of this amount, \$14,312,606 was included as part of the cost of capital assets under construction in connection with water and sewer as well as solid waste services projects.

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, unamortized bond refunding charges and an accumulated decrease in the fair value of hedging derivatives for the City's interest rate swap agreements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category - prepaid taxes, loans receivable, assessments and property taxes receivable and other unavailable revenues.

7. *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.

8. *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 position. Bond premiums and discounts 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.

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.

9. *Net Position/Fund Balances*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year end balance for inventories, which are not spendable resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Interest rate swap

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

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust funds which are not budgeted and four internal service funds which have financial plans approved. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day of June 30, 2013. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds and the convention center financing fund. All other funds including all capital project funds and the remaining grant funds adopt project budgets. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed.

At June 30, 2013, the effect of such amendments, less eliminating transfers, was as follows:

	Original Budget	Total Amendments	Budget June 30, 2013
General Fund	\$ 409,913,983	\$ 19,126,685	\$ 429,040,668
Special Revenue Funds	52,826,424	2,616,857	55,443,281
General Capital Projects Funds	575,133,892	19,347,416	594,481,308
Enterprise Funds	578,049,075	62,854,328	640,903,403
Internal Service Funds	27,741,038	2,096,831	29,837,869

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

B. Deficit net position

The Solid Waste Services fund, an enterprise fund, had a deficit net position of \$1,498,782 as of June 30, 2013. Fiscal year 2012-13 is the first year the Solid Waste Services activity is reported as an enterprise fund. The deficit is related to post closure costs of the City's landfill that are expected to be reduced by future revenues.

Note 3. Detailed notes on all funds

A. Deposits and investments

Deposits. All of the City's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City relies on the State Treasurer to monitor these financial institutions. It is the City's policy to utilize only the pooling method of collateralization. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2013, the City's bank balance in operating accounts was \$18,132,206 and the carrying amount of the City's deposits was \$6,298,664. The difference represents reconciling items such as deposits and payments in transit. Of the bank balance, \$258,086 was covered by federal depository insurance and \$17,874,120 was covered by collateral held under the Pooling Method.

Investments. At June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	%	< 1 Year	1- 3 Years	>3 - 5 Years	> 5 Years
US Government Treasuries	\$ 42,516,606	8.2	\$ 11,258,012	\$ 15,466,827	\$ 13,991,486	\$ 1,800,281
Federal Home Loan Bank	96,646,176	18.6	54,432,948	24,020,227	18,193,001	-
Freddie Mac	63,898,408	12.3	10,463,228	21,081,240	32,353,940	-
Fannie Mae	57,756,677	11.1	318,390	36,227,796	21,122,341	88,150
Federal Farm Credit Bank	153,922,437	29.6	49,956,103	55,840,112	48,126,222	-
Commercial paper	29,907,988	5.8	29,907,988	-	-	-
Bank certificates of deposit	10,000,000	1.9	10,000,000	-	-	-
NCCMT - Cash Portfolio	4,682,033	0.9	4,682,033	-	-	-
NC Municipal Bonds	11,425,947	2.2	258,940	9,305,124	1,861,883	-
Other investments	48,583,291	9.4	35,726,181	9,581,440	1,068,362	2,207,308
Total City-wide investments	\$ 519,339,563	100%	\$ 207,003,823	\$ 171,522,766	\$ 136,717,235	\$ 4,095,739

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City currently holds investments with long-term credit ratings as follows:

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

Concentration of Credit Risk. The City's investment policy does not restrict the level of investment in federal agencies, but it restricts investment in commercial paper or bankers' acceptances of a single issuer to no more than 5.0% of the total investment portfolio. Commercial paper is 5.8% of the total investment, however; the balance is with multiple issuers and, therefore, meets the City's policy.

Fiduciary funds are reported on a stand-alone basis and are not presented in the government-wide statement of net position.

A summary of cash and investments at June 30, 2013 is as follows:

	Government-wide	Fiduciary
Petty cash and change funds	\$ 17,405	\$ -
Deposits (checking, money market)	26,982,093	-
Fiduciary cash	-	61,732,235
Investments	516,255,543	3,084,020
Total cash and cash equivalents	543,255,041	64,816,255
Restricted deposits and bond proceeds	283,416,181	-
Total cash	\$ 826,671,222	\$ 64,816,255

Investment results shown in the financial statements are a combination of actual interest received, realized gains and losses on current year activity, and unrealized gains and losses as of the balance sheet date. For the fiscal year ended June 30, 2013, the City's realized and unrealized losses outpaced gains and actual interest received in many funds, resulting in a loss on investments shown on the face of the financial statements.

B. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows (stated in thousands):

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 148,291	\$ 779	\$ (2,093)	\$ -	\$ 146,977
Construction in progress	187,466	62,863	(34,779)	-	215,550
Total capital assets, not being depreciated	<u>335,757</u>	<u>63,642</u>	<u>(36,872)</u>	<u>-</u>	<u>362,527</u>
Capital assets, being depreciated:					
Buildings and machinery	113,802	-	(241)	115	113,446
Streets and sidewalks	692,965	7,935	3,060	-	703,960
Equipment	104,171	6,777	(922)	2,935	107,091
Furniture and fixtures	2,475	19	(133)	122	2,239
Improvements - general and parks	180,445	1,046	5,239	-	186,730
Software	38,334	-	3,739	-	42,073
Total capital assets being depreciated	<u>1,132,192</u>	<u>15,777</u>	<u>10,742</u>	<u>3,172</u>	<u>1,155,539</u>
Less accumulated depreciation for:					
Buildings and machinery	49,050	2,709	(27)	115	51,617
Streets and sidewalks	374,449	24,466	-	-	398,915
Buses	-	-	-	-	-
Equipment	80,009	7,557	(895)	2,935	83,736
Furniture and fixtures	2,242	60	(27)	122	2,153
Improvements - general and parks	96,306	7,993	(2,256)	-	102,043
Software	5,354	2,104	-	-	7,458
Total accumulated depreciation	<u>607,410</u>	<u>44,889</u>	<u>(3,205)</u>	<u>3,172</u>	<u>645,922</u>
Total capital assets being depreciated, net	<u>524,782</u>	<u>(29,112)</u>	<u>13,947</u>	<u>-</u>	<u>509,617</u>
Governmental activities capital assets, net	<u>\$ 860,539</u>	<u>\$ 34,530</u>	<u>\$ (22,925)</u>	<u>\$ -</u>	<u>\$ 872,144</u>

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

General government	\$ 2,976
Community development	58
Public works	26,750
Public safety	1,908
Leisure services	7,019
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>6,178</u>
Total depreciation expense - governmental activities	<u>\$ 44,889</u>

Annexations: The amount reported as additions for street and sidewalks includes \$7,724,793 from annexations during fiscal year 2012-13.

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 75,295	\$ -	\$ 2,952	\$ -	\$ 78,247
Construction in progress	175,262	85,360	13,475	-	274,097
Total capital assets, not being depreciated	<u>250,557</u>	<u>85,360</u>	<u>16,427</u>	<u>-</u>	<u>352,344</u>
Capital assets, being depreciated:					
Buildings and machinery	387,314	-	295	-	387,609
Streets and sidewalks	1,746	-	-	-	1,746
Water and sewer systems	1,112,474	5,518	189	-	1,118,181
Parking decks	146,284	10	40	-	146,334
Buses	29,140	1,002	-	616	29,526
Equipment	43,120	1,987	921	287	45,741
Furniture and fixtures	2,643	133	-	-	2,776
Improvements	149,691	1,367	7,945	193	158,810
Total capital assets being depreciated	<u>1,872,412</u>	<u>10,017</u>	<u>9,390</u>	<u>1,096</u>	<u>1,890,723</u>
Less accumulated depreciation for:					
Buildings and machinery	72,716	9,423	27	-	82,166
Streets and sidewalks	728	70	-	-	798
Water and sewer systems	282,999	22,975	-	-	305,974
Parking decks	28,641	3,608	-	-	32,249
Buses	17,613	2,197	-	598	19,212
Equipment	34,989	2,598	883	278	38,192
Furniture and fixtures	2,137	472	27	-	2,636
Improvements	49,923	7,591	2,288	193	59,609
Total accumulated depreciation	<u>489,746</u>	<u>48,934</u>	<u>3,225</u>	<u>1,069</u>	<u>540,836</u>
Total capital assets being depreciated, net	<u>1,382,666</u>	<u>(38,917)</u>	<u>6,165</u>	<u>27</u>	<u>1,349,887</u>
Business-type activities capital assets, net	<u>\$ 1,633,223</u>	<u>\$ 46,443</u>	<u>\$ 22,592</u>	<u>\$ 27</u>	<u>\$ 1,702,231</u>

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

Water/Sewer	\$ 30,832
Convention center	8,644
Parking	3,636
Mass Transit	3,126
Solid Waste Services	1,096
Stormwater	374
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	<u>1,226</u>
Total depreciation expense - business-type activities	<u>\$ 48,934</u>

Annexations: The amount reported as additions for water and sewer systems includes \$5,503,212 added from annexations during fiscal year 2012-13.

Commitments - construction projects

At June 30, 2013, the City has \$86,999,424 in project obligations for business-type activities for construction projects in progress as follows: \$78,521,421 for water and sewer projects, \$234,186 for transit projects, \$6,944,333 for stormwater projects, \$368,734 for convention center projects, \$625,601 for solid waste services projects and \$305,149 for parking garage projects. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, federal grants, storm water fees and certificates of participation.

In addition, the City has \$65,139,018 in general government project obligations at June 30, 2013. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction, and other major public facilities. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2013.

C. Unavailable Revenue and Unearned Revenue

Governmental funds report unavailable 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 inflows of resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	General	NonMajor Governmental	Total
Amounts arising from cash:			
Police informant account	\$ 83,927	\$ -	\$ 83,927
Cemetery cash account	8,086	-	8,086
Cafeteria plan cash	43,508	-	43,508
Prepaid taxes and assessments	544,103	4,033	548,136
Grants, program income	-	201,106	201,106
Streets and sidewalk advance	-	55,820	55,820
	<u>679,624</u>	<u>260,959</u>	<u>940,583</u>
Amounts not arising from cash:			
Loans receivable	2,037,952	60,503,893	62,541,845
Taxes receivable	2,349,353	-	2,349,353
Assessments receivable	483,309	973,859	1,457,168
	<u>4,870,614</u>	<u>61,477,752</u>	<u>66,348,366</u>
Total	<u>\$ 5,550,238</u>	<u>\$ 61,738,711</u>	<u>\$ 67,288,949</u>

D. Interfund receivables, payables, and transfers

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

The composition of interfund balances as of June 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 2,775,139
	Internal service funds	958,670
	Proprietary funds	565,114
	Pension fund	99
Nonmajor governmental funds	Nonmajor governmental funds	448,380
	Proprietary funds	48,537
	General fund	16,727
Water and sewer fund	Nonmajor governmental funds	98,877
Mass transit fund	General fund	<u>95,157</u>
	Total	<u><u>\$ 5,006,700</u></u>

The largest component of receivables to the general fund represents cash deficits which were reclassified from the following special revenue funds; community development (\$1,537,822), disaster recovery (\$185,614) and grants fund (\$962,397). This reclass occurs due to the nature of grant drawdowns occurring after spending has taken place. The second largest component of receivables to the general fund is from the Print Shop fund, which is an internal service fund, of \$958,670. This fund will consolidate into the general fund beginning in the new fiscal year. The general fund also has a \$523,562 interfund loan from the Convention Center fund. The largest portion of nonmajor governmental funds to nonmajor governmental funds, \$355,339 represents reimbursement for streets projects that are recorded in the street improvement fund.

A summary of interfund transfers for the fiscal year ended June 30, 2013 is as follows:

	Nonmajor		Water and	Solid waste	Convention	Parking facilities	Mass transit	Stormwater	Internal	Total Transfers
	General fund	governmental funds	sewer funds							
General fund	\$ -	\$ 18,199,760	\$ 75,148	\$ 12,328,519	\$ 2,026,247	\$ 2,031,145	\$ 17,702,029	\$ -	\$ -	\$ 52,362,848
Nonmajor governmental funds	8,643,831	-	-	-	14,663,026	-	1,393,143	-	-	24,700,000
Water and sewer funds	-	2,010,585	-	-	-	-	-	180,486	428,020	2,619,091
Solid waste services fund	-	259,122	-	-	-	-	-	-	-	259,122
Convention center funds	22,949	109,352	-	-	-	-	-	-	-	132,301
Parking facilities operating funds	-	16,127	-	-	-	-	-	-	140,000	156,127
Mass transit fund	99,082	2,359,234	-	-	-	-	-	-	-	2,458,316
Stormwater utility fund	-	242,911	-	-	-	-	-	-	-	242,911
Internal service funds	958,670	60,114	-	-	-	-	-	-	-	1,018,784
Total Transfers In	\$ 9,724,532	\$ 23,257,205	\$ 75,148	\$ 12,328,519	\$ 16,689,273	\$ 2,031,145	\$ 19,095,172	\$ 180,486	\$ 568,020	\$ 83,949,500

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

The transfer made internally in the general fund between its operating and debt service components was \$41,935,177. This transfer was eliminated as part of the consolidation of the general fund as reported in the basic financial statements.

E. Operating leases

During fiscal year 2012-13 total rental payments on noncancelable operating leases was \$6,109,878. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2013:

<u>Fiscal Year Ending June 30</u>	
2014	\$ 5,989,806
2015	4,787,700
2016	2,870,072
2017	2,045,080
2018	360,445
2019 and beyond	362,040
	<u>\$ 16,415,143</u>

F. Long-term obligations

1. General obligation bonds

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

General obligation bonds outstanding at June 30, 2013 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, 2013</u>
<u>Governmental Activities</u>					
Housing-Series 1996	5.6% to 5.75%	6/1/1996	6/1/2016	\$ 2,280,000	\$ 345,000
Public Improvement, Series 2002C	4.0%	12/1/2002	2/1/2013	14,905,000	-
Public Improvement, Series 2004	3.0% to 3.25%	3/1/2004	4/1/2015	15,000,000	1,000,000
Public Improvement Refunding - Series 2004A	3.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	4,815,799
Housing, Series, 2004B	4.22% to 4.375%	3/1/2004	4/1/2017	7,000,000	2,805,000
Street Improvement, Series 2005A	4.0%	8/1/2005	2/1/2015	10,600,000	1,200,000
Public Improvement, Series 2005B	4.0%	8/1/2005	2/1/2015	50,585,000	5,800,000
Housing Series 2007 Taxable	5.1% to 5.4%	3/1/2007	3/1/2027	7,000,000	4,900,000
Public Improvement, Series 2009A	2.25% to 4.25%	3/10/2009	2/1/2029	11,130,000	8,910,000
Public Improvement Refunding - Series 2009B	2.25% to 2.5%	3/11/2009	2/1/2017	13,778,981	5,312,633
Housing, Series 2009C - Taxable	3.7% to 5.5%	3/11/2009	2/1/2029	10,000,000	8,000,000
GO Refunding, Series 2009D	3.5% to 5.0%	7/28/2009	12/1/2020	33,640,000	30,325,000
GO Refunding, Series 2009E	4.0% to 5.0%	7/28/2009	12/1/2018	14,180,000	14,180,000
Public Improvement, Series 2009F	3.0% to 5.0%	9/3/2009	2/1/2029	57,665,000	50,765,000
Housing, Series 2009G	3.5% to 5.3%	9/3/2009	2/1/2030	10,000,000	8,500,000
GO Refunding, Series 2011A	3.0% to 5.0%	10/27/2011	9/1/2022	32,055,000	32,055,000
GO Refunding, Series 2011B	0.55% to 1.5%	10/27/2011	9/1/2015	1,870,000	1,305,000
Public Improvement, Series 2012A	2.0% to 5.0%	5/15/2012	4/1/2032	9,000,000	8,700,000
Public Improvement, Series 2012B	2.0% to 5.0%	5/16/2012	4/1/2032	138,600,000	133,900,000
Total Governmental Activities					<u>\$ 322,818,432</u>

General obligation bonds outstanding at June 30, 2013:

<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, 2013</u>
<u>Business-type Activities</u>					
Water and Sewer:					
Sanitary Sewer Refunding - Series 2002C	4.0%	12/1/2002	2/1/2013	\$ 3,055,000	\$ -
Water Refunding, Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	1,718,657
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	1,020,545
Sanitary Sewer Refunding - Series 2009B	2.25% to 4.0%	3/11/2009	2/1/2017	1,305,737	503,441
Water and Sewer Total					<u>3,242,643</u>
Parking Facilities:					
Parking Facilities Refunding-Series 2009B	2.25% to 4.0%	3/11/2009	2/1/2017	4,445,282	1,713,926
Parking Facilities Total					<u>1,713,926</u>
Total Business-type Activities					<u>\$ 4,956,569</u>

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 20,969,543	\$ 13,521,887	\$ 1,605,457	\$ 138,152
2015	20,760,143	12,862,355	1,579,858	95,067
2016	19,969,503	12,015,497	1,385,497	50,984
2017	19,739,243	11,121,775	385,757	9,645
2018	20,055,000	10,172,650	-	-
2019-2023	97,100,000	36,893,750	-	-
2024-2028	79,675,000	18,335,025	-	-
2029-2032	44,550,000	3,576,213	-	-
	<u>\$ 322,818,432</u>	<u>\$ 118,499,152</u>	<u>\$ 4,956,569</u>	<u>\$ 293,848</u>

Status of bond authorizations

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2013:

<u>October 11, 2011</u>	
Housing	\$ 16,000,000
Transportation	20,000,000
	<u>\$ 36,000,000</u>

On October 8, 2013, a general obligation bond referendum was approved by the voters for \$75 million in transportation bonds.

2. Defeased debt and refundings

During fiscal year 2012-13, the City issued \$136,250,000 of water and sewer revenue refunding bonds to generate resources for future debt service payments on \$117,175,000 of series 2006A revenue bonds and \$21,220,000 of series 2005 revenue refunding bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$14,410,371. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 21 years by \$16,857,059 and resulted in an economic gain of \$13,357,437.

In prior years, the City has defeased various other bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2013, the amount of defeased debt outstanding was \$47,685,000 for general obligation and \$279,275,000 for non-general obligation.

3. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are payable serially over the next 30 years and have stated interest rates between 0.65% and 5.0% and one variable rate issue at 4.163% at June 30, 2013.

The City has pledged water and sewer customer revenues, net of specified operating expenses, to repay \$681,605,000 in water and sewer system revenue bonds. This pledge relates to all water and sewer revenue bonds outstanding, issued for the purpose of making water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2043. Annual debt service requirements for 2012-13 were 23.1% of gross utility revenue and are expected to remain in this range.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	\$ 15,715,000	\$ 28,451,465
2015	19,445,000	29,540,822
2016	22,155,000	28,648,658
2017	23,150,000	27,934,175
2018	24,035,000	27,057,098
2019-2023	133,110,000	120,012,023
2024-2028	143,505,000	89,753,203
2029-2033	158,270,000	54,001,743
2034-2038	110,410,000	19,855,401
2039-2043	31,810,000	3,844,750
	<u>\$ 681,605,000</u>	<u>\$ 429,099,338</u>

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2013.

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

Operating revenues	\$ 186,523,277
Operating expenses	<u>119,886,993</u>
Operating income	66,636,284
Nonoperating revenues	6,526,049
Nonoperating expenses	<u>(19,138,599)</u>
Change in net position	54,023,734
Allowable revenue adjustments for calculation	(5,635,043)
Allowable expense adjustments for calculation	<u>49,828,358</u>
Income available for debt service	98,217,049
Debt service, principal and interest paid on revenue bonds and certain state loans (Parity)	\$ 37,062,626
Debt service coverage ratio	2.65

4. Other long-term obligations

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, limited obligation bonds, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is \$738,875,330.

Installment financing agreements

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

This debt was sold by the Walnut Creek Financing Assistance Corporation, a blended component unit of the City, whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to the variable rate certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. The interest rates, per the remarketing agreements, cannot exceed 12.0%. The maximum interest, which cannot exceed 12.0%, required for these variable rate certificates through maturity would be \$375,886,800. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2012-13 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

Issue	Balance June 30, 2013	Agreement Expiration	Fees Paid FY 2013	Interest Rate June 30, 2013
2004A	\$ 55,000,000	January 5, 2016	\$ 387,553	0.05 %
2005B	\$ 188,425,000	December 26, 2014	\$ 1,004,254	0.05/0.06 %

During fiscal year 2012-13, the City drew down \$264,844 in debt proceeds from a PNC Drawdown Program for improvements to the Duke Energy Center for the Performing Arts. This installment financing program was initiated in May 2013 and operates similar to a credit line in that the City reimburses its capital expenditures by drawing down proceeds. The City owes only what it has drawn to date, and interest is a variable rate which was 0.56% at June 30, 2013. This program has both governmental and business-type activity components, with a total maximum limit of \$22,000,000. Subsequent to fiscal year end, agreement was amended to increase the total maximum to \$25,300,000.

The debt service requirements to maturity for these variable rate installment financing agreements, including the converted fixed rate note, are shown below:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	\$ -	\$ 9,527,071
2015	7,360,000	9,458,610
2016	7,959,844	9,138,605
2017	8,040,000	8,825,032
2018	8,410,000	8,474,488
2019-2023	48,325,000	36,521,801
2024-2028	60,715,000	24,957,638
2029-2033	83,270,000	10,926,676
2034-2037	19,610,000	558,335
	<u>\$ 243,689,844</u>	<u>\$ 118,388,256</u>

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.0% to 5.25% (downtown improvement projects), 1.76% (enterprise resource planning technology), and 3.0% to 4.25% (parks projects). The City also previously entered into limited obligation bonds that carry fixed coupon interest rates from 3.0% to 5.57%, and one variable rate at 0.16% at June 30, 2013, for the purpose of rehabilitating existing structures and constructing remote operations centers. Principal and interest requirements will be provided by appropriation in the year in which they become due.

During fiscal year 2012-13, the City drew down \$239 in debt proceeds from a PNC Drawdown Program for design of street improvement project. This installment financing program was initiated in May 2013 and operates similar to a credit line in that the City reimburses its capital expenditures by drawing down proceeds. The City owes only what it has drawn to date, and interest is a variable rate which was 0.56% at June 30, 2013. This program has both governmental and business-type activity components, with a total maximum limit of \$22,000,000. Subsequent to fiscal year end, agreement was amended to increase the total maximum to \$25,300,000.

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 9,179,688	\$ 3,812,321
2015	9,260,312	3,514,705
2016	8,383,820	3,239,043
2017	8,413,733	2,770,029
2018	7,839,589	2,515,113
2019-2023	19,297,109	10,092,489
2024-2028	15,340,970	6,667,734
2029-2033	15,773,115	3,363,111
2034-2037	5,008,642	349,041
	<u>\$ 98,496,978</u>	<u>\$ 36,323,586</u>

The City has previously entered into installment financing agreements to finance various downtown parking facilities. These agreements bear interest at rates ranging from 4.20% to 5.25% with a variable rate component for one agreement, not to exceed 15%, which was 0.20% at June 30, 2013. There are also two variable rate agreements that had interest rates of 0.20% and 0.16% at June 30, 2013. 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
2014	\$ 3,325,000	\$ 3,192,883
2015	3,435,000	3,074,722
2016	3,530,000	2,968,770
2017	3,660,000	3,003,135
2018	3,790,000	2,861,003
2019-2023	19,530,000	12,753,858
2024-2028	20,050,000	9,490,325
2029-2033	21,820,000	4,924,775
2034-2037	7,570,000	524,650
	<u>\$ 86,710,000</u>	<u>\$ 42,794,121</u>

During the current fiscal year, the Solid Waste Services Department was moved from the general fund to a separate enterprise fund. The debt associated with the Solid Waste Services function was moved from general government to business-type activities. These include certificates of participation that carry fixed interest rates of 4.0% to 5.0% (solid waste transfer station), limited obligation bonds that carry fixed coupon interest rates from 3.0% to 5.57% and a variable rate of 0.16% (design and construction of remote operations center). Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	\$ 1,276,706	\$ 827,370
2015	1,288,705	777,030
2016	1,304,706	732,961
2017	1,316,705	689,974
2018	1,328,706	637,323
2019-2023	6,857,890	2,356,493
2024-2028	5,834,030	768,106
2029-2032	356,885	42,806
2034-2037	71,377	2,141
	<u>\$ 19,635,710</u>	<u>\$ 6,834,204</u>

The City has previously issued certificates of participation and master installment financing agreements to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. The debt issues carry fixed interest rates ranging from 1.75% to 2.79%. During fiscal year 2012-13, the City issued \$34,526,906 in rolling stock equipment installment financing that carries an interest rate of 0.90%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 11,314,171	\$ 430,680	\$ 1,571,196	\$ 56,046
2015	8,468,816	263,406	932,541	28,988
2016	8,507,341	167,592	937,488	18,083
2017	6,360,603	83,548	661,818	8,689
2018	5,830,557	26,258	606,663	2,731
	<u>\$ 40,481,488</u>	<u>\$ 971,484</u>	<u>\$ 4,709,706</u>	<u>\$ 114,537</u>

State Revolving Loans

During the current fiscal year, the City's Water and Sewer Utility enterprise received \$7,544,657 in proceeds from state revolving fund loans. These loans carry fixed interest rates of 0.0% to 2.45% and are payable over 20 years. Final amounts for these loans will be determined when the associated projects close. Repayment will begin six months after project completion.

The City has previously entered into state revolving loans to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.6% to 5.85% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), and 0.0% (spray irrigation). Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. The City's participation in the state revolving fund loan program is summarized below:

	Interest	Date	Date	Amount of	Balance
	Rates	Issued	Series	Original	Outstanding
<u>State Revolving Loans</u>			Matures	Issue	June 30, 2013
Water and Sewer:					
Crabtree Creek Interceptor-State Bond Loan	5.85%	3/1/1998	5/1/2016	\$ 5,000,000	\$ 750,000
Neuse River Nitrogen Removal	2.95%	7/31/1998	5/1/2018	7,972,965	1,990,254
Crabtree Creek Interceptor Phase 3	2.60%	1/7/2000	5/1/2020	3,300,000	1,155,000
Rolesville Projects (F-97-0931)	2.66%	11/14/2005	5/1/2025	2,316,247	1,389,747
Rolesville Projects (F-98-0931)	2.66%	11/14/2005	5/1/2025	683,753	410,252
Spray Irrigation	0.00%	9/1/2010	5/1/2030	625,694	478,306
Crabtree Creek North Bank Interceptor	2.45%	7/5/2011	TBD	11,094,556	5,836,491
Centennial Reuse Pipeline Segment 4	0.00%	5/1/2012	TBD	5,125,312	1,708,166
Water and Sewer Total					<u>13,718,216</u>
Stormwater:					
Stormwater-Water Pollution Control	0.00%	3/11/2009	5/1/2032	139,610	132,630
Stormwater Total					<u>132,630</u>
Total Loan Amount					<u>\$ 13,850,846</u>

Annual maturities for Water and Sewer Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	\$ 991,186	\$ 169,279
2015	1,368,419	134,850
2016	1,368,419	100,015
2017	1,118,419	76,555
2018	1,118,419	56,533
2019-2023	3,106,844	112,620
2024-2028	2,326,842	11,970
2029-2033	1,942,436	-
2034-2037	377,233	-
	<u>\$ 13,718,217</u>	<u>\$ 661,822</u>

The City's Stormwater Utility enterprise entered into a revolving loan in the amount of \$139,610 administered by the state, but with funding from the Environmental Protection Agency. This loan is to be repaid in annual payments over 20 years at 0.0% interest. All proceeds for this loan were drawn and the first annual installment of \$6,980 was paid during fiscal year 2012-13.

Annual maturities for the Stormwater Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	
2014	\$	6,980
2015		6,981
2016		6,980
2017		6,981
2018		6,980
2019-2023		34,903
2024-2028		34,902
2029-2032		27,923
	<u>\$</u>	<u>132,630</u>

Other City obligations include installment purchase agreements for various land and building acquisitions, and capital construction projects. These agreements and notes bear interest at rates from 0.0% to 8.0%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 63,770	\$ 4,594
2015	28,067	623
	<u>\$ 91,837</u>	<u>\$ 5,217</u>

Earned vacation pay

At June 30, 2013, earned vacation pay consists of \$17,506,913 for governmental activities and \$3,779,446 for business-type activities.

Landfill postclosure care costs

State and federal laws and regulations require the City to maintain a final cover over its Wilders Grove landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed for waste disposal on December 31, 1997. During FY13, the third party cost estimate was updated for both postclosure costs and the corrective action plan (CAP) costs associated with ground water violations at the landfill identified in FY08. The \$3,829,335 reported as landfill postclosure liability as of June 30, 2013 includes the CAP report cost estimate as well as the cost to perform the on-going postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to demonstrate financial assurance for postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial assurance test submitted to DENR on November 6, 2012.

5. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 344,045,902	\$ -	\$ 21,227,470	\$ 322,818,432	\$ 20,969,543
Unamortized premiums - GO bonds	31,056,628	-	2,263,307	28,793,321	2,263,304
Bond refunding charges - GO bonds	(7,846,545)	-	(920,341)	(6,926,204)	(920,340)
Installment financing agreements	142,882,782	31,273,271	35,085,750	139,070,303	20,557,629
Unamortized premiums on IFA	1,604,555	-	771,978	832,577	103,665
Earned vacation pay	17,932,426	10,334,386	10,759,899	17,506,913	10,759,899
Landfill postclosure	4,181,908	-	4,181,908	-	-
Claims payable	27,660,006	-	2,013,467	25,646,536	9,367,352
Total governmental activities	<u>\$ 561,517,662</u>	<u>\$ 41,607,657</u>	<u>\$ 75,383,438</u>	<u>\$ 527,741,878</u>	<u>\$ 63,101,052</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 6,679,100	\$ -	\$ 1,722,531	\$ 4,956,569	\$ 1,605,457
Unamortized premium - GO bonds	208,132	-	46,292	161,840	46,291
Bond refunding charges - GO bonds	(332,837)	-	(83,210)	(249,627)	(83,210)
Revenue bonds	629,750,000	203,145,000	151,290,000	681,605,000	15,715,000
Unamortized premium - Rev. bonds	24,267,545	30,255,617	8,746,384	45,776,778	2,771,396
Bond refunding charges - Rev. bonds	(9,994,136)	(14,410,371)	(2,464,846)	(21,939,661)	(1,544,893)
Installment financing agreements	342,931,982	32,107,464	6,443,340	368,596,106	7,171,068
Unamortized premiums - IFA	316,383	668,313	110,141	874,555	109,883
Earned vacation pay	2,828,323	2,885,679	1,934,556	3,779,446	1,934,556
Landfill postclosure	-	4,181,908	352,573	3,829,335	391,996
Claims payable	95,484	-	-	95,484	95,484
Total business-type activities	<u>\$ 996,749,976</u>	<u>\$ 258,833,610</u>	<u>\$ 168,097,761</u>	<u>\$ 1,087,485,825</u>	<u>\$ 28,213,028</u>

The current year additions to the installment financing agreements include noncash related financing activities in the amount of \$63 for governmental activities.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end \$270,473 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.

6. 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, 2013, the City had no arbitrage liabilities.

7. Interest rate swaps

2005 Swap

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

The certificates of participation and the related swap agreement mature on February 1, 2034. The swap notional amount of \$188,425,000 matches the variable rates certificates of participation. Beginning in February 2015, the notional value of the swap and the principal amount of the associated debt will decline annually. Under the swap agreement, the City pays the counterparty a fixed interest payment semiannually at 4.36% of the notional amount and receives a variable interest payment equivalent to the Bond Market Association Municipal Swap Index (BMA). At June 30, 2013, the swap had a negative fair value to the City of \$38,974,834. 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, 2013, 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, 2013, Citibank NA, the counterparty, was rated "A3" by Moody's Investor's Service, "A" by Standard and Poor's Ratings Services, and "A" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 38.

Using rates as of June 30, 2013, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2005B variable rate certificates, were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2014	\$ -	\$ 113,055	\$ 8,102,275	\$ 8,215,330
2015-2019	40,300,000	519,066	37,199,730	37,718,796
2020-2024	50,580,000	386,451	27,695,655	28,082,106
2025-2029	63,570,000	219,849	15,755,845	15,975,694
2030-2034	33,975,000	50,199	3,597,595	3,647,794
Total	\$ 188,425,000	\$ 1,288,620	\$ 92,351,100	\$ 93,639,720

*Computed using 4.36% less floating rate paid to the City (0.06% at June 30, 2013) times \$188,425,000 less accumulated annual reductions, if any.

2008 Swap

On February 9, 2006, the City entered into forward starting swap transactions with two financial institutions as related to \$150,000,000 of water and sewer revenue bonds to be issued in 2008. The City engaged the swap transactions effective June 18, 2008 in conjunction with the issue of variable rate revenue bonds. Under the swap agreements, the City pays the counterparties a fixed interest rate payment at 4.163% of the swap notional amount (\$150,000,000) and receives a variable interest rate payment equivalent to the BMA. At June 30, 2013, the swaps had a combined negative fair value to the City of \$24,730,022, which mitigates the City's exposure to credit risk. However, should interest rates change and the fair value of swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair values. At June 30, 2013, Citigroup and Wells Fargo, the counterparties, were rated "A3"/"AA-"/"A" and "A2"/"A"/"A+", respectively by Moody's, Standard and Poor's, and Fitch. The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the termination date. As rates vary, variable rate bond interest payments and net swap payments shown below are components of the business type activities revenue bond debt service requirements as reported on page 37.

Using the rates as of June 30, 2013, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2008 A and B variable rate bonds were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2014	\$ 3,880,000	\$ 83,643	\$ 5,719,787	\$ 5,803,430
2015-2019	22,040,000	381,228	26,069,641	26,450,869
2020-2024	27,415,000	308,934	21,125,937	21,434,871
2025-2029	34,090,000	219,063	14,980,258	15,199,321
2030-2034	42,350,000	107,334	7,339,857	7,447,191
2035	9,630,000	5,778	395,119	400,897
Total	\$ 139,405,000	\$ 1,105,980	\$ 75,630,599	\$ 76,736,579

*Computed using 4.163% less floating rate paid to the City (0.06% at June 30, 2013) times \$150,000,000 less accumulated annual reductions, if any.

G. Restricted assets

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

<u>Governmental</u>	<u>Deposits</u>	<u>Unspent Debt Proceeds</u>
General Fund	\$ 184,818	\$ 17,822,282
Nonmajor governmental funds	994,054	117,657,448
Total governmental	<u>1,178,872</u>	<u>135,479,730</u>
<u>Enterprise</u>		
Water and sewer fund	14,695,573	92,032,813
Convention center fund	254,925	-
Mass transit fund	50,305	-
Stormwater fund	7,314,361	-
Parking Fund	-	2
Total enterprise	<u>22,315,164</u>	<u>92,032,815</u>
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	29,010,143
Public utilities equipment replacement fund	-	3,399,457
Total internal service fund	<u>-</u>	<u>32,409,600</u>
Total	<u>\$ 23,494,036</u>	<u>\$ 259,922,145</u>

Note 4. Other information

A. Risk management and employees' health benefits

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 programs and the purchase through the private sector of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year.

City insurance coverage includes workers' compensation, general liability, automobile liability, police liability, automobile comprehensive, real and personal property. For workers' compensation, the City self-insures the first \$1,000,000 per occurrence with excess coverage of \$10,000,000 per occurrence and employers' liability coverage of \$1,000,000 per occurrence and in the aggregate. For liability, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 in the aggregate. For property, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value of \$300,000,000 in the aggregate. The excess coverage includes \$100,000,000 in the aggregate for loss due to flood and \$10,000,000 annual aggregate for flood plain location losses.

The City of Raleigh, in accordance with NC General Statute §159-29, maintains a Public Official Bond on The Chief Financial Officer in the amount of \$500,000. In addition, the City purchases a Crime and Fidelity insurance policy for all other employees in the amount of \$1,000,000. City taxes are collected by the Wake and Durham County tax collectors. Wake and Durham County tax collectors are endorsed onto the City of Raleigh's Crime and Fidelity insurance policy for their collection of taxes on behalf of the City of Raleigh up to the \$1,000,000 coverage limit.

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 \$25,646,536 reported for these two internal service funds at June 30, 2013, 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 2012-13 and 2011-12 are as follows:

	<u>2013</u>	<u>2012</u>
Insurance claims payable, beginning of year	\$ 27,660,006	\$ 27,812,204
Current year claims and changes in estimates	29,466,002	31,533,282
Claim payments	<u>(31,479,472)</u>	<u>(31,685,480)</u>
Insurance claims payable, end of year	<u>\$ 25,646,536</u>	<u>\$ 27,660,006</u>

Employees' health benefits and risk management current portion of pending claims is \$9,367,352.

B. Commitments and contingent liabilities

Commitment - loan guarantees

The City has provided a loan guaranty to Bank of America, in the original amount of \$275,000. The loan balance as of June 30, 2013 was \$17,564. The guaranty provides the borrower, CMA Associates Limited Partnership, financial assistance in connection with the construction and operation of an apartment project at City Market, in accordance with the City's downtown housing redevelopment program.

Commitment - enterprise funds

The City has entered into a raw water storage contract with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's fiscal year 2012-13 obligation was \$714,977. It is estimated, at this time, that the future annual cost to the City will not exceed \$800,000.

Contingent liabilities

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

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

Contingent liabilities – facility fees

The City enters into Thoroughfare Facility Fee Reimbursement contracts that provide developers with contract awards based on the calculated value of the capital contributions to the City. Each contract states minimum amounts that must be paid and recorded as long-term liabilities in the City's entity-wide financial statements. The remaining liability amounts for each contract are paid based on a formula and are contingent on available funds in the facility fee reimbursement account. The total value of the contracts at June 30, 2013 was \$14,177,851. Of this amount, \$5,095,915 was recorded as a liability, and the remaining \$9,081,936 represents a contingent liability.

Contingent liabilities – Charter Square, LLC

On November 20, 2008, the City entered into a tri-party agreement between the City of Raleigh, Charter Square, LLC and Bank of America concerning the development of Site One, a parcel of land in downtown Raleigh that was sold by the City to Charter Square on that same date. The tri-party agreement, as amended, was subsequently assigned and amended on December 22, 2010 with Bank of America assigning its rights and obligations under the tri-party agreement to Americo Financial Life and Annuity Insurance Company.

In its agreements with the City, Charter Square, LLC agreed to construct an office building, pedestrian plaza, and public connector ("the project") on the Site One property by November 19, 2013. If Charter Square, LLC failed to complete the Project by November 19, 2013, it would be contractually obligated to reconvey Site One to the City, and the City would be contractually obligated to reacquire Site One from Charter Square, LLC. Additionally, should Charter Square, LLC fail to meet the milestone of starting construction on the project by September 20, 2012, then it was acknowledged by the parties to the tri-party agreement that Charter Square, LLC would be unable to meet the Project completion milestone date of November 19, 2013. In that case, the City would be obligated on or before November 19, 2013 to repurchase the Site One property for \$5,275,000 and to reimburse Charter Square, LLC's Project construction costs incurred to date, not to exceed \$5,500,000, and other third party Project costs, not to exceed \$9,500,000, for a potential maximum obligation to the City of \$20,275,000. On September 19, 2012, all parties agreed to extend the start of the construction milestone by one year to September 20, 2013. Construction had yet to begin on the Project by September 20, 2013 and, consequently, the Raleigh City Council authorized the City to reacquire the Site One Property by November 19, 2013 and to reimburse Charter Square, LLC its construction costs and third party out of pocket Project Costs, such maximum obligation not to exceed \$20,275,000. The City is currently auditing the reimbursement amount provided by Charter Square, LLC and expects the total amount due to Charter Square, LLC to be less than the maximum amount of \$20,275,000.

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 \$100,338 to the council during the fiscal year ended June 30, 2013. 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, 2013 the City appropriated \$46,350 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

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

Interlocal agreement with Wake County

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

At June 30, 2013 the balance of the trust maintained by the County was \$1,318,111, which is not available to the City except for current and future projects jointly determined by the City and the County. During fiscal year 2012-13, the City received funding as follows: an annual \$1,000,000 that the City Council previously dedicated for

continuing support of the performing arts and convention center complex; an annual \$680,000 to fund visitor-related programs and activities and \$17,494,977 to support the financing of the convention center facility. The City will continue to receive \$1,000,000 allocations that the City Council may use for any eligible purpose in the original state legislation. In addition, the City will annually receive 85% of all uncommitted interlocal tax funds for debt service and other costs related to the convention center facility.

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

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6% occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the bureau's minimum annual distributions, the City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of \$1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2013. 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, 2013. 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. Prior Period Adjustment

It was necessary to restate the financial results for the fiscal year ended June 30, 2012. The City's early implementation of GASB Statement 65 requires that bond issuance costs, previously deferred and amortized, be accounted for as current expenditures retroactively. Accordingly, beginning net position was reduced by \$3,323,378 reflecting the write-off of unamortized bond issuance costs. The effects to beginning net position were reflected in governmental activities in the amounts of \$401,417 and in enterprise funds; water and sewer fund \$1,239,578, convention center fund \$1,409,194 and the parking fund \$273,189.

E. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

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

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$12,793,475, \$13,036,530, and \$12,137,748, 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, 2013 were \$3,492,365 which consisted of \$2,217,994 from the City and \$1,274,371 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, 2012, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	126
Current active employees	<u>764</u>
Total	<u>890</u>

Summary of significant accounting policies:

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$2,712,850 or 6.2% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

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

Employer annual required contribution	\$ 2,411,473
Interest paid on pension obligation	(91,616)
Adjustment to annual required contribution	114,027
Annual pension cost	<u>2,433,884</u>
Employer contributions made for current fiscal year	<u>(2,712,850)</u>
Increase in net pension asset	(278,966)
Net pension (asset) obligation beginning of fiscal year	<u>(1,832,312)</u>
Net pension (asset) obligation end of fiscal year	<u><u>\$ (2,111,278)</u></u>

Annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

The trend information is as follows:

Funding Status:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset End of Year</u>
June 30, 2011	\$ 2,358,084	78.4%	\$ (1,762,120)
June 30, 2012	2,279,862	103.1%	(1,832,312)
June 30, 2013	2,433,884	111.5%	(2,111,278)

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

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 11.3% funded. The actuarial accrued liability for benefits was \$27,480,439, and the actuarial value of assets was \$3,103,169, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,377,270. The covered payroll (annual payroll of active employees covered by the plan) was \$43,960,650, and the ratio of UAAL to the covered payroll was 55.5%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Post Employment Benefits (OPEB) Plan

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

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

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

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

All active full-time employees are eligible for membership. At December 31, 2012, the plan membership consisted of:

Law enforcement officers	743
Firefighters	528
General employees	2,288
Retirees	<u>1,469</u>
Total	<u>5,028</u>

Summary of significant accounting policies:

Funding policy. The City pays the full cost or almost full cost of coverage, depending on coverage plan selected, for health care and life insurance benefits, and a \$100 monthly Medicare supplement for eligible retirees. The City has chosen to fund the plan benefits based on an actuarially determined annual required contribution. For the current year the City contributed \$15,213,810 or 8.2% of the annual covered payroll. Contributions made by retirees for dependent coverage and Medicare supplement premiums were \$1,954,778.

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

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

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

Employer annual required contribution	\$ 13,242,037
Interest paid on OPEB obligation	201,229
Adjustment to annual required contribution	(167,254)
Annual OPEB cost	<u>13,276,012</u>
Employer contributions made for current fiscal year	(15,213,810)
Increase in net OPEB obligation	(1,937,798)
Net OPEB (asset) obligation beginning of fiscal year	<u>2,874,694</u>
Net OPEB (asset) obligation end of fiscal year	<u><u>\$ 936,896</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected medical cost trend rates of 9.5% to 5.0%, including an inflation component of 3.0%. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as level percentage of pay on a closed basis. The remaining amortization period was 27 years.

The trend information is as follows:

Fiscal Year Ending	Annual Plan Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation End of Year
June 30, 2011	\$ 11,594,778	97.0%	\$ 1,119,652
June 30, 2012	13,419,845	86.9%	2,874,694
June 30, 2013	13,276,012	114.6%	936,896

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 11.7% funded. The actuarial accrued liability for benefits was \$159,349,708, and the actuarial value of assets was \$18,679,039, resulting in an unfunded actuarial accrued liability (UAAL) of \$140,670,669. The covered payroll (annual payroll of active employees covered by the plan) was \$184,795,621, and the ratio of UAAL to the covered payroll was 76.1%.

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

Supplemental Retirement Plan – Section 401a

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

Funding policy. For each eligible employee who contributes a minimum of 1.0% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 2.0%) into the 401a plan. During fiscal year 2012-13, the City contributed \$2,211,130 to the plan.

The FY 2012-13 combining financial statements for the City's pension trust funds are as follows:

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ASSETS				
Cash and cash equivalents	\$ 41,263,030	\$ 2,079,131	\$ 21,474,094	\$ 64,816,255
Accrued interest receivable	-	16,754	42,820	59,574
Total assets	41,263,030	2,095,885	21,516,914	64,875,829
LIABILITIES				
Claims payable	-	-	660,000	660,000
Due to other funds	-	-	99	99
Accounts payable	-	-	2,616	2,616
Total liabilities	-	-	662,715	662,715
NET POSITION				
Held in trust for employees' retirement and other post-employment benefits	<u>\$ 41,263,030</u>	<u>\$ 2,095,885</u>	<u>\$ 20,854,199</u>	<u>\$ 64,213,114</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,211,130	\$ 2,712,850	\$ 13,408,076	\$ 18,332,056
Retiree contributions	-	-	1,954,778	1,954,778
Interest	948,973	83,725	353,139	1,385,837
Net increase (decrease) in the fair value of investments	3,987,637	(7,224)	223,487	4,203,900
Less investment expense	(68,855)	-	-	(68,855)
Total additions	7,078,885	2,789,351	15,939,480	25,807,716
DEDUCTIONS				
Benefits	1,647,747	2,635,758	10,906,378	15,189,883
Withdrawals and forfeitures	202,934	-	-	202,934
Professional services	-	-	8,853	8,853
Total deductions	1,850,681	2,635,758	10,915,231	15,401,670
Change in net position restricted for: Employees' retirement and other post-employment benefits	5,228,204	153,593	5,024,249	10,406,046
Net position, beginning of year	36,034,826	1,942,292	15,829,950	53,807,068
Net position, end of year	\$ 41,263,030	\$ 2,095,885	\$ 20,854,199	\$ 64,213,114

F. New Pronouncements

The GASB has issued pronouncements which are effective for the fiscal year ended June 30, 2013.

GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements. The statement addresses how to account for and report service concession arrangements (SCA's), a type of public-private partnership between state and local governments. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management has determined that the impacts of this Statement are not applicable to the City.

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34. This is a result of a reexamination of the previous reporting entity guidance contained in Statement No. 14. The most significant effect is the increased emphasis on a financial benefit or burden between the primary government and component units. The provisions of this Statement are effective for financial statements for period beginning after June 15, 2012. Management has determined that the impacts of this Statement are not applicable to the City.

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. With this Statement, government entities that are required to follow GASB standards can choose to follow accounting and financial guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Management has determined that the impacts of this Statement did not have a material effect on the City.

GASB Statement No. 63 – Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. Additionally, it renames the statement of net assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City implemented this Statement effective for fiscal year ending June 30, 2013.

GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This Statement provides guidance and establishes the accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City early implemented this Statement effective for fiscal year ending June 30, 2013.

The GASB has issued pronouncements prior to June 30, 2013 which have an effective date that may impact future presentations.

GASB Statement No. 66 Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No 62. This Statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. This Statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This Statement is effective for periods beginning after June 15, 2014.

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

G. Subsequent Events

The City has evaluated events through October 22, 2013 in connection with the preparation of these financial statements which is the date the financials were available to be issued.

H. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.



Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2007	\$ 3,212,204	\$ 20,637,390	\$ 17,425,186	15.6%	\$ 38,040,517	45.8%
2008	2,954,824	21,207,776	18,252,952	13.9	38,067,290	47.9
2009	2,795,680	26,817,291	24,021,611	10.4	41,855,845	57.4
2010	2,967,018	25,647,487	22,680,469	11.6	43,621,569	52.0
2011	2,935,667	26,577,019	23,641,352	11.1	43,872,223	53.9
2012	3,103,169	27,480,439	24,377,270	11.3	43,960,650	55.5

Note:

Information presented as of December 31 actuarial valuation date.

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

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 1,635,739	115.3%
2009	1,734,482	101.4
2010	1,825,948	97.3
2011	2,350,053	78.7
2012	2,262,849	103.9
2013	2,411,473	112.5

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2006	\$ -	\$ 116,429,137	\$ 116,429,137	0.0%	\$ 155,026,716	75.1%
2007	-	133,746,768	133,746,768	0.0	159,006,932	84.1
2008	4,465,872	132,977,930	128,512,058	3.4	169,937,802	75.6
2010	10,143,872	150,185,303	140,041,431	6.8	188,427,731	74.3
2011	12,879,600	151,583,713	138,704,113	8.5	189,054,112	73.4
2012	18,679,039	159,349,708	140,670,669	11.7	184,795,621	76.1

Notes:

Information presented as of December 31 actuarial valuation date.

No actuarial report was issued for December 31, 2009.

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

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 9,669,155	89.4%
2009	10,715,321	106.2
2010	11,243,180	95.5
2011	11,580,475	97.1
2012	13,405,285	87.0
2013	13,242,037	114.9

Notes to the Required Schedules:

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

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	26 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	7.00%
Medical cost trend rate	
Pre-Medicare trend rate	8.50% to 5.00%
Post-Medicare trend rate	0.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%



Combining and Individual Financial Statements and Schedules

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

Included are the following:

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



Nonmajor Governmental Funds

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 36,127,197	\$ 76,594,794	\$ 112,721,991
Assessments receivable, net of allowance for uncollectibles of \$122,286	-	973,859	973,859
Due from other funds	105,174	408,469	513,643
Due from other governmental agencies	8,925,830	2,252,104	11,177,934
Accrued interest receivable	56,770	72,459	129,229
Sales tax receivable	73,029	648,499	721,528
Loans receivable	60,503,893	-	60,503,893
Cash and cash equivalents/investments - restricted deposits and bond proceeds	5,614,423	113,037,079	118,651,502
Total assets	<u>\$ 111,406,316</u>	<u>\$ 193,987,263</u>	<u>\$ 305,393,579</u>
LIABILITIES			
Accounts payable	\$ 1,009,657	\$ 7,585,115	\$ 8,594,772
Accrued salaries and employee payroll taxes	9,047	59	9,106
Loan servicing escrow	442,196	-	442,196
Other liabilities	-	5,164	5,164
Due to other funds	2,873,517	448,879	3,322,396
Reimbursable facility fees	-	5,095,915	5,095,915
Escrow and other deposits payable from restricted assets	-	994,054	994,054
Due to other governmental agencies	-	196,093	196,093
Total liabilities	<u>4,334,417</u>	<u>14,325,279</u>	<u>18,659,696</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	201,106	55,820	256,926
Assessment receivable	-	973,859	973,859
Prepaid assessments	-	4,033	4,033
Loans receivable	60,503,893	-	60,503,893
Total deferred inflows of resources	<u>60,704,999</u>	<u>1,033,712</u>	<u>61,738,711</u>
FUND BALANCES			
Restricted for debt service	35,193,038	-	35,193,038
Restricted for public safety	1,838,105	-	1,838,105
Assigned:			
Assigned for subsequent year's appropriation	2,816,953	164,468,766	167,285,719
Assigned for city projects	-	14,159,506	14,159,506
Assigned for community development	5,103,214	-	5,103,214
Assigned for disaster recovery	1,415,590	-	1,415,590
Total fund balances	<u>46,366,900</u>	<u>178,628,272</u>	<u>224,995,172</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,406,316</u>	<u>\$ 193,987,263</u>	<u>\$ 305,393,579</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds	Capital Projects Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 28,864,970	\$ 16,116,934	\$ -	\$ 44,981,904
Developer participation	-	56,756	-	56,756
Assessments	-	1,124,064	-	1,124,064
Gain (loss) on investments	(73,976)	76,959	-	2,983
Facility fees	-	9,570,505	-	9,570,505
Rents	157,592	-	-	157,592
Program income	2,263,007	-	-	2,263,007
Miscellaneous other	615,020	260,427	-	875,447
Total revenues	<u>31,826,613</u>	<u>27,205,645</u>	<u>-</u>	<u>59,032,258</u>
EXPENDITURES				
Current:				
General government	729,080	-	-	729,080
Community development services	7,257,488	-	-	7,257,488
Public works	2,710,047	-	-	2,710,047
Public safety	2,554,367	-	-	2,554,367
Leisure services	1,848,692	-	-	1,848,692
Economic development programs	2,311,829	-	-	2,311,829
Street paving/sidewalk projects	-	22,026,200	-	22,026,200
Parks and recreation projects	-	26,609,804	-	26,609,804
Walnut creek amphitheater projects	-	599,637	-	599,637
Other public improvements	-	15,710,877	-	15,710,877
Technology capital projects	-	1,331,990	-	1,331,990
Total expenditures	<u>17,411,503</u>	<u>66,278,508</u>	<u>-</u>	<u>83,690,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,415,110</u>	<u>(39,072,863)</u>	<u>-</u>	<u>(24,657,753)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	486,499	22,780,706	(10,000)	23,257,205
Transfers out	(15,063,026)	(9,646,974)	10,000	(24,700,000)
Note proceeds	-	239	-	239
Total other financing sources and uses	<u>(14,576,527)</u>	<u>13,133,971</u>	<u>-</u>	<u>(1,442,556)</u>
Net change in fund balances	(161,417)	(25,938,892)	-	(26,100,309)
Fund balances - beginning	46,528,317	204,567,164	-	251,095,481
Fund balances - ending	<u>\$ 46,366,900</u>	<u>\$ 178,628,272</u>	<u>\$ -</u>	<u>\$ 224,995,172</u>



Special Revenue Funds

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



Special Revenue Funds

Grants Fund (nonmajor fund)

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

Housing Bond Fund (nonmajor fund)

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

Community Development Fund (nonmajor fund)

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

Disaster Recovery Fund (nonmajor fund)

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

Convention Center Financing Fund (nonmajor fund)

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

Emergency Telephone System Fund (nonmajor fund)

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013**

	Grants Fund	Housing Bond Fund	Community Development Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,520,214	\$ -
Due from other governmental agencies	1,638,521	-	2,192,467
Accrued interest receivable	-	-	-
Sales tax receivable	40,531	2,598	3,230
Due from other funds	105,174	-	-
Loans receivable	-	35,260,114	25,243,779
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	5,614,423	-
Total assets	<u>\$ 1,784,226</u>	<u>\$ 43,397,349</u>	<u>\$ 27,439,476</u>
LIABILITIES			
Accounts payable	\$ 521,268	\$ 156,177	\$ 276,570
Accrued salaries and employee payroll taxes	7,915	-	-
Loan servicing escrow	-	60,891	381,305
Due to other funds	1,053,937	-	1,537,822
Total liabilities	<u>1,583,120</u>	<u>217,068</u>	<u>2,195,697</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	201,106	-	-
Loans receivable	-	35,260,114	25,243,779
Total deferred inflows of resources	<u>201,106</u>	<u>35,260,114</u>	<u>25,243,779</u>
FUND BALANCES			
Restricted:			
Debt service	-	-	-
Public safety	-	-	-
Assigned:			
Assigned for subsequent year's appropriation	-	2,816,953	-
Assigned for community development	-	5,103,214	-
Assigned for disaster recovery	-	-	-
Total fund balances	<u>-</u>	<u>7,920,167</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,784,226</u>	<u>\$ 43,397,349</u>	<u>\$ 27,439,476</u>



Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 31,934,821	\$ 1,672,162	\$ 36,127,197
1,705,044	3,210,063	179,735	8,925,830
-	53,782	2,988	56,770
-	-	26,670	73,029
-	-	-	105,174
-	-	-	60,503,893
-	-	-	5,614,423
<u>\$ 1,705,044</u>	<u>\$ 35,198,666</u>	<u>\$ 1,881,555</u>	<u>\$ 111,406,316</u>
\$ 7,696	\$ 5,628	\$ 42,318	\$ 1,009,657
-	-	1,132	9,047
-	-	-	442,196
281,758	-	-	2,873,517
<u>289,454</u>	<u>5,628</u>	<u>43,450</u>	<u>4,334,417</u>
-	-	-	201,106
-	-	-	60,503,893
-	-	-	60,704,999
-	35,193,038	-	35,193,038
-	-	1,838,105	1,838,105
-	-	-	2,816,953
-	-	-	5,103,214
1,415,590	-	-	1,415,590
<u>1,415,590</u>	<u>35,193,038</u>	<u>1,838,105</u>	<u>46,366,900</u>
<u>\$ 1,705,044</u>	<u>\$ 35,198,666</u>	<u>\$ 1,881,555</u>	<u>\$ 111,406,316</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013**

	Grants Fund	Housing Bond Fund	Community Development Fund
REVENUES			
Intergovernmental	\$ 3,923,692	\$ -	\$ 5,668,291
Gain (loss) on investments	-	10,458	-
Rents	-	-	157,592
Program income	-	1,300,834	962,173
Miscellaneous other	78,937	610	-
Total revenues	<u>4,002,629</u>	<u>1,311,902</u>	<u>6,788,056</u>
EXPENDITURES			
Current:			
General government	521,865	-	-
Community development services	469,432	-	6,788,056
Public works	2,710,047	-	-
Public safety	593,447	-	-
Leisure services	194,337	-	-
Economic development programs	-	2,311,829	-
Total expenditures	<u>4,489,128</u>	<u>2,311,829</u>	<u>6,788,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(486,499)</u>	<u>(999,927)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	486,499	-	-
Transfers out	-	(400,000)	-
Total other financing sources and uses	<u>486,499</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	-	(1,399,927)	-
Fund balances - beginning	-	9,320,094	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 7,920,167</u>	<u>\$ -</u>

Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
\$ 207,215	\$ 17,494,977	\$ 2,106,268	\$ 29,400,443
-	(81,346)	(3,088)	(73,976)
-	-	-	157,592
-	-	-	2,263,007
-	-	-	79,547
<u>207,215</u>	<u>17,413,631</u>	<u>2,103,180</u>	<u>31,826,613</u>
207,215	-	-	729,080
-	-	-	7,257,488
-	-	-	2,710,047
-	-	1,960,920	2,554,367
-	1,654,355	-	1,848,692
-	-	-	2,311,829
<u>207,215</u>	<u>1,654,355</u>	<u>1,960,920</u>	<u>17,411,503</u>
-	15,759,276	142,260	14,415,110
-	-	-	486,499
-	(14,663,026)	-	(15,063,026)
-	(14,663,026)	-	(14,576,527)
-	1,096,250	142,260	(161,417)
<u>1,415,590</u>	<u>34,096,788</u>	<u>1,695,845</u>	<u>46,528,317</u>
<u>\$ 1,415,590</u>	<u>\$ 35,193,038</u>	<u>\$ 1,838,105</u>	<u>\$ 46,366,900</u>

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

For the Fiscal Year Ended June 30, 2013

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
U.S. Department of Transportation Corporation for National and Community Service	\$ 7,606,454	\$ 2,297,690	\$ 9,904,144	\$ 13,082,416	\$ (3,178,272)
U.S. Department of Justice	478,567	370,965	849,532	1,045,486	(195,954)
U.S. Department of Agriculture	506,613	168,801	675,414	799,175	(123,761)
U.S. Department of Energy	-	(4,273)	(4,273)	10,000	(14,273)
U.S. Department of Homeland Security	3,485,307	514,589	3,999,896	4,042,958	(43,062)
U.S. Department of Commerce	497,864	319,976	817,840	882,095	(64,255)
Office of National Drug Control Policy	70,374	7,276	77,650	78,000	(350)
State of North Carolina	29,804	29,576	59,380	75,933	(16,553)
Wake County	164,554	122,541	287,095	322,375	(35,280)
	14,642	96,551	111,193	111,496	(303)
	<u>12,854,179</u>	<u>3,923,692</u>	<u>16,777,871</u>	<u>20,449,934</u>	<u>(3,672,063)</u>
Miscellaneous other	146,259	78,937	225,196	382,141	(156,945)
Total revenues	<u>13,000,438</u>	<u>4,002,629</u>	<u>17,003,067</u>	<u>20,832,075</u>	<u>(3,829,008)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	451,374	451,374	451,374	-
Miscellaneous capital improvements fund	-	35,125	35,125	35,125	-
Total other financing sources	<u>-</u>	<u>486,499</u>	<u>486,499</u>	<u>486,499</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 13,000,438</u>	<u>\$ 4,489,128</u>	<u>\$ 17,489,566</u>	<u>\$ 21,318,574</u>	<u>\$ (3,829,008)</u>
EXPENDITURES					
General government	\$ 1,493,471	\$ 521,865	\$ 2,015,336	\$ 2,046,427	\$ (31,091)
Community development services	493,209	469,432	962,641	1,158,603	(195,962)
Public works	3,915,064	2,710,047	6,625,111	9,755,355	(3,130,244)
Public safety	1,356,821	593,447	1,950,268	2,176,486	(226,218)
Leisure services	5,741,873	194,337	5,936,210	6,181,703	(245,493)
Total expenditures	<u>\$ 13,000,438</u>	<u>\$ 4,489,128</u>	<u>\$ 17,489,566</u>	<u>\$ 21,318,574</u>	<u>\$ (3,829,008)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING BOND FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 10,458	\$ 10,458	\$ -	\$ 10,458
Program income	42,795	1,300,834	1,343,629	390,795	952,834
Miscellaneous other	-	610	610	-	610
Total revenues	<u>42,795</u>	<u>1,311,902</u>	<u>1,354,697</u>	<u>390,795</u>	<u>963,902</u>
OTHER FINANCING SOURCES					
Bonds issued	-	-	-	11,325,000	(11,325,000)
Total revenues and other financing sources	<u>\$ 42,795</u>	<u>\$ 1,311,902</u>	<u>\$ 1,354,697</u>	11,715,795	<u>\$ (10,361,098)</u>
Fund balance appropriated				<u>16,590,286</u>	
				<u>\$ 28,306,081</u>	
EXPENDITURES					
Economic development programs	<u>\$ 15,175,144</u>	<u>\$ 2,311,829</u>	<u>\$ 17,486,973</u>	<u>\$ 27,906,081</u>	<u>\$ (10,419,108)</u>
OTHER FINANCING USES					
Transfer to general fund	-	400,000	400,000	400,000	-
Total expenditures and other financing uses	<u>\$ 15,175,144</u>	<u>\$ 2,711,829</u>	<u>\$ 17,886,973</u>	<u>\$ 28,306,081</u>	<u>\$ (10,419,108)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 COMMUNITY DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2013**

	<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>
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 19,298,588	\$ 5,668,291	\$ 24,966,879	\$ 34,247,454	\$ (9,280,575)
Rents	722,710	157,592	880,302	776,938	103,364
Program income	5,313,683	962,173	6,275,856	6,197,024	78,832
Total revenues	<u>\$ 25,334,981</u>	<u>\$ 6,788,056</u>	<u>\$ 32,123,037</u>	<u>\$ 41,221,416</u>	<u>\$ (9,098,379)</u>
EXPENDITURES					
Community development services	<u>\$ 25,334,981</u>	<u>\$ 6,788,056</u>	<u>\$ 32,123,037</u>	<u>\$ 41,221,416</u>	<u>\$ (9,098,379)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 DISASTER RECOVERY FUND
 For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ 4,495,007	\$ 207,215	\$ 4,702,222	\$ 5,920,718	\$ (1,218,496)
NC Department of Transportation	80,347	-	80,347	-	80,347
Total revenues	<u>\$ 4,575,354</u>	<u>\$ 207,215</u>	<u>\$ 4,782,569</u>	<u>\$ 5,920,718</u>	<u>\$ (1,138,149)</u>
EXPENDITURES					
General government	<u>\$ 4,575,354</u>	<u>\$ 207,215</u>	<u>\$ 4,782,569</u>	<u>\$ 5,920,718</u>	<u>\$ (1,138,149)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
CONVENTION CENTER FINANCING FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
Wake County	\$ 17,494,977	\$ 16,176,427	\$ 1,318,550
Gain (loss) on investments	(81,346)	986,773	(1,068,119)
Total revenues	<u>\$ 17,413,631</u>	<u>17,163,200</u>	<u>\$ 250,431</u>
Fund balance appropriated		1,204,355	
		<u>\$ 18,367,555</u>	
EXPENDITURES			
Leisure services	<u>\$ 1,654,355</u>	<u>\$ 2,280,730</u>	<u>\$ (626,375)</u>
OTHER FINANCING USES			
Transfers to:			
Convention and performing arts complex operating fund	13,411,526	14,835,325	(1,423,799)
Convention center complex capital projects fund	<u>1,251,500</u>	<u>1,251,500</u>	<u>-</u>
Total other financing uses	<u>14,663,026</u>	<u>16,086,825</u>	<u>(1,423,799)</u>
Total expenditures and other financing uses	<u>\$ 16,317,381</u>	<u>\$ 18,367,555</u>	<u>\$ (2,050,174)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
EMERGENCY TELEPHONE SYSTEM FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 2,106,268	\$ 2,160,268	\$ (54,000)
Gain (loss) on investments	(3,088)	-	(3,088)
Total revenues	<u>\$ 2,103,180</u>	2,160,268	<u>\$ (57,088)</u>
Fund balance appropriated		334,996	
		<u>\$ 2,495,264</u>	
EXPENDITURES			
Telephone	\$ 1,187,069	\$ 1,645,636	\$ (458,567)
Furniture	-	9,075	(9,075)
Software maintenance	612,920	617,379	(4,459)
Hardware maintenance	146,959	181,094	(34,135)
Training	13,972	20,080	(6,108)
S.L. 2010-158 expenditures	-	22,000	(22,000)
	<u>\$ 1,960,920</u>	<u>\$ 2,495,264</u>	<u>\$ (534,344)</u>



General Capital Projects Funds

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



General Capital Projects Funds

Street Improvement Fund (nonmajor fund)

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

Street Bond Fund (nonmajor fund)

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

Sidewalk Fund (nonmajor fund)

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

Park Improvement Fund (nonmajor fund)

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

Facility Fees Fund (nonmajor fund)

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

Park Bond Fund (nonmajor fund)

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

Miscellaneous Capital Improvements Fund (nonmajor fund)

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

Walnut Creek Amphitheater Fund (nonmajor fund)

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

Technology Capital Projects Fund (nonmajor fund)

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

Major Public Facilities Fund (nonmajor fund)

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

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2013**

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 15,310,163	\$ 5,376,790	\$ 3,231,869	\$ 6,002,789
Assessments receivable, net of allowance for uncollectibles of \$122,286	973,859	-	-	-
Due from other funds	-	360,301	48,168	-
Due from other governmental agencies	1,083,840	26,503	-	-
Accrued interest receivable	24,651	9,711	9,711	8,964
Sales tax receivable	117,267	54,361	12,064	51,261
Cash and cash equivalents/investments - restricted deposits and bond proceeds	863,348	44,827,214	115,249	15,457
Total assets	<u>\$ 18,373,128</u>	<u>\$ 50,654,880</u>	<u>\$ 3,417,061</u>	<u>\$ 6,078,471</u>
LIABILITIES				
Accounts payable	\$ 1,743,758	\$ 1,631,421	\$ 46,969	\$ 121,001
Accrued salaries and employee payroll taxes	21	38	-	-
Other liabilities	-	-	-	-
Due to other funds	360,062	-	88,317	-
Reimbursable facility fees	-	-	-	-
Escrow and other deposits payable from restricted assets	863,348	-	115,249	15,457
Due to other governmental agencies	-	-	-	-
Total liabilities	<u>2,967,189</u>	<u>1,631,459</u>	<u>250,535</u>	<u>136,458</u>
DEFERRED INFLOWS OF RESOURCES				
Assessments receivable	973,859	-	-	-
Prepaid assessments	-	-	4,033	-
Unearned revenues	28,761	-	-	27,059
Total deferred inflows of resources	<u>1,002,620</u>	<u>-</u>	<u>4,033</u>	<u>27,059</u>
FUND BALANCES				
Assigned:				
Assigned for subsequent year's appropriation	13,548,932	49,023,421	3,162,493	4,081,118
Assigned for city projects	854,387	-	-	1,833,836
Total fund balances	<u>14,403,319</u>	<u>49,023,421</u>	<u>3,162,493</u>	<u>5,914,954</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,373,128</u>	<u>\$ 50,654,880</u>	<u>\$ 3,417,061</u>	<u>\$ 6,078,471</u>

Facility Fees Fund	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Total Nonmajor Capital Projects Funds
\$ 11,735,534	\$ 13,565,086	\$ 10,973,422	\$ 2,196,276	\$ 6,068,744	\$ 2,134,121	\$ 76,594,794
-	-	-	-	-	-	973,859
-	-	-	-	-	-	408,469
-	1,134,085	-	-	-	7,676	2,252,104
-	-	19,422	-	-	-	72,459
-	261,077	72,086	8,767	1,966	69,650	648,499
-	37,801,613	7,586,277	-	-	21,827,921	113,037,079
<u>\$ 11,735,534</u>	<u>\$ 52,761,861</u>	<u>\$ 18,651,207</u>	<u>\$ 2,205,043</u>	<u>\$ 6,070,710</u>	<u>\$ 24,039,368</u>	<u>\$ 193,987,263</u>
\$ -	\$ 1,672,239	\$ 215,079	\$ 73,440	\$ 26,890	\$ 2,054,318	\$ 7,585,115
-	-	-	-	-	-	59
-	-	5,164	-	-	-	5,164
-	-	500	-	-	-	448,879
5,095,915	-	-	-	-	-	5,095,915
-	-	-	-	-	-	994,054
-	196,093	-	-	-	-	196,093
<u>5,095,915</u>	<u>1,868,332</u>	<u>220,743</u>	<u>73,440</u>	<u>26,890</u>	<u>2,054,318</u>	<u>14,325,279</u>
-	-	-	-	-	-	973,859
-	-	-	-	-	-	4,033
-	-	-	-	-	-	55,820
-	-	-	-	-	-	1,033,712
-	50,893,529	14,383,765	1,346,638	6,043,820	21,985,050	164,468,766
6,639,619	-	4,046,699	784,965	-	-	14,159,506
<u>6,639,619</u>	<u>50,893,529</u>	<u>18,430,464</u>	<u>2,131,603</u>	<u>6,043,820</u>	<u>21,985,050</u>	<u>178,628,272</u>
<u>\$ 11,735,534</u>	<u>\$ 52,761,861</u>	<u>\$ 18,651,207</u>	<u>\$ 2,205,043</u>	<u>\$ 6,070,710</u>	<u>\$ 24,039,368</u>	<u>\$ 193,987,263</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2013

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Facility Fees Fund
REVENUES					
Intergovernmental	\$ 7,292,069	\$ 398,237	\$ 110,493	\$ -	\$ -
Developer participation	56,756	-	-	-	-
Assessments	1,051,742	-	72,322	-	-
Gain (loss) on investments	(55,120)	82,323	(17,505)	(13,928)	-
Facility fees	-	-	-	-	9,426,265
Miscellaneous other	26	-	57,160	180,821	-
Total revenues	<u>8,345,473</u>	<u>480,560</u>	<u>222,470</u>	<u>166,893</u>	<u>9,426,265</u>
EXPENDITURES					
Current:					
Street paving/sidewalk projects	10,426,678	10,821,279	778,243	-	-
Parks and recreation projects	-	-	-	2,027,974	-
Walnut Creek Amphitheater projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Total expenditures	<u>10,426,678</u>	<u>10,821,279</u>	<u>778,243</u>	<u>2,027,974</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,081,205)</u>	<u>(10,340,719)</u>	<u>(555,773)</u>	<u>(1,861,081)</u>	<u>9,426,265</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,070,355	-	50,000	2,575,000	-
Transfers out	(1,393,143)	(100,000)	(1,292,644)	(432,649)	(4,300,000)
Note proceeds	-	239	-	-	-
Total other financing sources and uses	<u>6,677,212</u>	<u>(99,761)</u>	<u>(1,242,644)</u>	<u>2,142,351</u>	<u>(4,300,000)</u>
Net change in fund balances	4,596,007	(10,440,480)	(1,798,417)	281,270	5,126,265
Fund balances beginning	9,807,312	59,463,901	4,960,910	5,633,684	1,513,354
Fund balances - ending	<u>\$ 14,403,319</u>	<u>\$ 49,023,421</u>	<u>\$ 3,162,493</u>	<u>\$ 5,914,954</u>	<u>\$ 6,639,619</u>

Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Combining Eliminations	Total Nonmajor Capital Projects Funds
\$ 8,262,940	\$ -	\$ -	\$ -	\$ 53,195	\$ -	\$ 16,116,934
-	-	-	-	-	-	56,756
-	-	-	-	-	-	1,124,064
94,332	(27,288)	-	-	14,145	-	76,959
-	-	144,240	-	-	-	9,570,505
14,025	8,176	32	39	148	-	260,427
<u>8,371,297</u>	<u>(19,112)</u>	<u>144,272</u>	<u>39</u>	<u>67,488</u>	<u>-</u>	<u>27,205,645</u>
-	-	-	-	-	-	22,026,200
24,581,830	-	-	-	-	-	26,609,804
-	-	599,637	-	-	-	599,637
-	6,666,026	-	-	9,044,851	-	15,710,877
-	-	-	1,331,990	-	-	1,331,990
<u>24,581,830</u>	<u>6,666,026</u>	<u>599,637</u>	<u>1,331,990</u>	<u>9,044,851</u>	<u>-</u>	<u>66,278,508</u>
<u>(16,210,533)</u>	<u>(6,685,138)</u>	<u>(455,365)</u>	<u>(1,331,951)</u>	<u>(8,977,363)</u>	<u>-</u>	<u>(39,072,863)</u>
432,649	7,190,796	-	6,867,199	-	(2,405,293)	22,780,706
-	(764,000)	-	(3,769,831)	-	2,405,293	(9,646,974)
-	-	-	-	-	-	239
<u>432,649</u>	<u>6,426,796</u>	<u>-</u>	<u>3,097,368</u>	<u>-</u>	<u>-</u>	<u>13,133,971</u>
(15,777,884)	(258,342)	(455,365)	1,765,417	(8,977,363)	-	(25,938,892)
66,671,413	18,688,806	2,586,968	4,278,403	30,962,413	-	204,567,164
<u>\$ 50,893,529</u>	<u>\$ 18,430,464</u>	<u>\$ 2,131,603</u>	<u>\$ 6,043,820</u>	<u>\$ 21,985,050</u>	<u>\$ -</u>	<u>\$ 178,628,272</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 20,633,681	\$ 7,292,069	\$ 27,925,750	\$ 41,111,760	\$ (13,186,010)
Developer participation	252,860	56,756	309,616	1,661,910	(1,352,294)
Assessments	-	1,051,742	1,051,742	1,688,449	(636,707)
Gain (loss) on investments	-	(55,120)	(55,120)	285,000	(340,120)
Miscellaneous other	21,749	26	21,775	21,749	26
Total revenues	<u>20,908,290</u>	<u>8,345,473</u>	<u>29,253,763</u>	<u>44,768,868</u>	<u>(15,515,105)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	4,208,500	4,208,500	4,208,500	-
Street bond fund	-	100,000	100,000	100,000	-
Sidewalk fund	-	1,282,644	1,282,644	1,282,644	-
Facility fees fund	-	180,000	180,000	180,000	-
Mass transit fund	-	2,299,211	2,299,211	2,299,211	-
Total other financing sources	<u>-</u>	<u>8,070,355</u>	<u>8,070,355</u>	<u>8,070,355</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 20,908,290</u>	<u>\$ 16,415,828</u>	<u>\$ 37,324,118</u>	52,839,223	<u>\$ (15,515,105)</u>
Fund balance appropriated				<u>61,255,848</u>	
				<u>\$ 114,095,071</u>	
EXPENDITURES					
Street projects	\$ 73,701,701	\$ 10,426,678	\$ 84,128,379	\$ 112,450,285	\$ (28,321,906)
OTHER FINANCING USES					
Transfers to:					
Street bond fund	-	-	-	76,000	(76,000)
Mass transit fund	-	1,393,143	1,393,143	1,568,786	(175,643)
Total other financing uses	<u>-</u>	<u>1,393,143</u>	<u>1,393,143</u>	<u>1,644,786</u>	<u>(251,643)</u>
Total expenditures and other financing uses	<u>\$ 73,701,701</u>	<u>\$ 11,819,821</u>	<u>\$ 85,521,522</u>	<u>\$ 114,095,071</u>	<u>\$ (28,573,549)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET BOND FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ -	\$ 398,237	\$ 398,237	\$ 2,231,539	\$ (1,833,302)
Developer participation	437,506	-	437,506	437,506	-
Gain (loss) on investments	-	82,323	82,323	440,000	(357,677)
Total revenues	<u>437,506</u>	<u>480,560</u>	<u>918,066</u>	<u>3,109,045</u>	<u>(2,190,979)</u>
OTHER FINANCING SOURCES					
Transfers from:					
Street improvement fund	-	-	-	76,000	(76,000)
Street bond fund	-	-	-	10,000	(10,000)
Bonds issued	50,000,000	-	50,000,000	52,746,318	(2,746,318)
Notes proceeds	-	239	239	-	239
Total other financing sources	<u>50,000,000</u>	<u>239</u>	<u>50,000,239</u>	<u>52,832,318</u>	<u>(2,832,079)</u>
Total revenues and other financing sources	<u>\$ 50,437,506</u>	<u>\$ 480,799</u>	<u>\$ 50,918,305</u>	55,941,363	<u>\$ (5,023,058)</u>
Fund balance appropriated				<u>58,609,428</u>	
				<u>\$ 114,550,791</u>	
EXPENDITURES					
Street projects	<u>\$ 48,524,614</u>	<u>\$ 10,821,279</u>	<u>\$ 59,345,893</u>	<u>\$ 114,450,791</u>	<u>\$ (55,104,898)</u>
OTHER FINANCING USES					
Transfer to street improvement fund	-	100,000	100,000	100,000	-
Total expenditures and other financing uses	<u>\$ 48,524,614</u>	<u>\$ 10,921,279</u>	<u>\$ 59,445,893</u>	<u>\$ 114,550,791</u>	<u>\$ (55,104,898)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SIDEWALK FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ -	\$ 110,493	\$ 110,493	\$ 1,869,941	\$ (1,759,448)
Gain (loss) on investments	-	(17,505)	(17,505)	85,000	(102,505)
Sidewalk paving assessment	-	72,322	72,322	396,000	(323,678)
Miscellaneous other	-	57,160	57,160	-	57,160
Total revenues	<u>-</u>	<u>222,470</u>	<u>222,470</u>	<u>2,350,941</u>	<u>(2,128,471)</u>
OTHER FINANCING SOURCES					
Transfers from general fund	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 272,470</u>	<u>\$ 272,470</u>	2,400,941	<u>\$ (2,128,471)</u>
Fund balance appropriated				7,142,263	
				<u>\$ 9,543,204</u>	
EXPENDITURES					
Sidewalk projects	<u>\$ 2,333,434</u>	<u>\$ 778,243</u>	<u>\$ 3,111,677</u>	<u>\$ 8,250,560</u>	<u>\$ (5,138,883)</u>
OTHER FINANCING USES					
Transfers to:					
Grants fund	-	10,000	10,000	10,000	-
Street Improvement fund	-	1,282,644	1,282,644	1,282,644	-
Total other financing uses	<u>-</u>	<u>1,292,644</u>	<u>1,292,644</u>	<u>1,292,644</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 2,333,434</u>	<u>\$ 2,070,887</u>	<u>\$ 4,404,321</u>	<u>\$ 9,543,204</u>	<u>\$ (5,138,883)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ (13,928)	\$ (13,928)	\$ 45,000	\$ (58,928)
Miscellaneous other	93,009	180,821	273,830	93,009	180,821
Total revenues	<u>93,009</u>	<u>166,893</u>	<u>259,902</u>	<u>138,009</u>	<u>121,893</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	2,165,000	2,165,000	2,165,000	-
Facility fees fund	-	-	-	1,500,000	(1,500,000)
Miscellaneous capital projects fund	-	410,000	410,000	410,000	-
Total other financing sources	<u>-</u>	<u>2,575,000</u>	<u>2,575,000</u>	<u>4,075,000</u>	<u>(1,500,000)</u>
Total revenues and other financing sources	<u>\$ 93,009</u>	<u>\$ 2,741,893</u>	<u>\$ 2,834,902</u>	4,213,009	<u>\$ (1,378,107)</u>
Fund balance appropriated				17,506,074	
				<u>\$ 21,719,083</u>	
EXPENDITURES					
Park improvement projects	<u>\$ 14,543,049</u>	<u>\$ 2,027,974</u>	<u>\$ 16,571,023</u>	<u>\$ 20,286,434</u>	<u>\$ (3,715,411)</u>
OTHER FINANCING USES					
Transfers to:					
Park bond fund	-	432,649	432,649	1,432,649	(1,000,000)
Total other financing uses	<u>-</u>	<u>432,649</u>	<u>432,649</u>	<u>1,432,649</u>	<u>(1,000,000)</u>
Total expenditures and other financing uses	<u>\$ 14,543,049</u>	<u>\$ 2,460,623</u>	<u>\$ 17,003,672</u>	<u>\$ 21,719,083</u>	<u>\$ (4,715,411)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
FACILITY FEES FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Facility fees	\$ -	\$ 9,426,265	\$ 9,426,265	\$ 4,300,000	\$ 5,126,265
OTHER FINANCING USES					
Transfers to:					
General fund	\$ -	\$ 4,120,000	\$ 4,120,000	\$ 4,120,000	\$ -
Street improvement fund	-	180,000	180,000	180,000	-
Total other financing uses	\$ -	\$ 4,300,000	\$ 4,300,000	\$ 4,300,000	\$ -

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK BOND FUND
For the Fiscal Year Ended June 30, 2013**

	<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>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 20,000	\$ 929,875	\$ 949,875	\$ 1,275,000	\$ (325,125)
Wake County	2,383,022	6,450,339	8,833,361	8,900,000	(66,639)
North Carolina Department of Transportation	3,477,073	763,676	4,240,749	8,187,073	(3,946,324)
Other municipalities	1,782,009	119,050	1,901,059	2,379,887	(478,828)
Other local sources	100,000	-	100,000	100,000	-
Gain (loss) on investments	-	94,332	94,332	125,000	(30,668)
Miscellaneous other	1,500	14,025	15,525	15,000	525
Total revenues	<u>7,763,604</u>	<u>8,371,297</u>	<u>16,134,901</u>	<u>20,981,960</u>	<u>(4,847,059)</u>
OTHER FINANCING SOURCES					
Transfers from park improvement fund	-	432,649	432,649	1,492,649	(1,060,000)
Bonds issued	96,100,000	-	96,100,000	96,100,000	-
Total other financing sources	<u>96,100,000</u>	<u>432,649</u>	<u>96,532,649</u>	<u>97,592,649</u>	<u>(1,060,000)</u>
Total revenues and other financing sources	<u>\$ 103,863,604</u>	<u>\$ 8,803,946</u>	<u>\$ 112,667,550</u>	118,574,609	<u>\$ (5,907,059)</u>
Fund balance appropriated				26,496,485	
				<u>\$ 145,071,094</u>	
EXPENDITURES					
Parks and recreation projects	<u>\$ 68,014,084</u>	<u>\$ 24,581,830</u>	<u>\$ 92,595,914</u>	<u>\$ 145,071,094</u>	<u>\$ (52,475,180)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Developer participation	\$ -	\$ -	\$ -	\$ 62,500	\$ (62,500)
Gain (loss) on investments	-	(27,288)	(27,288)	120,000	(147,288)
Miscellaneous income	131,019	8,176	139,195	281,019	(141,824)
Total revenues	<u>131,019</u>	<u>(19,112)</u>	<u>111,907</u>	<u>463,519</u>	<u>(351,612)</u>
OTHER FINANCING SOURCES					
Transfer from general fund	-	7,190,796	7,190,796	7,190,796	-
Bonds issued	-	-	-	12,619,000	(12,619,000)
Total other financing sources	<u>-</u>	<u>7,190,796</u>	<u>7,190,796</u>	<u>19,809,796</u>	<u>(12,619,000)</u>
Total revenues and other financing sources	<u>\$ 131,019</u>	<u>\$ 7,171,684</u>	<u>\$ 7,302,703</u>	20,273,315	<u>\$ (12,970,612)</u>
Fund balance appropriated				<u>57,571,983</u>	
				<u>\$ 77,845,298</u>	
EXPENDITURES					
Miscellaneous capital projects	\$ 41,735,234	\$ 6,666,026	\$ 48,401,260	\$ 77,081,298	\$ (28,680,038)
OTHER FINANCING USES					
Transfers to:					
General fund	-	354,000	354,000	354,000	-
Park improvement fund	-	410,000	410,000	410,000	-
Total other financing uses	<u>-</u>	<u>764,000</u>	<u>764,000</u>	<u>764,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 41,735,234</u>	<u>\$ 7,430,026</u>	<u>\$ 49,165,260</u>	<u>\$ 77,845,298</u>	<u>\$ (28,680,038)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WALNUT CREEK AMPHITHEATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Amphitheater rent	\$ -	\$ 144,240	\$ 144,240	\$ 875,010	\$ (730,770)
Miscellaneous other	-	32	32	-	32
Total revenues	<u>\$ -</u>	<u>\$ 144,272</u>	<u>\$ 144,272</u>	875,010	<u>\$ (730,738)</u>
Fund balance appropriated				2,752,991	
				<u>\$ 3,628,001</u>	
EXPENDITURES					
Amphitheater capital projects	<u>\$ 1,856,726</u>	<u>\$ 599,637</u>	<u>\$ 2,456,363</u>	<u>\$ 3,628,001</u>	<u>\$ (1,171,638)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
TECHNOLOGY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Miscellaneous other	\$ -	\$ 39	\$ 39	\$ -	\$ 39
Total revenues	-	39	39	-	39
OTHER FINANCING SOURCES					
Transfers from:					
Convention center operating fund	-	109,352	109,352	109,352	-
General fund	-	4,182,258	4,182,258	4,182,258	-
Mass transit operating fund	-	11,855	11,855	11,855	-
Parking facilities operating fund	-	16,127	16,127	16,127	-
Solid waste services operating fund	-	259,122	259,122	259,122	-
Stormwater utility operating fund	-	217,786	217,786	217,786	-
Vehicle fleet services fund	-	60,114	60,114	60,114	-
Water and sewer operating fund	-	2,010,585	2,010,585	2,010,585	-
Total other financing sources	-	6,867,199	6,867,199	6,867,199	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 6,867,238</u>	<u>\$ 6,867,238</u>	6,867,199	<u>\$ 39</u>
Fund balance appropriated				20,119,272	
				<u>\$ 26,986,471</u>	
EXPENDITURES					
Technology projects	\$ 14,928,033	\$ 1,331,990	\$ 16,260,023	\$ 23,216,640	\$ (6,956,617)
OTHER FINANCING USES					
Transfers to general fund	-	3,769,831	3,769,831	3,769,831	-
Total expenditures and other financing uses	<u>\$ 14,928,033</u>	<u>\$ 5,101,821</u>	<u>\$ 20,029,854</u>	<u>\$ 26,986,471</u>	<u>\$ (6,956,617)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 MAJOR PUBLIC FACILITIES FUND
 For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
American recovery and reinvestment act	\$ 1,115,802	\$ 53,195	\$ 1,168,997	\$ 1,290,329	\$ (121,332)
Gain (loss) on investments	-	14,145	14,145	-	14,145
Miscellaneous other	-	148	148	-	148
Total revenues	<u>1,115,802</u>	<u>67,488</u>	<u>1,183,290</u>	<u>1,290,329</u>	<u>(107,039)</u>
OTHER FINANCING SOURCES					
Certificates of participation issued	-	-	-	61,181,230	(61,181,230)
Bonds issued	46,225,000	-	46,225,000	288,537,726	(242,312,726)
Premium on bonds issued	1,359,612	-	1,359,612	1,359,612	-
Total other financing sources	<u>47,584,612</u>	<u>-</u>	<u>47,584,612</u>	<u>351,078,568</u>	<u>(303,493,956)</u>
Total revenues and other financing sources	<u>\$ 48,700,414</u>	<u>\$ 67,488</u>	<u>\$ 48,767,902</u>	352,368,897	<u>\$ (303,600,995)</u>
Fund balance appropriated				29,754,416	
				<u>\$ 382,123,313</u>	
EXPENDITURES					
Miscellaneous capital projects	<u>\$ 39,781,408</u>	<u>\$ 9,044,851</u>	<u>\$ 48,826,259</u>	<u>\$ 382,123,313</u>	<u>\$ (333,297,054)</u>



Enterprise Funds

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

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

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

Enterprise Funds

Water and Sewer Fund (major fund)

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

Convention Center Complex Fund (major fund)

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

Mass Transit Fund (major fund)

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

Stormwater Utility Fund (major fund)

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

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.

Solid Waste Services Fund (major fund)

The Solid Waste Services Fund accounts for operating and capital costs associated with the City's residential solid waste and recycling program. This fund also accounts for the City's landfill post closure liability.

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 six funds shown in basic 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, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Water and sewer user charges	\$ 161,240,737	\$ 164,897,720	\$ (3,656,983)
Capital facility fees	15,633,653	4,372,000	11,261,653
Connections and tap fees	1,433,914	730,830	703,084
Water and sewer penalties	1,440,480	472,000	968,480
Water and sewer sales - municipalities	991,778	158,400	833,378
Facility charges	3,055,015	1,094,480	1,960,535
Water and sewer assessments	171,525	650,000	(478,475)
Acreage connection fees	345,588	1,250,000	(904,412)
Miscellaneous other	1,247,315	602,000	645,315
Total operating revenues	<u>185,560,005</u>	<u>174,227,430</u>	<u>11,332,575</u>
NONOPERATING REVENUES			
Gain (loss) on investments	390,531	816,800	(426,269)
Other	1,402,848	1,022,600	380,248
Total nonoperating revenues	<u>1,793,379</u>	<u>1,839,400</u>	<u>(46,021)</u>
OTHER FINANCING SOURCES			
Transfer from general fund	75,148	75,148	-
Bonds issued	142,967	142,967	-
Refunding bonds issued	136,250,000	136,250,000	-
Premium on refunding bonds issued	21,714,293	-	21,714,293
Total other financing sources	<u>158,182,408</u>	<u>136,468,115</u>	<u>21,714,293</u>
Total revenues and other financing sources	<u>\$ 345,535,792</u>	<u>312,534,945</u>	<u>\$ 33,000,847</u>
Fund balance appropriated		<u>30,977,600</u>	
		<u>\$ 343,512,545</u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 8,540,195	\$ 9,935,422	\$ (1,395,227)
Water plant	18,032,029	21,906,040	(3,874,011)
Waste treatment plant	14,517,008	16,280,008	(1,763,000)
Utilities reuse	4,086,496	5,908,261	(1,821,765)
Sewer maintenance	9,072,622	11,556,180	(2,483,558)
Water distribution	7,984,196	9,040,988	(1,056,792)
Meter operations	4,525,828	5,243,255	(717,427)
Warehouse	1,445,736	2,397,496	(951,760)
Repairs and maintenance	1,815,177	2,775,396	(960,219)
	<u>70,019,287</u>	<u>85,043,046</u>	<u>(15,023,759)</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, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
EXPENDITURES (CONTINUED)			
Special appropriations:			
Reimbursement to general fund	\$ 14,030,103	\$ 14,030,103	\$ -
Insurance and risk management charges	4,288,599	4,288,600	(1)
Other expenditures	1,382,220	10,795,354	(9,413,134)
	<u>19,700,922</u>	<u>29,114,057</u>	<u>(9,413,135)</u>
Debt service:			
General obligations bonds:			
Principal	1,186,502	1,186,502	-
Interest	141,316	141,316	-
Revenue bonds:			
Principal	12,895,000	12,895,000	-
Interest	29,065,680	30,832,368	(1,766,688)
Installment financing agreements	1,194,988	2,445,042	(1,250,054)
Escrow expenditures - merged systems' debt	2,667,082	2,602,441	64,641
Other expenditures	1,413,342	7,078,344	(5,665,002)
	<u>48,563,910</u>	<u>57,181,013</u>	<u>(8,617,103)</u>
OTHER EXPENDITURES			
Refunds and other	73,524	150,000	(76,476)
Total expenditures	<u>138,357,643</u>	<u>171,488,116</u>	<u>(33,130,473)</u>
OTHER FINANCING USES			
Transfers to:			
Water capital projects fund	16,150,000	16,150,000	-
Sewer capital projects fund	17,766,000	17,766,000	-
Stormwater utility operating fund	180,486	180,486	-
Technology capital projects fund	2,010,585	2,010,585	-
Total transfers	<u>36,107,071</u>	<u>36,107,071</u>	<u>-</u>
Payment to refunded bond escrow agent	157,631,652	135,917,358	21,714,294
Total other financing uses	<u>193,738,723</u>	<u>172,024,429</u>	<u>21,714,294</u>
Total expenditures and other financing uses	<u>\$ 332,096,366</u>	<u>\$ 343,512,545</u>	<u>\$ (11,416,179)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ (23,408)	\$ (23,408)	\$ -	\$ (23,408)
OTHER FINANCING SOURCES					
Transfer from:					
Water & sewer operating fund	-	16,150,000	16,150,000	16,150,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 16,126,592</u>	<u>\$ 16,126,592</u>	16,150,000	<u>\$ (23,408)</u>
Fund balance appropriated				21,637,474	
				<u>\$ 37,787,474</u>	
EXPENDITURES					
Water capital projects	<u>\$ 7,939,924</u>	<u>\$ 6,974,119</u>	<u>\$ 14,914,043</u>	<u>\$ 37,359,454</u>	<u>\$ (22,445,411)</u>
OTHER FINANCING USES					
Transfer to public utilities equipment replacement fund	-	428,020	428,020	428,020	-
Total expenditures and other financing uses	<u>\$ 7,939,924</u>	<u>\$ 7,402,139</u>	<u>\$ 15,342,063</u>	<u>\$ 37,787,474</u>	<u>\$ (22,445,411)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ 939	\$ 939	\$ -	\$ 939
Developer participation	10,895	-	10,895	10,895	-
Total revenues	<u>10,895</u>	<u>939</u>	<u>11,834</u>	<u>10,895</u>	<u>939</u>
OTHER FINANCING SOURCES					
Transfer from water and sewer operating fund	-	17,766,000	17,766,000	17,766,000	-
Total revenues and other financing sources	<u>\$ 10,895</u>	<u>\$ 17,766,939</u>	<u>\$ 17,777,834</u>	17,776,895	<u>\$ 939</u>
Fund balance appropriated				<u>14,531,598</u>	
				<u>\$ 32,308,493</u>	
EXPENDITURES					
Sewer capital projects	<u>\$ 7,290,764</u>	<u>\$ 2,962,471</u>	<u>\$ 10,253,235</u>	<u>\$ 32,308,493</u>	<u>\$ (22,055,258)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER REVENUE BOND FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
US Environmental Protection Agency	\$ 512,329	\$ 56,683	\$ 569,012	\$ 1,526,640	\$ (957,628)
State of North Carolina	66,111	7,544,657	7,610,768	55,256,525	(47,645,757)
Gain (loss) on investments	-	28,985	28,985	250,000	(221,015)
Total revenues	<u>578,440</u>	<u>7,630,325</u>	<u>8,208,765</u>	<u>57,033,165</u>	<u>(48,824,400)</u>
OTHER FINANCING SOURCES					
Bonds issued	-	66,750,430	66,750,430	141,417,367	(74,666,937)
Premium on bonds issued	-	8,542,927	8,542,927	-	8,542,927
Total other financing sources	<u>-</u>	<u>75,293,357</u>	<u>75,293,357</u>	<u>141,417,367</u>	<u>(66,124,010)</u>
Total revenues and other financing sources	<u>\$ 578,440</u>	<u>\$ 82,923,682</u>	<u>\$ 83,502,122</u>	198,450,532	<u>\$ (114,948,410)</u>
Fund balance appropriated				<u>439,891,830</u>	
				<u>\$ 638,342,362</u>	
EXPENDITURES					
Water capital projects	\$ 198,827,542	\$ 10,852,744	\$ 209,680,286	\$ 266,370,721	\$ (56,690,435)
Sewer capital projects	213,676,604	42,934,317	256,610,921	371,901,641	(115,290,720)
Total expenditures	<u>412,504,146</u>	<u>53,787,061</u>	<u>466,291,207</u>	<u>638,272,362</u>	<u>(171,981,155)</u>
OTHER FINANCING USES					
Transfer to park improvement fund	-	-	-	70,000	(70,000)
Total expenditures and other financing uses	<u>\$ 412,504,146</u>	<u>\$ 53,787,061</u>	<u>\$ 466,291,207</u>	<u>\$ 638,342,362</u>	<u>\$ (172,051,155)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER FUNDS
For the Fiscal Year Ended June 30, 2013**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis:	
Water and sewer operating fund	\$ 345,535,792
Water capital projects fund	16,126,592
Sewer capital projects fund	17,766,939
Water and sewer revenue bond fund	82,923,682
Total current year expenditures and other financing uses - modified accrual basis:	
Water and sewer operating fund	(332,096,366)
Water capital projects fund	(7,402,139)
Sewer capital projects fund	(2,962,471)
Water and sewer revenue bond fund	<u>(53,787,061)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	66,104,968
Adjustments to full accrual basis:	
Amortization of refunding charges	(1,609,253)
Amortization of bond premiums and discounts	2,695,428
Bond and note proceeds	(240,612,632)
Bond and note principal payments	172,704,340
Capital contributions	5,503,212
Capital outlay	64,275,812
Capitalized interest	13,687,005
Depreciation	(30,831,741)
Earned vacation pay expense	(110,479)
Interest expense accrual	650,469
OPEB expense	296,799
Other escrow expenditures	1,215,423
Revenue accruals from receivables	<u>54,383</u>
Change in net position per statement of revenues, expenses and changes in fund net position	<u>\$ 54,023,734</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION AND PERFORMING ARTS COMPLEX OPERATING FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges:			
Convention center	\$ 6,189,758	\$ 4,837,090	\$ 1,352,668
Performing arts center	5,033,307	4,751,530	281,777
Red Hat amphitheater	938,565	1,117,600	(179,035)
Special events	69,079	62,650	6,429
Total user charges	<u>12,230,709</u>	<u>10,768,870</u>	<u>1,461,839</u>
Gain (loss) on investments	<u>(36,315)</u>	<u>40,800</u>	<u>(77,115)</u>
Total revenues	<u>12,194,394</u>	<u>10,809,670</u>	<u>1,384,724</u>
OTHER FINANCING SOURCES			
Transfers from:			
General fund	1,856,247	1,856,247	-
Convention center financing fund	<u>13,411,526</u>	<u>14,835,325</u>	<u>(1,423,799)</u>
Total other financing sources	<u>15,267,773</u>	<u>16,691,572</u>	<u>(1,423,799)</u>
Total revenues and other financing sources	<u>\$ 27,462,167</u>	<u>27,501,242</u>	<u>\$ (39,075)</u>
Fund balance appropriated		<u>132,221</u>	
		<u>\$ 27,633,463</u>	
EXPENDITURES			
Convention center	\$ 7,638,024	\$ 8,489,316	\$ (851,292)
Performing arts center	5,782,177	5,816,846	(34,669)
Red Hat amphitheater	1,242,090	1,304,517	(62,427)
Special events	114,972	124,316	(9,344)
Total operating expenditures	<u>14,777,263</u>	<u>15,734,995</u>	<u>(957,732)</u>
DEBT SERVICE			
Interest	8,278,737	9,481,430	(1,202,693)
Other debt service costs	1,436,646	1,684,740	(248,094)
Total debt service	<u>9,715,383</u>	<u>11,166,170</u>	<u>(1,450,787)</u>
OTHER FINANCING USES			
Transfers to:			
General fund	164,946	164,946	-
Technology capital projects fund	109,352	109,352	-
Convention and performing arts complex projects fund	<u>458,000</u>	<u>458,000</u>	<u>-</u>
Total other financing uses	<u>732,298</u>	<u>732,298</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 25,224,944</u>	<u>\$ 27,633,463</u>	<u>\$ (2,408,519)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION AND PERFORMING ARTS COMPLEX PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
OTHER FINANCING SOURCES					
Note Proceeds	\$ -	\$ 264,844	\$ 264,844	\$ 5,144,761	\$ (4,879,917)
Transfers from:					
General fund	-	170,000	170,000	170,000	-
Convention center operating fund	-	458,000	458,000	458,000	-
Total other financing sources	<u>\$ -</u>	<u>\$ 892,844</u>	<u>\$ 892,844</u>	5,772,761	<u>\$ (4,879,917)</u>
Fund balance appropriated				<u>1,120,219</u>	
				<u>\$ 6,892,980</u>	
EXPENDITURES					
Convention center and performing arts complex projects	<u>\$ 1,045,784</u>	<u>\$ 427,216</u>	<u>\$ 1,473,000</u>	<u>\$ 6,892,980</u>	<u>\$ (5,419,980)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ (10,732)	\$ (10,732)	\$ -	\$ (10,732)
Miscellaneous other	775,386	7	775,393	775,386	7
Total revenues	<u>775,386</u>	<u>(10,725)</u>	<u>764,661</u>	<u>775,386</u>	<u>(10,725)</u>
OTHER FINANCING SOURCES					
Transfer from:					
Convention center financing fund	-	1,251,500	1,251,500	1,251,500	-
Total revenues and other financing sources	<u>\$ 775,386</u>	<u>\$ 1,240,775</u>	<u>\$ 2,016,161</u>	2,026,886	<u>\$ (10,725)</u>
Fund balance appropriated				2,131,791	
				<u>\$ 4,158,677</u>	
EXPENDITURES					
Convention center projects	<u>\$ 116,894</u>	<u>\$ 1,314,039</u>	<u>\$ 1,430,933</u>	<u>\$ 4,158,677</u>	<u>\$ (2,727,744)</u>

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

For the Fiscal Year Ended June 30, 2013

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Convention center and performing arts complex operating fund)	\$ 27,462,167
Total current expenditures and other financing uses - modified accrual basis (Convention center and performing arts complex operating fund)	(25,224,944)
Total current year revenues - modified accrual basis (Convention center and performing arts projects fund)	892,844
Total current expenditures - modified accrual basis (Convention center and performing arts projects fund)	(427,216)
Total current year revenues - modified accrual basis (Convention center complex capital projects fund)	1,240,775
Total current expenditures - modified accrual basis (Convention center complex capital projects fund)	<u>(1,314,039)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	2,629,587
Adjustments to full accrual basis:	
Bond and note proceeds	(264,844)
Capital outlay	656,013
Depreciation	(8,644,033)
Interest expense accrual	(19,017)
Net OPEB pension liability	52,674
Principal payment on internal note	141,997
Vacation expense	<u>(23,219)</u>
Change in net position per statement of revenues, expenses and changes in fund net position	<u>\$ (5,470,842)</u>

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

For the Fiscal Year Ended June 30, 2013

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Farebox	\$ -	\$ 4,409,457	\$ 4,409,457	\$ 4,030,000	\$ 379,457
ART program fees	-	652,489	652,489	650,000	2,489
Intergovernmental revenue:					
Federal Transit Administration	45,867,565	6,580,499	52,448,064	63,392,623	(10,944,559)
State of North Carolina	3,027,098	2,710,500	5,737,598	6,670,487	(932,889)
Miscellaneous other	-	132,007	132,007	125,000	7,007
Total revenues	<u>48,894,663</u>	<u>14,484,952</u>	<u>63,379,615</u>	<u>74,868,110</u>	<u>(11,488,495)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	17,702,029	17,702,029	17,702,029	-
Street improvement fund	-	1,393,143	1,393,143	1,421,129	(27,986)
Total other financing sources	<u>-</u>	<u>19,095,172</u>	<u>19,095,172</u>	<u>19,123,158</u>	<u>(27,986)</u>
Total revenues and other financing sources	<u>\$ 48,894,663</u>	<u>\$ 33,580,124</u>	<u>\$ 82,474,787</u>	93,991,268	<u>\$ (11,516,481)</u>
Fund balance appropriated				<u>10,795,552</u>	
				<u>\$ 104,786,820</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 17,588,053	\$ 17,588,053	\$ 18,168,904	\$ (580,851)
ART program operating expenditures	-	7,832,528	7,832,528	7,992,074	(159,546)
Capital grant expenditures	59,437,493	6,485,768	65,923,261	76,167,526	(10,244,265)
Total expenditures	<u>59,437,493</u>	<u>31,906,349</u>	<u>91,343,842</u>	<u>102,328,504</u>	<u>(10,984,662)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	99,082	99,082	99,082	-
Technology capital projects fund	-	11,855	11,855	11,855	-
Grants fund	-	48,168	48,168	48,168	-
Street improvement fund	-	2,299,211	2,299,211	2,299,211	-
Total other financing uses	<u>-</u>	<u>2,458,316</u>	<u>2,458,316</u>	<u>2,458,316</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 59,437,493</u>	<u>\$ 34,364,665</u>	<u>\$ 93,802,158</u>	<u>\$ 104,786,820</u>	<u>\$ (10,984,662)</u>

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

For the Fiscal Year Ended June 30, 2013

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 33,580,124
Total current year expenditures and other financing uses - modified accrual basis	<u>(34,364,665)</u>
Deficiency of revenues and other financing sources under expenditures and other financing sources	(784,541)
Adjustments to full accrual basis:	
Capital outlay	1,609,923
Depreciation	(3,126,066)
Gain/loss on disposal	(21,976)
Net OPEB pension liability	6,846
Unearned contributions from other funds	(336,707)
Vacation expense	<u>(880)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	<u><u>\$ (2,653,401)</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY OPERATING FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges	\$ 15,620,142	\$ 15,074,045	\$ 546,097
Gain (loss) on investments	2,935	150,000	(147,065)
Miscellaneous other	387,024	460,000	(72,976)
Total revenues	<u>16,010,101</u>	<u>15,684,045</u>	<u>326,056</u>
OTHER FINANCING SOURCES			
Transfer from water and sewer operating fund	180,486	180,486	-
Total revenues and other financing sources	<u>\$ 16,190,587</u>	15,864,531	<u>\$ 326,056</u>
Fund balance appropriated		371,323	
		<u>\$ 16,235,854</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 9,927,407</u>	<u>\$ 11,303,068</u>	<u>\$ (1,375,661)</u>
OTHER FINANCING USES			
Transfers to:			
Stormwater utility capital projects fund	4,715,000	4,715,000	-
Technology capital projects fund	217,786	217,786	-
Total other financing uses	<u>4,932,786</u>	<u>4,932,786</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,860,193</u>	<u>\$ 16,235,854</u>	<u>\$ (1,375,661)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ -	\$ (85,874)	\$ (85,874)	\$ 300,000	\$ (385,874)
Intergovernmental:					
American Recovery and Reinvestment Act	-	279,220	279,220	453,302	(174,082)
Federal Emergency Management Agency	325,602	968,456	1,294,058	3,861,528	(2,567,470)
U.S. EPA	328,000	-	328,000	1,428,785	(1,100,785)
State of North Carolina	620,300	437,027	1,057,327	2,804,363	(1,747,036)
Miscellaneous other	68,522	17,788	86,310	60,268	26,042
Total revenues	<u>1,342,424</u>	<u>1,616,617</u>	<u>2,959,041</u>	<u>8,908,246</u>	<u>(5,949,205)</u>
OTHER FINANCING SOURCES					
Bond proceeds	-	-	-	11,482,896	(11,482,896)
Transfer from stormwater utility operating fund	-	4,715,000	4,715,000	4,715,000	-
	-	4,715,000	4,715,000	16,197,896	(11,482,896)
Total revenues and other financing sources	<u>\$ 1,342,424</u>	<u>\$ 6,331,617</u>	<u>\$ 7,674,041</u>	25,106,142	<u>\$ (17,432,101)</u>
Fund balance appropriated				38,051,982	
				<u>\$ 63,158,124</u>	
EXPENDITURES					
Stormwater capital projects	<u>\$ 20,048,198</u>	<u>\$ 8,491,136</u>	<u>\$ 28,539,334</u>	<u>\$ 63,132,999</u>	<u>\$ (34,593,665)</u>
OTHER FINANCING USES					
Transfer to grants fund	-	25,125	25,125	25,125	-
Total expenditures and other financing uses	<u>\$ 20,048,198</u>	<u>\$ 8,516,261</u>	<u>\$ 28,564,459</u>	<u>\$ 63,158,124</u>	<u>\$ (34,593,665)</u>



**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY BOND FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
OTHER FINANCING SOURCES					
Bonds issued	\$ -	\$ -	\$ -	\$ 99,242	\$ (99,242)
Fund balance appropriated				498,935	
				<u>\$ 598,177</u>	
EXPENDITURES					
Stormwater capital projects	\$ 515,971	\$ 40,232	\$ 556,203	\$ 598,177	\$ (41,974)

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2013**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 16,190,587
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility operating fund)	(14,860,193)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	6,331,617
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility capital projects fund)	(8,516,261)
Total current year expenditures and other financing uses - modified accrual basis (Stormwater utility bond fund)	(40,232)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(894,482)
Adjustments to full accrual basis:	
Capital contributions	23,385
Capital outlay	8,063,038
Depreciation	(1,096,082)
Net OPEB pension liability	24,311
Note principal	6,980
Note proceeds	(139,610)
Vacation expense	20,234
Change in net position per statement of revenues, expenses, and changes in fund net position	<u>\$ 6,007,774</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the fiscal year ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Parking fees	\$ 10,711,984	\$ 10,044,624	\$ 667,360
Gain (loss) on investments	(12,960)	50,000	(62,960)
Miscellaneous other	59,723	18,453	41,270
Total revenues	<u>10,758,747</u>	<u>10,113,077</u>	<u>645,670</u>
OTHER FINANCING SOURCES			
Transfer from:			
General fund	<u>2,031,145</u>	<u>2,031,145</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 12,789,892</u>	12,144,222	<u>\$ 645,670</u>
Fund balance appropriated		<u>3,283,080</u>	
		<u>\$ 15,427,302</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 5,656,525</u>	<u>\$ 7,221,175</u>	<u>\$ (1,564,650)</u>
DEBT SERVICE			
Bond principal	536,029	536,029	-
Bond interest	53,600	53,900	(300)
Note principal	3,215,000	3,215,000	-
Note interest	2,329,107	3,308,050	(978,943)
Other debt service expenditures	<u>261,919</u>	<u>672,021</u>	<u>(410,102)</u>
Total debt service	<u>6,395,655</u>	<u>7,785,000</u>	<u>(1,389,345)</u>
OTHER FINANCING USES			
Transfers to:			
Vehicle fleet services fund	140,000	405,000	(265,000)
Technology capital projects fund	16,127	16,127	-
	<u>156,127</u>	<u>421,127</u>	<u>(265,000)</u>
Total expenditures and other financing uses	<u>\$ 12,208,307</u>	<u>\$ 15,427,302</u>	<u>\$ (3,218,995)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the fiscal year ended June 30, 2013**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Gain (loss) on investments	\$ 1,512,339	\$ -	\$ 1,512,339	\$ -	\$ 1,512,339
Miscellaneous income	235,691	-	235,691	25,098	210,593
Total revenues	<u>1,748,030</u>	<u>-</u>	<u>1,748,030</u>	<u>25,098</u>	<u>1,722,932</u>
OTHER FINANCING SOURCES					
Transfer from:					
Parking facilities operating fund	-	-	-	680,000	(680,000)
Total revenues and other financing sources	<u>\$ 1,748,030</u>	<u>\$ -</u>	<u>\$ 1,748,030</u>	705,098	<u>\$ 1,042,932</u>
Fund balance appropriated				<u>1,742,029</u>	
				<u>\$ 2,447,127</u>	
EXPENDITURES					
Parking facilities capital projects	<u>\$ 3,089,780</u>	<u>\$ 314,781</u>	<u>\$ 3,404,561</u>	<u>\$ 2,447,127</u>	<u>\$ 957,434</u>

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

For the fiscal year ended June 30, 2013

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Parking facilities operating fund)	\$ 12,789,892
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities operating fund)	(12,208,307)
Total current year revenues and other financing sources - modified accrual basis (Parking facilities capital projects fund)	-
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities capital projects fund)	<u>(314,781)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	266,804
Adjustments to full accrual basis:	
Accrued interest expense	25,515
Amortization of bond refunding costs	(18,851)
Amortization of premiums and discounts	44,975
Bond and note principal	3,751,029
Capital outlay	314,752
Depreciation	(3,635,908)
Net OPEB liability	17,727
Vacation expense	<u>(16,187)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	<u><u>\$ 749,856</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SOLID WASTE SERVICES FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Solid waste residential collection	\$ 12,933,536	\$ 14,455,803	\$ (1,522,267)
Recycling residential collection	6,069,187	5,261,684	807,503
Yardwaste center	494,242	527,000	(32,758)
Miscellaneous other	18,562	300	18,262
Total revenues	<u>19,515,527</u>	<u>20,244,787</u>	<u>(729,260)</u>
OTHER FINANCING SOURCES			
Transfer from the general fund	<u>12,328,519</u>	<u>12,328,519</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 31,844,046</u>	<u>\$ 32,573,306</u>	<u>\$ (729,260)</u>
EXPENDITURES			
Administration	\$ 7,564,362	\$ 7,489,305	\$ 75,057
Residential collection	15,437,538	15,893,855	(456,317)
Residential recycling	4,467,306	4,769,471	(302,165)
Yardwaste center	1,466,780	2,015,157	(548,377)
	<u>28,935,986</u>	<u>30,167,788</u>	<u>(1,231,802)</u>
DEBT SERVICE			
Note principal	1,268,705	1,268,705	-
Note interest	834,174	877,691	(43,517)
	<u>2,102,879</u>	<u>2,146,396</u>	<u>(43,517)</u>
Total expenditures	<u>31,038,865</u>	<u>32,314,184</u>	<u>(1,275,319)</u>
OTHER FINANCING USES			
Transfer to technology capital projects fund	<u>259,122</u>	<u>259,122</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 31,297,987</u>	<u>\$ 32,573,306</u>	<u>\$ (1,275,319)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SOLID WASTE SERVICES FUND
For the Fiscal Year Ended June 30, 2013**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 31,844,046
Total current year expenditures and other financing uses - modified accrual basis	<u>(31,297,987)</u>
Excess of revenues and other financing sources over expenditures	546,059
Adjustments to full accrual basis:	
Amortization of note premiums and discounts	83,541
Capital contributions	(3,750,169)
Capitalized interest	625,601
Depreciation	(374,287)
Interest expense accrual	(145,779)
Landfill closure/postclosure liability adjustment	352,573
Net OPEB pension liability	(49,955)
Note principal	1,268,705
Vacation expense	<u>(55,071)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	<u><u>\$ (1,498,782)</u></u>

Internal Service Funds

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



Internal Service Funds

Print Shop Fund

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

Risk Management Fund

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

Employees' Health Benefits Fund

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

Governmental Equipment Replacement Fund

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

Public Utilities Equipment Replacement Fund

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

Vehicle Fleet Services Fund

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

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 936,658	\$ 39,938,129	\$ 8,306,359
Accrued interest receivable	-	81,030	64
Sales tax receivable	23,909	1,474	-
Other receivables and assets	-	175	-
Inventories	-	-	-
Insurance deposit	-	400,000	-
Total current assets	<u>960,567</u>	<u>40,420,808</u>	<u>8,306,423</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	23,496	-	-
Furniture and fixtures	-	-	-
Less accumulated depreciation	<u>(23,496)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>960,567</u>	<u>40,420,808</u>	<u>8,306,423</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	37,991	93,742
Accrued salaries and employee payroll taxes	-	877	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	7,091,352	2,276,000
Due to other funds	958,670	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>958,670</u>	<u>7,130,220</u>	<u>2,369,742</u>
Noncurrent liabilities:			
Claims payable and other liabilities	-	16,279,184	-
Bonds, notes and loans payable	-	-	-
Earned vacation pay	1,897	10,034	-
Total noncurrent liabilities	<u>1,897</u>	<u>16,289,218</u>	<u>-</u>
Total liabilities	<u>960,567</u>	<u>23,419,438</u>	<u>2,369,742</u>
NET POSITION			
Net investment in capital assets	-	-	-
Unrestricted	-	17,001,370	5,936,681
Total net position	<u>\$ -</u>	<u>\$ 17,001,370</u>	<u>\$ 5,936,681</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2013
\$ 1,648,029	\$ 354,297	\$ 2,707,633	\$ 53,891,105
2,988	1,494	-	85,576
201,372	4,972	309,396	541,123
-	-	-	175
59,621	-	730,018	789,639
-	-	-	400,000
<u>1,912,010</u>	<u>360,763</u>	<u>3,747,047</u>	<u>55,707,618</u>
29,010,143	3,399,457	-	32,409,600
-	-	263,470	263,470
82,007,465	20,284,707	1,491,884	103,807,552
-	-	5,636	5,636
(62,281,143)	(17,099,380)	(1,599,471)	(81,003,490)
<u>48,736,465</u>	<u>6,584,784</u>	<u>161,519</u>	<u>55,482,768</u>
<u>50,648,475</u>	<u>6,945,547</u>	<u>3,908,566</u>	<u>111,190,386</u>
1,791,834	-	891,510	2,815,077
-	-	8,370	9,247
9,228	1,185	-	10,413
-	-	-	9,367,352
-	-	-	958,670
<u>11,314,171</u>	<u>1,571,196</u>	<u>-</u>	<u>12,885,367</u>
<u>13,115,233</u>	<u>1,572,381</u>	<u>899,880</u>	<u>26,046,126</u>
-	-	-	16,279,184
29,167,316	3,138,512	-	32,305,828
-	-	258,542	270,473
<u>29,167,316</u>	<u>3,138,512</u>	<u>258,542</u>	<u>48,855,485</u>
<u>42,282,549</u>	<u>4,710,893</u>	<u>1,158,422</u>	<u>74,901,611</u>
8,254,978	1,875,076	161,519	10,291,573
110,948	359,578	2,588,625	25,997,202
<u>\$ 8,365,926</u>	<u>\$ 2,234,654</u>	<u>\$ 2,750,144</u>	<u>\$ 36,288,775</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013**

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
OPERATING REVENUES			
Charges for services - internal	\$ -	\$ 10,608,515	\$ 35,155,177
Other charges	-	-	-
Drug rebate	-	-	749,908
Total operating revenues	<u>-</u>	<u>10,608,515</u>	<u>35,905,085</u>
OPERATING EXPENSES			
Personnel services	-	336,392	-
Other facility operating costs	-	-	-
Operational expenses	-	467,741	3,460,530
Claims	-	3,471,522	28,007,920
Premiums	-	1,550,353	-
Depreciation	-	-	-
Other	-	-	-
Total operating expenses	<u>-</u>	<u>5,826,008</u>	<u>31,468,450</u>
Operating income (loss)	<u>-</u>	<u>4,782,507</u>	<u>4,436,635</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on investments	-	622,407	584,326
Recovery of claims	-	778,222	-
Interest expense	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>1,400,629</u>	<u>584,326</u>
Income (loss) before transfers	-	6,183,136	5,020,961
Transfers in	-	-	-
Transfers out	(958,670)	-	-
Change in net position	<u>(958,670)</u>	<u>6,183,136</u>	<u>5,020,961</u>
Total net position, beginning of year	958,670	10,818,234	915,720
Total net position, end of year	<u>\$ -</u>	<u>\$ 17,001,370</u>	<u>\$ 5,936,681</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 7,686,139	\$ 1,042,603	\$ 15,197,974	\$ 69,690,408
26,787	8,671	-	35,458
-	-	-	749,908
<u>7,712,926</u>	<u>1,051,274</u>	<u>15,197,974</u>	<u>70,475,774</u>
-	-	3,699,302	4,035,694
1,809,160	-	10,785,585	12,594,745
-	-	-	3,928,271
-	-	-	31,479,442
-	-	-	1,550,353
6,161,814	1,225,749	16,529	7,404,092
34,910	10,443	-	45,353
<u>8,005,884</u>	<u>1,236,192</u>	<u>14,501,416</u>	<u>61,037,950</u>
<u>(292,958)</u>	<u>(184,918)</u>	<u>696,558</u>	<u>9,437,824</u>
(757)	(1,198)	-	1,204,778
-	-	-	778,222
(295,024)	(53,107)	-	(348,131)
46,829	8,772	-	55,601
<u>(248,952)</u>	<u>(45,533)</u>	<u>-</u>	<u>1,690,470</u>
(541,910)	(230,451)	696,558	11,128,294
-	428,020	140,000	568,020
-	-	(60,114)	(1,018,784)
<u>(541,910)</u>	<u>197,569</u>	<u>776,444</u>	<u>10,677,530</u>
8,907,836	2,037,085	1,973,700	25,611,245
<u>\$ 8,365,926</u>	<u>\$ 2,234,654</u>	<u>\$ 2,750,144</u>	<u>\$ 36,288,775</u>

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

For the Fiscal Year Ended June 30, 2013

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ 10,608,515	\$ 35,155,177
Payments to employees	-	(331,370)	-
Payments to suppliers and service providers	(27,743)	(419,945)	(3,366,788)
Claims paid	-	(4,490,985)	(29,001,927)
Premiums paid	-	(1,550,353)	-
Other receipts	-	778,222	749,908
Other payments	-	-	-
Net cash provided by (used in) operating activities	<u>(27,743)</u>	<u>4,594,084</u>	<u>3,536,370</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	-	-	-
Operating subsidies and transfers to other funds	(958,670)	-	-
Internal activity - payments from (to) other funds	958,670	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	-	-	-
Proceeds from capital debt	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on investments held	-	619,219	584,302
Net cash provided by (used in) investing activities	<u>-</u>	<u>619,219</u>	<u>584,302</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(27,743)</u>	<u>5,213,303</u>	<u>4,120,672</u>
Cash and cash equivalents/investments			
Beginning of year	964,401	34,724,826	4,185,687
End of year	<u>\$ 936,658</u>	<u>\$ 39,938,129</u>	<u>\$ 8,306,359</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ -	\$ 4,782,507	\$ 4,436,635
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	-	-
Miscellaneous nonoperating income	-	778,222	-
Change in assets and liabilities:			
Sales tax receivable	(135)	10,491	-
Inventories	-	-	-
Other receivables and assets	-	(175)	-
Accounts payable and other accrued liabilities	(27,608)	(982,158)	(900,265)
Earned vacation pay and other payroll liabilities	-	5,197	-
Total adjustments	<u>(27,743)</u>	<u>(188,423)</u>	<u>(900,265)</u>
Net cash provided by (used in) operating activities	<u>\$ (27,743)</u>	<u>\$ 4,594,084</u>	<u>\$ 3,536,370</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 7,686,139	\$ 1,042,603	\$ 15,197,974	\$ 69,690,408
-	-	(3,704,465)	(4,035,835)
(1,630,460)	4,861	(10,791,614)	(16,231,689)
-	-	-	(33,492,912)
-	-	-	(1,550,353)
26,787	8,671	-	1,563,588
(34,910)	(10,443)	-	(45,353)
<u>6,047,556</u>	<u>1,045,692</u>	<u>701,895</u>	<u>15,897,854</u>
-	428,020	140,000	568,020
-	-	(60,114)	(1,018,784)
114,782	1,490	10,240	1,085,182
<u>114,782</u>	<u>429,510</u>	<u>90,126</u>	<u>634,418</u>
(4,445,540)	(574,888)	-	(5,020,428)
31,272,969	3,253,937	-	34,526,906
(4,917,782)	(904,782)	-	(5,822,564)
(297,994)	(53,488)	-	(351,482)
46,829	8,772	-	55,601
<u>21,658,482</u>	<u>1,729,551</u>	<u>-</u>	<u>23,388,033</u>
1,621	(546)	-	1,204,596
<u>1,621</u>	<u>(546)</u>	<u>-</u>	<u>1,204,596</u>
27,822,441	3,204,207	792,021	41,124,901
2,835,731	549,547	1,915,612	45,175,804
<u>\$ 30,658,172</u>	<u>\$ 3,753,754</u>	<u>\$ 2,707,633</u>	<u>\$ 86,300,705</u>
\$ (292,958)	\$ (184,918)	\$ 696,558	\$ 9,437,824
6,161,814	1,225,749	16,529	7,404,092
-	-	-	778,222
(30,788)	4,861	(49,470)	(65,041)
189,028	-	(11,475)	177,553
-	-	-	(175)
20,460	-	54,916	(1,834,655)
-	-	(5,163)	34
<u>6,340,514</u>	<u>1,230,610</u>	<u>5,337</u>	<u>6,460,030</u>
<u>\$ 6,047,556</u>	<u>\$ 1,045,692</u>	<u>\$ 701,895</u>	<u>\$ 15,897,854</u>



Fiduciary Funds

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

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



Fiduciary Funds

Supplemental Money Purchase Pension Plan Fund

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

Law Enforcement Officers' Special Separation Allowance Fund

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

Other Post Employment Benefits Fund

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

COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
 June 30, 2013

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total June 30, 2013
ASSETS				
Cash and cash equivalents	\$ 41,263,030	\$ 2,079,131	\$ 21,474,094	\$ 64,816,255
Accrued interest receivable	-	16,754	42,820	59,574
Total assets	<u>41,263,030</u>	<u>2,095,885</u>	<u>21,516,914</u>	<u>64,875,829</u>
LIABILITIES				
Claims payable	-	-	660,000	660,000
Due to other funds	-	-	99	99
Accounts payable	-	-	2,616	2,616
Total liabilities	<u>-</u>	<u>-</u>	<u>662,715</u>	<u>662,715</u>
NET POSITION				
Held in trust for employees' retirement and other post- employment benefits	<u>\$ 41,263,030</u>	<u>\$ 2,095,885</u>	<u>\$ 20,854,199</u>	<u>\$ 64,213,114</u>

**COMBINING STATEMENT OF CHANGES
IN PLAN NET POSITION
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2013**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,211,130	\$ 2,712,850	\$ 13,408,076	\$ 18,332,056
Retiree contributions	-	-	1,954,778	1,954,778
Interest	948,973	83,725	353,139	1,385,837
Net increase (decrease) in the fair value of investments	3,987,637	(7,224)	223,487	4,203,900
Less investment expense	(68,855)	-	-	(68,855)
Total additions	<u>7,078,885</u>	<u>2,789,351</u>	<u>15,939,480</u>	<u>25,807,716</u>
DEDUCTIONS				
Benefits	1,647,747	2,635,758	10,906,378	15,189,883
Withdrawals and forfeitures	202,934	-	-	202,934
Professional services	-	-	8,853	8,853
Total deductions	<u>1,850,681</u>	<u>2,635,758</u>	<u>10,915,231</u>	<u>15,401,670</u>
Change in net position restricted for:				
Employees' retirement and other post-employment benefits	5,228,204	153,593	5,024,249	10,406,046
Net position, beginning of year	<u>36,034,826</u>	<u>1,942,292</u>	<u>15,829,950</u>	<u>53,807,068</u>
Net position, end of year	<u>\$ 41,263,030</u>	<u>\$ 2,095,885</u>	<u>\$ 20,854,199</u>	<u>\$ 64,213,114</u>



Other Schedules

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

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES
AND DEBT SERVICE REQUIREMENTS**
June 30, 2013

Maturities on all long-term obligations are:

General Obligation Bonded Debt: Fiscal Year Ended June 30	Enterprise					
	Water and Sewer		Convention Center		Parking Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,081,947	\$ 96,613	\$ -	\$ -	\$ 523,510	\$ 41,539
2015	1,067,729	65,307	-	-	512,129	29,760
2016	1,005,383	34,027	-	-	380,114	16,957
2017	87,584	2,190	-	-	298,173	7,455
2018	-	-	-	-	-	-
2019-2023	-	-	-	-	-	-
2024-2028	-	-	-	-	-	-
2029-2032	-	-	-	-	-	-
Total General Obligation Bonded Debt	3,242,643	198,137	-	-	1,713,926	95,711
Revenue Bonds:						
2014	15,715,000	28,451,465	-	-	-	-
2015	19,445,000	29,540,822	-	-	-	-
2016	22,155,000	28,648,658	-	-	-	-
2017	23,150,000	27,934,175	-	-	-	-
2018	24,035,000	27,057,098	-	-	-	-
2019-2023	133,110,000	120,012,023	-	-	-	-
2024-2028	143,505,000	89,753,203	-	-	-	-
2029-2033	158,270,000	54,001,743	-	-	-	-
2034-2038	110,410,000	19,855,401	-	-	-	-
2039-2043	31,810,000	3,844,750	-	-	-	-
Total Revenue Bonded Debt	681,605,000	429,099,338	-	-	-	-
Other Long-Term Obligations:						
Installment Financing Agreement:						
2014	991,186	169,279	-	9,527,071	3,325,000	3,192,883
2015	1,368,419	134,850	7,360,000	9,458,610	3,435,000	3,074,722
2016	1,368,419	100,015	7,959,844	9,138,605	3,530,000	2,968,770
2017	1,118,419	76,555	8,040,000	8,825,032	3,660,000	3,003,135
2018	1,118,419	56,533	8,410,000	8,474,488	3,790,000	2,861,003
2019-2023	3,106,844	112,620	48,325,000	36,521,801	19,530,000	12,753,858
2024-2028	2,326,842	11,970	60,715,000	24,957,638	20,050,000	9,490,325
2029-2033	1,942,436	-	83,270,000	10,926,676	21,820,000	4,924,775
2034-2037	377,233	-	19,610,000	558,335	7,570,000	524,650
	13,718,217	661,822	243,689,844	118,388,256	86,710,000	42,794,121
Other Installment Obligations:						
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
	-	-	-	-	-	-
Other:						
Earned Vacation Pay (1)	2,036,453	-	571,419	-	91,273	-
Landfill Postclosure Costs (1)	-	-	-	-	-	-
	2,036,453	-	571,419	-	91,273	-
Total Other Long-Term Obligations	15,754,670	661,822	244,261,263	118,388,256	86,801,273	42,794,121
Total Long-Term Obligations	\$ 700,602,313	\$ 429,959,297	\$ 244,261,263	\$ 118,388,256	\$ 88,515,199	\$ 42,889,832

Notes:

(1) Interest not applicable.



Other Enterprise		General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ 20,969,543	\$ 13,521,887	\$ -	\$ -	\$ 22,575,000	\$ 13,660,039
-	-	20,760,143	12,862,355	-	-	22,340,001	12,957,422
-	-	19,969,503	12,015,497	-	-	21,355,000	12,066,481
-	-	19,739,243	11,121,775	-	-	20,125,000	11,131,420
-	-	20,055,000	10,172,650	-	-	20,055,000	10,172,650
-	-	97,100,000	36,893,750	-	-	97,100,000	36,893,750
-	-	79,675,000	18,335,025	-	-	79,675,000	18,335,025
-	-	44,550,000	3,576,213	-	-	44,550,000	3,576,213
-	-	322,818,432	118,499,152	-	-	327,775,001	118,793,000
-	-	-	-	-	-	15,715,000	28,451,465
-	-	-	-	-	-	19,445,000	29,540,822
-	-	-	-	-	-	22,155,000	28,648,658
-	-	-	-	-	-	23,150,000	27,934,175
-	-	-	-	-	-	24,035,000	27,057,098
-	-	-	-	-	-	133,110,000	120,012,023
-	-	-	-	-	-	143,505,000	89,753,203
-	-	-	-	-	-	158,270,000	54,001,743
-	-	-	-	-	-	110,410,000	19,855,401
-	-	-	-	-	-	31,810,000	3,844,750
-	-	-	-	-	-	681,605,000	429,099,338
1,283,686	827,370	9,179,688	3,812,321	12,885,367	486,726	27,664,927	18,015,650
1,295,686	777,030	9,260,312	3,514,705	9,401,358	292,394	32,120,775	17,252,311
1,311,686	732,961	8,383,820	3,239,043	9,444,827	185,675	31,998,596	16,365,069
1,323,686	689,974	8,413,733	2,770,029	7,022,422	92,237	29,578,260	15,456,962
1,335,686	637,323	7,839,589	2,515,113	6,437,220	28,989	28,930,914	14,573,449
6,892,793	2,356,493	19,297,109	10,092,489	-	-	97,151,746	61,837,261
5,868,932	768,106	15,340,970	6,667,734	-	-	104,301,744	41,895,773
384,807	42,806	15,773,115	3,363,111	-	-	123,190,358	19,257,368
71,377	2,141	5,008,642	349,041	-	-	32,637,252	1,434,167
19,768,339	6,834,204	98,496,978	36,323,586	45,191,194	1,086,021	507,574,572	206,088,010
-	-	63,770	4,594	-	-	63,770	4,594
-	-	28,067	623	-	-	28,067	623
-	-	91,837	5,217	-	-	91,837	5,217
1,080,301	-	17,236,440	-	270,473	-	21,286,359	-
3,829,335	-	-	-	-	-	3,829,335	-
4,909,636	-	17,236,440	-	270,473	-	25,115,694	-
24,677,975	6,834,204	115,825,255	36,328,803	45,461,667	1,086,021	532,782,103	206,093,227
\$ 24,677,975	\$ 6,834,204	\$ 438,643,687	\$ 154,827,955	\$ 45,461,667	\$ 1,086,021	\$ 1,542,162,104	\$ 753,985,565

SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2013

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2012</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Housing, Series 1996, Taxable	5.60 - 5.75	6/01/96	\$ 460,000	\$ -
Public Improvement Refunding, Series 2002C	4.00	12/01/02	425,000	-
Public Improvement, Series 2004	3.00 - 3.25	3/01/04	1,500,000	-
Public Improvement Refunding, Series 2004A	3.00 - 4.00	3/01/04	6,466,748	-
Housing, Series 2004B, Taxable	4.20 - 4.375	3/01/04	3,505,000	-
Street Improvement, Series 2005A	4.00	8/01/05	1,750,000	-
Public Improvement, Series 2005B	4.00	8/01/05	8,450,000	-
Housing, Series 2007, Taxable	5.10 - 5.40	3/01/07	5,250,000	-
Public Improvement, Series 2009A	2.25 - 4.25	3/10/09	9,465,000	-
Public Improvement Refunding, Series 2009B	2.25 - 2.50	3/11/09	6,974,154	-
Housing, Series 2009C Taxable	3.70 - 5.50	3/11/09	8,500,000	-
General Obligation Refunding, Series 2009D	3.50 - 5.00	7/28/09	33,530,000	-
General Obligation Refunding, Series 2009E	4.00 - 5.00	7/28/09	14,180,000	-
Public Improvement, Series 2009F	3.00 - 5.00	9/03/09	53,065,000	-
Housing, Series 2009G, Taxable	3.50 - 5.30	9/03/09	9,000,000	-
General Obligation Refunding, Series 2011A	3.00 - 5.00	10/27/11	32,055,000	-
General Obligation Refunding Housing, S 2011B	0.55 - 1.50	10/27/11	1,870,000	-
Public Improvement, Series 2012A	2.00 - 5.00	5/15/12	9,000,000	-
Public Improvement, Series 2012B	2.00 - 5.00	5/16/12	138,600,000	-
Total General Obligation Bonded Debt			<u>344,045,902</u>	<u>-</u>
<u>OTHER GENERAL GOVERNMENTAL</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			128,495,202	239
Other Installment Obligations			261,281	63
Earned Vacation Pay			17,663,101	10,155,052
Landfill closure and Postclosure Costs			<u>4,181,908</u>	<u>-</u>
Total Other General Governmental Long-Term Obligations			<u>150,601,492</u>	<u>10,155,354</u>
Total General Governmental Long-Term Obligations			<u>\$ 494,647,394</u>	<u>\$ 10,155,354</u>

Notes:

- (1) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.
- (2) Solid Waste Services moved from general government to an enterprise fund during fiscal year 2012-13. Its long term obligations have been moved to the enterprise obligations schedule. They will show as a retirement on this schedule and a new issue on the enterprise obligations schedule.

* Certain maturities were refunded during the year.



Payments During Fiscal 2012-2013		Principal Balance June 30, 2013	Due Fiscal 2013-2014		
Principal	Interest		Principal	Interest	Total
\$ 115,000	\$ 26,277	\$ 345,000	\$ 115,000	\$ 19,837	\$ 134,837
425,000	17,000	-	-	-	-
500,000	47,500	1,000,000	500,000	32,500	532,500
1,650,949	214,440	4,815,799	1,631,826	148,402	1,780,228
700,000	151,594	2,805,000	700,000	122,194	822,194
550,000	70,000	1,200,000	600,000	48,000	648,000
2,650,000	338,000	5,800,000	2,900,000	232,000	3,132,000
350,000	274,925	4,900,000	350,000	257,075	607,075
555,000	323,175	8,910,000	555,000	310,688	865,688
1,661,521	166,143	5,312,633	1,622,717	128,759	1,751,476
500,000	404,500	8,000,000	500,000	386,000	886,000
3,205,000	1,421,650	30,325,000	3,195,000	1,293,650	4,488,650
-	674,650	14,180,000	-	674,650	674,650
2,300,000	2,349,600	50,765,000	2,300,000	2,280,600	4,580,600
500,000	417,750	8,500,000	500,000	400,250	900,250
-	1,355,575	32,055,000	-	1,355,575	1,355,575
565,000	16,636	1,305,000	500,000	12,957	512,957
300,000	316,549	8,700,000	300,000	354,625	654,625
4,700,000	4,863,360	133,900,000	4,700,000	5,464,125	10,164,125
<u>21,227,470</u>	<u>13,449,324</u>	<u>322,818,432</u>	<u>20,969,543</u>	<u>13,521,887</u>	<u>34,491,430</u>
29,998,463	2,937,207	98,496,978	9,179,688	3,812,321	12,992,009
169,507	8,704	91,837	63,770	4,594	68,364
10,579,816	-	17,238,337	-	(1)	-
4,181,908	(2)	-	-	-	-
<u>44,929,694</u>	<u>2,945,911</u>	<u>115,827,152</u>	<u>9,243,458</u>	<u>3,816,915</u>	<u>13,060,373</u>
<u>\$ 66,157,164</u>	<u>\$ 16,395,235</u>	<u>\$ 438,645,584</u>	<u>\$ 30,213,001</u>	<u>\$ 17,338,802</u>	<u>\$ 47,551,803</u>

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2013

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2012</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION</u>				
<u>BONDS PAYABLE</u>				
Sanitary Sewer Refunding, Series 2002C	4.00	12/01/02	\$ 90,000	\$ -
Water Refunding, Series 2004A	3.00 - 4.00	3/1/04	2,307,846	-
Sanitary Sewer Refunding, Series 2004A	3.00 - 4.00	3/1/04	1,370,407	-
Sanitary Sewer Refunding, Series 2009B	2.25 - 2.50	3/11/09	660,892	-
Total Water and Sewer General Obligation Debt			4,429,145	-
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 2004	5.00	5/4/04	6,265,000	-
Water/Sewer Refunding, Series 2005	5.00	5/5/05	31,525,000	-
Water/Sewer, Series 2006A	4.00 - 5.00	10/10/06	182,775,000	-
Water/Sewer Refunding, Series 2006B	3.90 - 4.25	10/10/06	57,800,000	-
Water/Sewer, Series 2008A Variable Rate	4.163	6/12/08	85,840,000	-
Water/Sewer, Series 2008B Variable Rate	4.163	6/12/08	57,230,000	-
Water/Sewer Refunding, Series 2010A	2.25 - 5.00	3/20/10	68,745,000	-
Water/Sewer, Series 2011	3.00 - 5.00	2/10/11	108,340,000	-
Water/Sewer Refunding, Series 2012A	5.00	4/05/12	31,230,000	-
Water/Sewer, Series 2013A	2.00 - 5.00	5/16/13	-	66,895,000
Water/Sewer Refunding, Series 2013A	3.75 - 5.00	5/16/13	-	112,780,000
Water/Sewer Refunding, Series 2013B, Taxable	0.65 - 2.14	5/16/13	-	23,470,000
Total Water and Sewer Revenue Debt			629,750,000	203,145,000
<u>OTHER WATER AND SEWER</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			7,221,429	7,544,657
Earned Vacation Pay			1,925,974	1,470,110
Total Other Water and Sewer Long-Term Obligations			9,147,403	9,014,767
Total Water and Sewer Long-Term Obligations			643,326,548	212,159,767
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding Series 2009B	2.25 - 2.50	3/11/09	2,249,955	-
Total Parking Facilities General Obligation Bonded Debt			2,249,955	-
<u>OTHER PARKING FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			89,925,000	-
Earned Vacation Pay			75,086	58,558
Total Other Parking Facilities Long-Term Obligations			90,000,086	58,558
Total Parking Facilities Long-Term Obligations			92,250,041	58,558
<u>CONVENTION CENTER FACILITIES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			243,425,000	264,844
Earned Vacation Pay			548,200	273,771
Total Convention Center Facilities Long-Term Obligations			243,973,200	538,615
<u>MASS TRANSIT</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			39,470	24,972
Total Mass Transit Long-Term Obligations			39,470	24,972
<u>SOLID WASTE SERVICES</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			-	20,904,416 (3)
Solid Waste Services Earned Vacation Pay			-	884,685 (3)
Landfill closure and Postclosure Costs			-	4,181,908 (3)
Total Solid Waste Services Long-Term Obligations			-	25,971,009
<u>STORMWATER</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			-	139,610
Stormwater Earned Vacation Pay			239,593	173,583
Total Stormwater Long-Term Obligations			239,593	313,193
Total Enterprise Long-Term Obligations			\$ 979,828,852	\$ 239,066,114

Notes:

- (1) Actual variable rate interest may differ from the fixed swap rate presented here.
- (2) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.
- (3) Solid Waste Services is a new enterprise this fiscal year. Its obligations were formerly in general government.

The balances belonging to the new enterprise are shown as additions on this schedule.

* Certain maturities were refunded during the year.

Payments During Fiscal 2012-2013		Principal Balance June 30, 2013	Due Fiscal 2013-2014		
Principal	Interest		Principal	Interest	Total
\$ 90,000	\$ 3,600	\$ -	\$ -	\$ -	\$ -
589,189	76,529	1,718,657	582,364	52,962	635,326
349,862	45,443	1,020,545	345,810	31,449	377,259
157,451	15,744	503,441	153,773	12,202	165,975
<u>1,186,502</u>	<u>141,316</u>	<u>3,242,643</u>	<u>1,081,947</u>	<u>96,613</u>	<u>1,178,560</u>
3,055,000	313,250	3,210,000	3,210,000	160,500	3,370,500
24,490,000 *	1,576,250	7,035,000	3,430,000	351,750	3,781,750
119,835,000 *	9,034,200	62,940,000	2,795,000	3,069,050	5,864,050
245,000	2,339,873	57,555,000	255,000	2,330,073	2,585,073
2,200,000	3,561,595	83,640,000	2,330,000	3,481,933 (1)	5,811,933
1,465,000	2,374,402	55,765,000	1,550,000	2,321,497 (1)	3,871,497
-	3,256,875	68,745,000	-	3,256,875	3,256,875
-	5,195,210	108,340,000	2,145,000	5,195,210	7,340,210
-	1,414,025	31,230,000	-	1,561,500	1,561,500
-	-	66,895,000	-	2,260,441	2,260,441
-	-	112,780,000	-	4,222,730	4,222,730
-	-	23,470,000	-	239,906	239,906
<u>151,290,000 *</u>	<u>29,065,680 *</u>	<u>681,605,000</u>	<u>15,715,000</u>	<u>28,451,465</u>	<u>44,166,465</u>
1,047,869	203,801	13,718,217	991,186	169,279	1,160,465
1,359,631	-	2,036,453	- (2)	-	-
<u>2,407,500</u>	<u>203,801</u>	<u>15,754,670</u>	<u>991,186</u>	<u>169,279</u>	<u>1,160,465</u>
154,884,002	29,410,797	700,602,313	17,788,133	28,717,357	46,505,490
536,029	53,600	1,713,926	523,510	41,539	565,049
<u>536,029</u>	<u>53,600</u>	<u>1,713,926</u>	<u>523,510</u>	<u>41,539</u>	<u>565,049</u>
3,215,000	2,329,107	86,710,000	3,325,000	3,192,883	6,517,883
42,371	-	91,273	- (2)	-	-
<u>3,257,371</u>	<u>2,329,107</u>	<u>86,801,273</u>	<u>3,325,000</u>	<u>3,192,883</u>	<u>6,517,883</u>
3,793,400	2,382,707	88,515,199	3,848,510	3,234,422	7,082,932
-	8,278,737	243,689,844	-	9,747,071 (1)	9,747,071
250,552	-	571,419	- (2)	-	-
<u>250,552</u>	<u>8,278,737</u>	<u>244,261,263</u>	<u>-</u>	<u>9,747,071 (1)</u>	<u>9,747,071</u>
24,092	-	40,350	- (2)	-	-
<u>24,092</u>	<u>-</u>	<u>40,350</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,268,706	834,174	19,635,710	1,276,706	827,370	2,104,076
64,093	-	820,592	- (2)	-	-
352,573	-	3,829,335	391,996	-	391,996
<u>1,685,372</u>	<u>834,174</u>	<u>24,285,637</u>	<u>1,668,702</u>	<u>827,370</u>	<u>2,496,072</u>
6,980	-	132,630	6,980	-	6,980
193,817	-	219,359	- (2)	-	-
<u>200,797</u>	<u>-</u>	<u>351,989</u>	<u>6,980</u>	<u>-</u>	<u>6,980</u>
<u>\$ 160,838,215</u>	<u>\$ 40,906,415</u>	<u>\$ 1,058,056,751</u>	<u>\$ 23,312,325</u>	<u>\$ 42,526,220</u>	<u>\$ 65,838,545</u>

SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2013

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2012</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>INSTALLMENT FINANCING AGREEMENTS:</u>				
Equipment Acquisition Project, Series 2009	2.785	06/23/09	\$ 7,050,200	\$ -
Equipment Acquisition Project, Series 2011	1.75	05/18/11	9,436,652	-
Equipment Acquisition Project, Series 2013	0.901	05/13/13	-	34,526,906
Total Installment Financing Agreements:			<u>16,486,852</u>	<u>34,526,906</u>
<u>OTHER INTERNAL SERVICE LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			1,897	-
Earned Vacation Pay - Risk Management			4,804	11,735
Earned Vacation Pay - Vehicle Fleet Services			262,624	167,599
Total Other Internal Service Long-Term Obligations			<u>269,325</u>	<u>179,334</u>
Total Internal Service Long-Term Obligations			<u>\$ 16,756,177</u>	<u>\$ 34,706,240</u>

Note:

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



<u>Payments During Fiscal 2012-2013</u>		<u>Principal Balance June 30, 2013</u>	<u>Due Fiscal 2013-2014</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 3,525,100	\$ 196,348	\$ 3,525,100	\$ 3,525,100	\$ 89,993	\$ 3,615,093
2,297,464	155,134	7,139,188	2,337,845	114,752	2,452,597
-	-	34,526,906	7,022,422	281,981	7,304,403
<u>5,822,564</u>	<u>351,482</u>	<u>45,191,194</u>	<u>12,885,367</u>	<u>486,726</u>	<u>13,372,093</u>
1,897	-	-	- (1)	-	-
6,505	-	10,034	- (1)	-	-
171,681	-	258,542	- (1)	-	-
180,083	-	268,576	-	-	-
<u>\$ 6,002,647</u>	<u>\$ 351,482</u>	<u>\$ 45,459,770</u>	<u>\$ 12,885,367</u>	<u>\$ 486,726</u>	<u>\$ 13,372,093</u>

