

CITY OF RALEIGH, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CITY OF RALEIGH, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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



CITY OF RALEIGH
2008

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CITY OF RALEIGH
2008



INTRODUCTORY SECTION

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INTRODUCTORY SECTION

RALEIGH CITY COUNCIL - 2007-2008



First row: James P. West, Nancy McFarlane, Mary-Ann Baldwin, Charles C. Meeker
Second row: Russ Stephenson, Rodger Koopman **Third row:** Thomas Crowder, Philip R. Isley

Charles C. Meeker - MAYOR

James P. West - MAYOR PROTEM, DISTRICT C

Nancy McFarlane - DISTRICT A

Rodger Koopman - DISTRICT B

Thomas Crowder - DISTRICT D

Philip R. Isley - DISTRICT E

Mary-Ann Baldwin - AT LARGE

Russ Stephenson - AT LARGE

CITY ADMINISTRATIVE, LEGAL AND FINANCIAL STAFF



J. Russell Allen
City Manager

J. Russell Allen
CITY MANAGER

Lawrence E. Wray
ASSISTANT CITY MANAGER

Julian B. Prosser, Jr.
ASSISTANT CITY MANAGER

Daniel A. Howe
ASSISTANT CITY MANAGER

Thomas A. McCormick, Jr.
CITY ATTORNEY

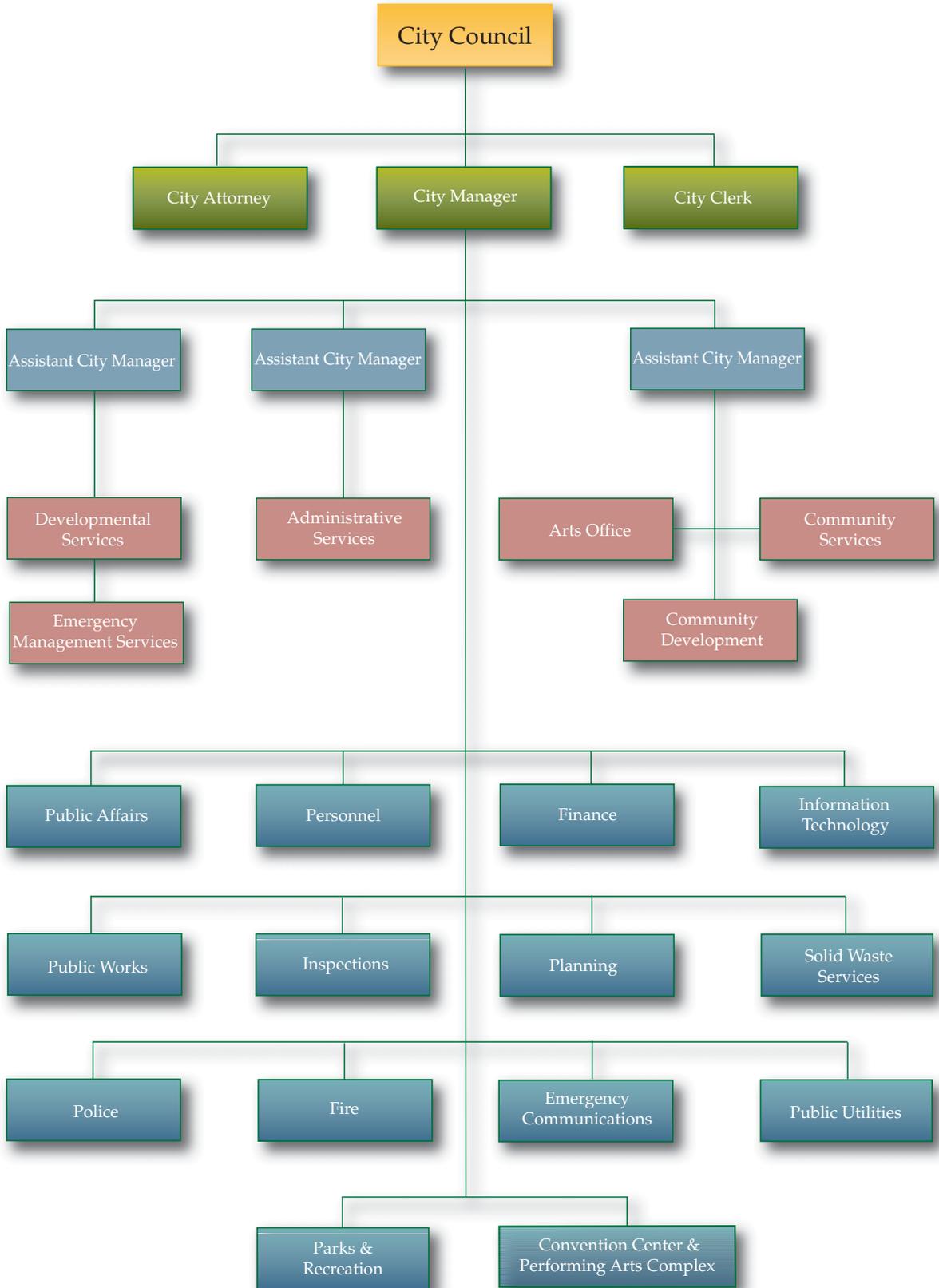
Gail G. Smith
CITY CLERK

Perry E. James, III
CHIEF FINANCIAL OFFICER



Perry E. James, III
Chief Financial Officer

CITY-WIDE ORGANIZATION CHART



December 8, 2008



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

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2008. State law requires that all general-purpose local governments annually publish a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consist of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of the internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent auditor concluded, based upon the audit, that the City's financial statements for the fiscal year ended June 30, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

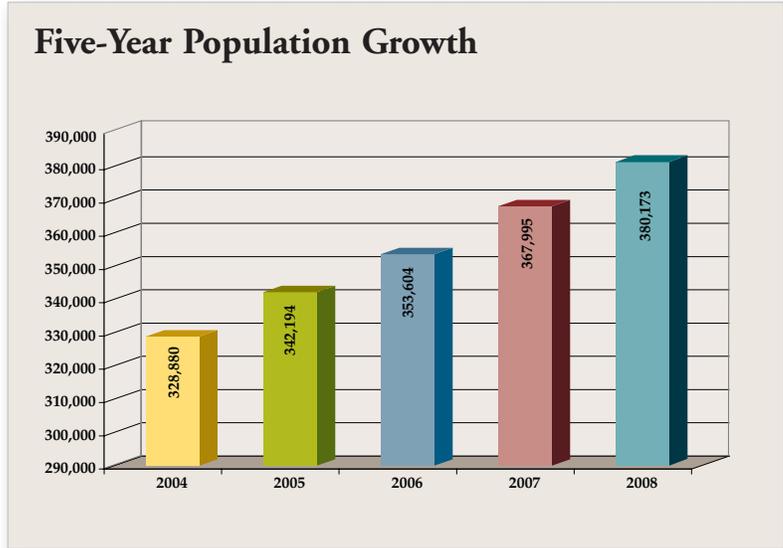
The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation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

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

222 WEST HARGETT STREET • P.O. BOX 590 • RALEIGH, NORTH CAROLINA 27602

PROFILE OF CITY OF RALEIGH

Raleigh is situated in the heart of the State of North Carolina, in a section called the Piedmont region, 150 miles from the Atlantic Ocean and 190 miles from the Great Smoky Mountains. The City, the county seat of Wake County and the capital of North Carolina, covers an area of more than 140 square miles and has an estimated population of 380,173. The City forms one point of the Research Triangle Park developed in 1959 for industrial, governmental and scientific research, with Chapel Hill and Durham at the other two points. The City is located in a metropolitan area consisting of Wake, Durham, Orange, Franklin, Chatham and Johnston counties. The population for this area is estimated to be 1,488,000 and, in March 2008, the U.S. Census Bureau called this area the third fastest growing metro in the nation.



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

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

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

The Annual Budget serves as the foundation of the City's financial planning and control. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads, for transfers up to \$10,000, or the City Manager, for transfers above \$10,000 up to \$50,000, may approve transfers of appropriations within a fund. Transfers greater than \$50,000 and transfers of appropriations between funds require approval of the City Council.

ECONOMIC CONDITIONS AND OUTLOOK

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

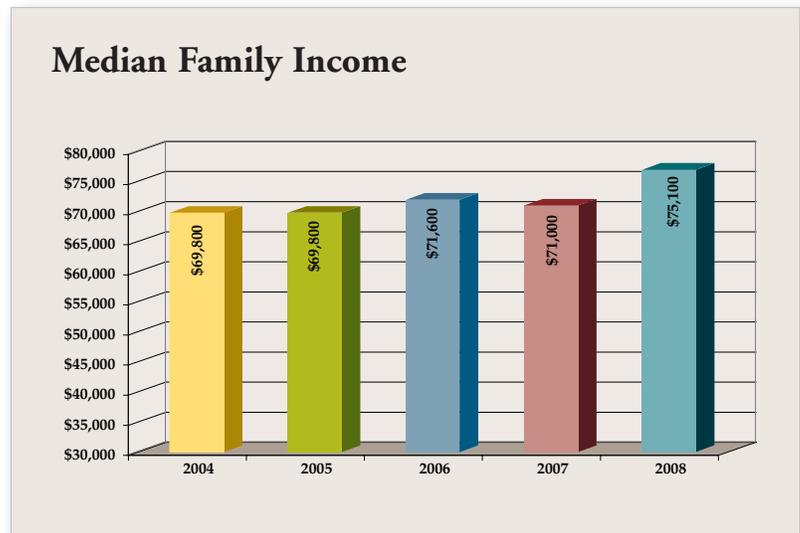
Raleigh is consistently recognized by independent sources as one of the best metropolitan areas for jobs in the U.S. In a recent report, Forbes Magazine noted "...The city has low unemployment, strong income and job growth and high incomes... yet it still maintains a relatively low cost of living..." Raleigh is one of the fastest growing areas in the country and is rated one of the top 10 cities for relocation in the U.S. and in the top 50 cities in the country in population. Notwithstanding current economic conditions, a good business environment, top universities, and outstanding health care facilities are some of the attributes that attract people to the area. The mild climate, diverse work force and proximity to Research Triangle Park, a nationally recognized center for research and light manufacturing adjacent to the City, combine to make the City a great place to live. The City has experienced significant growth in population, land area and commercial activity for a number of years. As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers, including State government, higher education, light manufacturing and retail trade. The City is the home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in North Carolina.

The 2006 American Community Survey reports the percent of adults in the City with a high school diploma is 88% and 45% of the adults have a bachelor's degree. Also, a 2008 Kiplinger report states that the City median household income is \$56,150 and CNN reports the median family income is \$75,100.

Recent statistical analyses continue to show the Raleigh metropolitan area to be one of the leading per capita income areas in the state and the nation. The latest data for Wake County reflects per capita income higher than the state and national per capita personal incomes. The latest median family income numbers from the City of Raleigh planning department show that the Raleigh-Cary MSA continues to have the highest median family income in North Carolina. The City's taxable property base also remains strong due in part to the quality of life, which has attracted industry, commerce and citizens to the Raleigh area. This has resulted in a balanced tax base of commercial and industrial property complimenting our growing residential base. Even at the current time when national economic and banking problems are impacting all local governments, the City's tax base is projected to continue to moderately increase as will the demand for City services.

Although also moderated somewhat, through 2007-08, retail sales in the area continued to be strong. From FY 2006 through FY 2008 retail sales increased 10.8% from \$6.1 billion to \$6.76 billion. FY 2009 sales are expected to slow as consumers curtail spending in the current economic downturn.

For the eighth consecutive year, total permitted construction value in Raleigh was over \$1 billion, with the 2008 permitted value



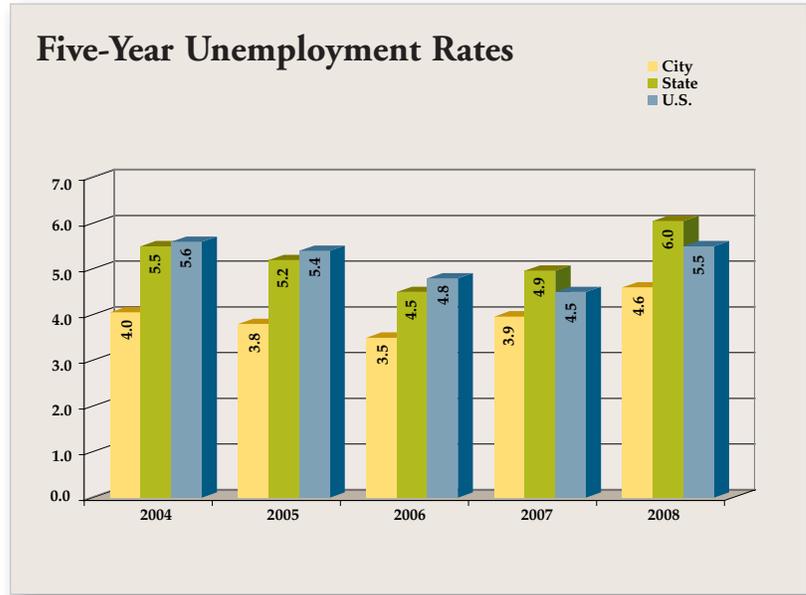
going over \$2 billion for the first time. Also, unemployment remains relatively low at 4.6 percent (June 2008) as compared to 6.0 percent statewide and 5.5 percent nationwide.

The nearby Research Triangle Park was developed in 1959 for industrial, governmental and scientific research. Its primary objective is to attract research related institutions to the area, and currently consists of approximately 170 organizations including those of International Business Machines Corporation, Nortel, GlaxoSmithKline, Sony Ericsson, Cisco, Research Triangle Institute, United States Environmental Protection Agency and National Institute of Environmental Health Services. The research institutions of the Park employ an estimated 40,000 employees.

An estimated 10.25 million people visited Raleigh during 2007 for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the Raleigh Convention Center, the RBC Center, Time Warner Amphitheater at Walnut Creek, the Progress Energy Center for the Performing Arts, Marbles Museum and IMAX Theater, numerous state museums, and several major retail shopping malls. The RBC Center is the home of the National Hockey League 2006 Stanley Cup champion Carolina Hurricanes, and North Carolina State University's Wolfpack basketball team. Memorial

Auditorium, at the Progress Energy Center for the Performing Arts, hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South. The Progress Energy Center for the Performing Arts is the home of the North Carolina Symphony and the Carolina Ballet, and provides three performing arts theaters.

The City continues to focus efforts and investment in downtown development under its livable streets plan. The new Raleigh Convention Center opened in September 2008. It is 500,000 square feet, which includes public meeting space in an adjacent 400 room headquarters' hotel. Even before the Convention Center opened over 140 conventions had already been booked, and new bookings continue to come in for this great location. A 944 space underground parking deck was constructed to serve the convention center, hotel and nearby private development. The project budgets for the convention center, hotel participation and underground parking deck were approximately \$290 million. The convention center construction cost and the City's \$20 million share of the headquarters' hotel project are funded from an interlocal agreement that allocates revenues from the county-wide 6% room occupancy tax and 1% prepared food and beverage tax. The underground parking deck is being funded by debt proceeds to be repaid by parking revenues. In July 2006, the City completed phase one of the Fayetteville Street Renaissance project. This \$11.0 million project re-opened Fayetteville Street, Raleigh's main street, to vehicular traffic for the four blocks from the state capitol to the new convention center hotel. The next phase of this project will include construction of City Plaza and the full extension of Fayetteville Street to Lenoir Street. The City is also currently partnering with a

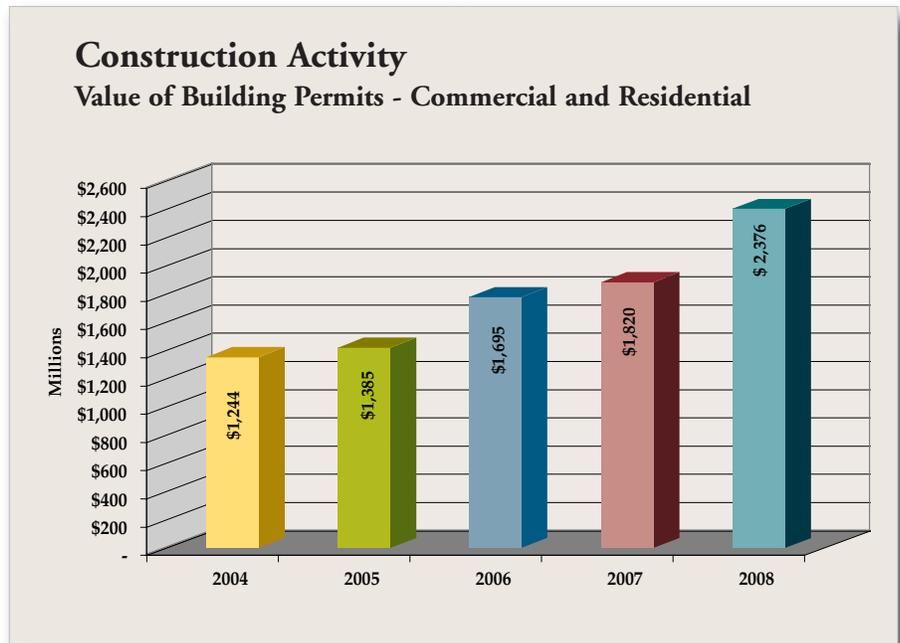
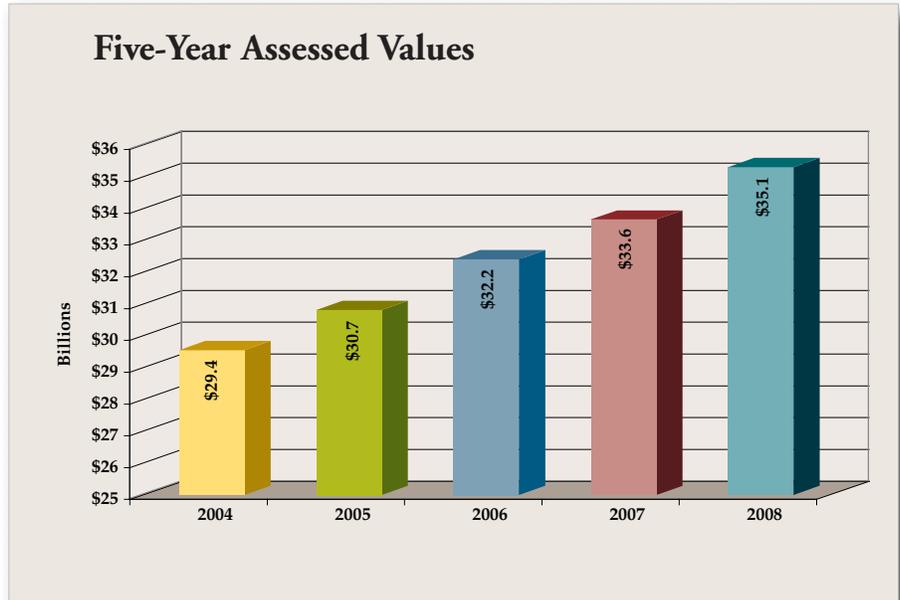


private development group to do a long-term capital lease of an underground parking deck under a planned adjoining mixed use complex. It is expected that these major projects will continue to be catalysts in attracting new, private development to downtown Raleigh, such as the \$100 million, 32-story corporate headquarters building for RBC Centura Bank, that was recently constructed on Fayetteville Street and opened in October 2008.

In addition to the new commercial development, construction has recently been completed, or is in process, on several major housing developments in the downtown area with additional development in the planning stage. Approximately 2,515 new residential units are planned to be completed by December 2008. Over

7,000 housing units (includes for sale, for lease, historic district single family, senior housing, affordable housing and student housing) are projected to be within or adjacent to the downtown business improvement district by December 2008. Some of these projects have been delayed as a result of the current economic conditions.

Current economic conditions will likely slow growth in the tax base and our largest revenue source, property taxes. Sales tax, our second largest revenue source, is also unfavorably impacted by reduced consumer spending resulting from the declining economy; however, the local economy has, thus far, fared better than the overall national economy. The city's stable employment and population base will benefit Raleigh's efforts to weather the current downturn. MSNBC ranked Raleigh as #2 in a November, 2008 listing of cities being able to weather the current fiscal crisis.



LONG-TERM FINANCIAL PLANNING

The City seeks to consistently maintain a strong financial position as evidenced by its AAA/Aaa ratings from the 3 major credit rating agencies. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually the City adopts a 10-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs. Phase I encompasses the first 5 years of the CIP and addresses both project needs and financial strategy for this period. Phase II of the program, spanning the second 5-year period, includes longer range projects identified as necessary for the continuation of existing service levels to the citizens of the City.

Phase I of the CIP spans fiscal years 2007-08 through 2011-12. The major areas included in Phase I are transportation, public utilities, parks, housing, stormwater utility, the Neuse Basin environmental program, and general public improvements. The public utilities and transportation programs represent the largest portions of the CIP due to the strong growth of our area and the large amount of utility and transportation needs.

A key financial goal of the City for many years has been the maintenance of a 14% undesignated fund balance level in the General Fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2008 results that are built into the 2008-09 operating budgets. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include a debt model, a parking fund model, a cash flow model, rate sensitivity analyses and financing proformas. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

MAJOR INITIATIVES

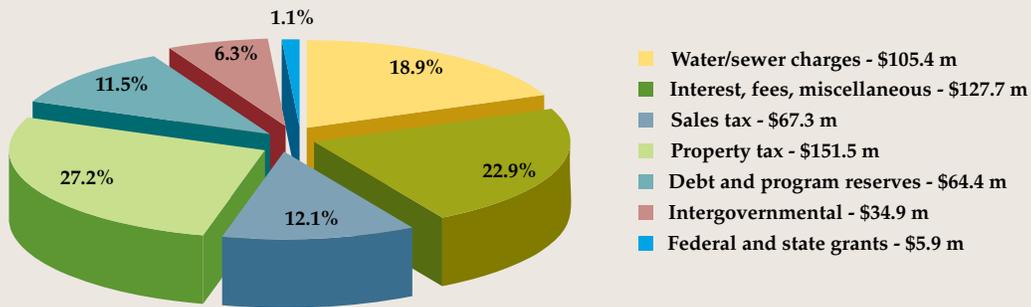
For the Year 2007-08

The City's Annual Budget for 2007-08, inclusive of operating and capital programs, grew by 8.5 percent from the prior year. The property tax rate remained at \$.435 per \$100 of assessed value, and tax revenues were projected to grow at 5%. Sales tax growth was projected at 6.4%. Water and sewer rates were increased 9% in order to adequately maintain both parity debt covenants and the City's fund balance goals for the utilities operating fund. Other revenue adjustments included a second increment of a Council approved plan to increase facility fee rates, and a full implementation of the revenue indexing program in development services. Cost increases to existing operations included employee compensation, health insurance, other post employment benefits, a new after-school parks program, fuel costs and initial phases of an enterprise resource planning system.

Ongoing City growth, as well as new capital facilities, also required appropriate investments in new personnel resources and other operating costs that were associated with those needs.

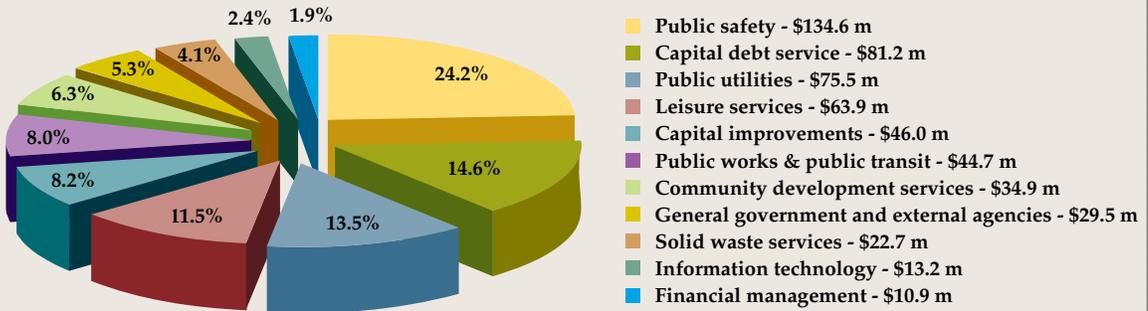
Capital improvement budgets in 2007-08 included the programming of remaining capital expenditures associated with the 2003 Parks Bond, the 2005 Transportation and Housing Bonds, and a significant amount of general capital projects including \$284 million for the Clarence E. Lightner Public Safety Center and various remote operating facilities. Other key capital projects budgeted focused on transportation, stormwater, water and sewer utility infrastructure, and affordable housing.

Adopted Budget 2007-2008



Revenues \$557,066,589

Adopted Budget 2007-2008



Expenditures \$557,066,589

For the Future

The fiscal year 2008-09 Annual Budget was adopted by the City Council on June 23, 2008. The combined capital and operating budget for the fiscal year beginning July 1, 2008 totals \$644,755,290, representing a 15.7% increase from the FY 2007-08 Annual Budget. Based on property revaluation, a revenue neutral tax was calculated, then increased by 4.18 cents to a property tax rate of \$.3735 per \$100 of assessed value to cover General Fund operations and capital projects debt service. Water and sewer rates were increased 15% to maintain ongoing operations and capital investment goals.

Other major revenue components of the 2008-09 operating budget include increased facility fees estimated to bring in an annual amount of \$4.2 million, a \$400 increase in the nutrient reduction fee and the continuation of a revenue indexing program in development services. The 2008-09 operating budget funds the continuation of current operations and provides additional funding and staffing for various needs associated with the City's growth, expansion of facilities and new programs. Including approved changes at mid-year, a total of 147 new positions are authorized. Of this total, 79 are in the General Fund, 24 in Public Utilities and 44 in other funds.

The 2008-09 capital budget includes new and/or continuing projects totaling \$309.7 million. This budget includes traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements. Fiscal year 09 capital funding sources include traditional capital revenues such as Powell Bill funds, facility fees, capital reserves, parking operations, and other pay-as-you-go funds. The capital budget is also funded by the appropriation of previously issued bond proceeds as well as new planned long-term debt issues.

Response to Current Economic Conditions

As noted throughout this transmittal letter, the declining economy and national fiscal credit problems have impacted Raleigh, as they have all local governments. In response to this condition, the City has taken containment actions to offset possible budget shortfalls. These actions include a "soft" freeze on hiring, cautionary management of all operating expenditures, and delay of \$15 million in capital projects pending review later in the year. Also, in October 2008, credit issues of certain liquidity providers resulted in \$335 million of the City's variable rate debt obligation being tendered back to the City's liquidity providers. In response to this, the City Council authorized the City Manager and the Chief Financial Officer to make immediate changes in current financing arrangements when felt to be in the best interest of the City. As of this date, Administration is working through plans to resolve the liquidity and associated remarketing issues. Incremental debt service costs resulting from the tendering of City debt and the changes in financing arrangements will be funded within current debt model capacity. City management and staff are committed to providing Raleigh citizens the highest quality of essential services throughout the economic decline and maintain the financial integrity our community expects.

AWARDS AND ACKNOWLEDGMENTS

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

The City has received this award for its comprehensive annual financial report for all years beginning in 1980, including the 2007 report.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

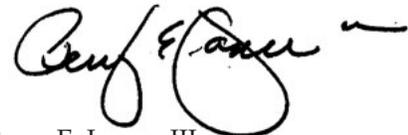
The preparation of this report has been accomplished by the City's Finance Department staff, with assistance from the independent auditors, Cherry, Bekaert & Holland, LLP. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves.

It is also appropriate to thank the Mayor and members of the City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,



J. Russell Allen
City Manager



Perry E. James, III
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Raleigh,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



CITY OF RALEIGH
2008



FINANCIAL SECTION

CCR

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year then ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

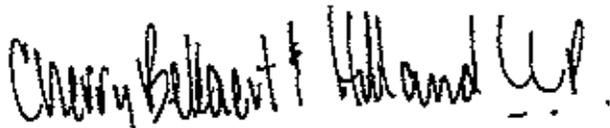
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

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

Raleigh, North Carolina
December 8, 2008

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, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

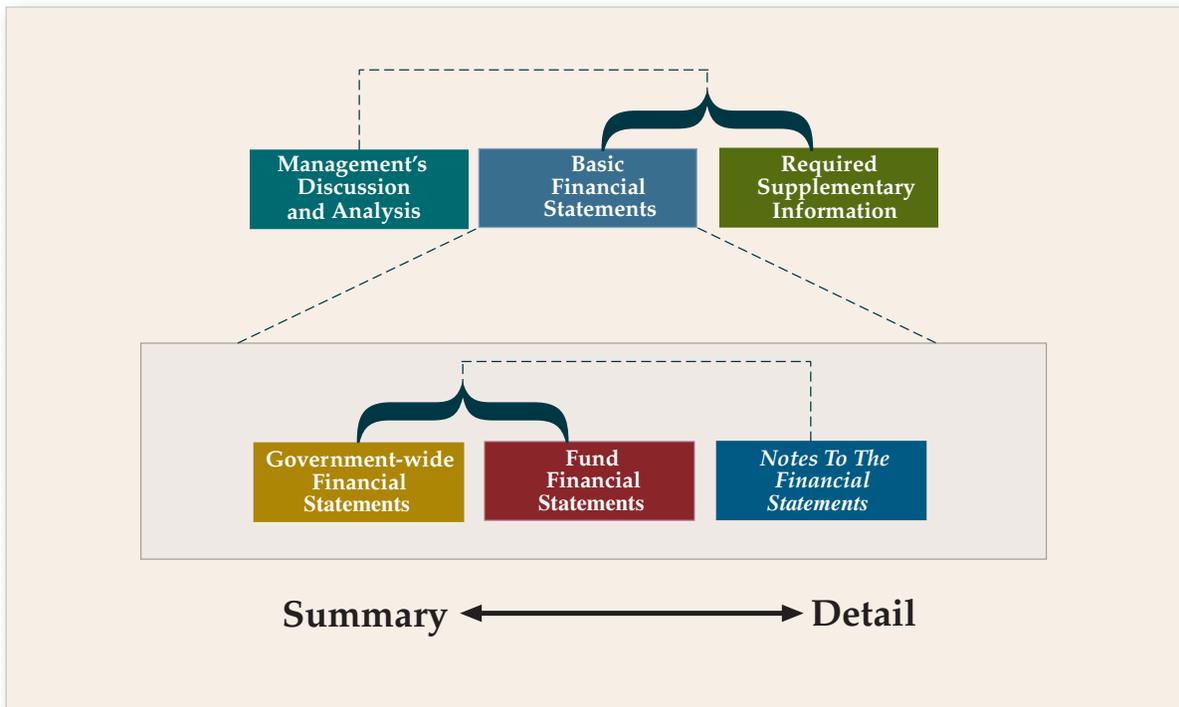
- The assets of the City of Raleigh exceeded its liabilities at the close of the most recent fiscal year by \$1.56 billion (*net assets*). This amount is a \$78.5 million increase from last year. Of this amount, \$251.5 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$335.9 million. Of this total amount, 76.5% or \$257.1 million, is *available for spending* at the government's discretion (*unreserved fund balance*). A large part of this amount is either designated or appropriated for continuing activities of the City.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$92.8 million or 32.1% of total general fund expenditures. Of that amount, \$56.2 million is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City's total long-term obligations increased by a net of \$180.1 million during the current fiscal year. The issuance of new debt (\$220.9 million) exceeded principal repayments (\$43.1 million) by \$177.8 million. Other long-term obligations (earned vacation pay and landfill postclosure care) increased by \$2.8 million.
 - The City issued \$150.0 million in water and sewer revenue bonds for utility projects.
 - The City issued \$28.930 million in certificates of participation for the following capital projects: continuation of the Fayetteville Street renaissance project (\$6.280 million), a solid waste transfer station (\$7.885 million), and continuation of an underground parking garage (\$14.765 million).
 - The City extended and/or entered into master financing agreements in order to purchase land for a new public works operations center (\$10,114,000), and design and development of an enterprise resource planning (ERP) system (\$30 million).
 - The City also entered into an installment purchase obligation of \$1,850,000 to purchase land for a utilities operations facility.
- The City of Raleigh maintained its AAA/Aaa bond rating from all three major rating agencies.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$223.0 million, which were \$63.7 million less than the general revenues of \$286.7 million.
- On a government-wide basis for business-type activities, the City had expenses net of program revenues of \$7.2 million, which were \$10.6 million less than general revenues of \$17.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**Figure A-1: Components of the Financial Section
City of Raleigh Basic Financial Statements**





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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 51 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 and other post employment benefits. Required supplementary information can be found on pages 52 - 55 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56 - 112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Raleigh, assets exceeded liabilities by \$1.56 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Raleigh's net assets (\$1.19 billion or 76.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Raleigh uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City of Raleigh's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Assets.

Table 1: City of Raleigh's Net Assets (*in millions of dollars*)

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 433.5	\$ 454.6	\$ 510.1	\$ 517.6	\$ 943.6	\$ 972.2
Capital assets	639.5	681.1	1,106.8	1,300.6	1,746.3	1,981.7
Total assets	1,073.0	1,135.7	1,616.9	1,818.2	2,689.9	2,953.9
Long-term debt outstanding	264.2	297.8	786.9	933.4	1,051.1	1,231.2
Other liabilities	69.8	67.6	88.1	95.3	157.9	162.9
Total liabilities	334.0	365.4	875.0	1,028.7	1,209.0	1,394.1
Invested in capital assets, net of related debt	462.3	493.8	662.1	701.2	1,124.4	1,195.0
Restricted	120.4	113.3	-	-	120.4	113.3
Unrestricted	156.3	163.2	79.8	88.3	236.1	251.5
Total net assets	<u>\$ 739.0</u>	<u>\$ 770.3</u>	<u>\$ 741.9</u>	<u>\$ 789.5</u>	<u>\$ 1,480.9</u>	<u>\$ 1,559.8</u>

An additional portion of the City's net assets (\$113.3 million or 7.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$251.5 million or 16.1 percent) may be used to meet the government's ongoing obligations to citizens and creditors.



At the end of the current fiscal year, the City of Raleigh is able to report positive balances in all three categories of net assets both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$74.3 million during the current fiscal year. The following table summarizes the changes in net assets.

Table 2: City of Raleigh's Changes in Net Assets (*in millions of dollars*)

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 39.8	\$ 41.2	\$ 149.6	\$ 148.3	\$ 189.4	\$ 189.5
Operating grants and contributions	28.7	33.8	4.8	5.6	33.5	39.4
Capital grants and contributions	22.7	27.4	49.7	22.6	72.4	50.0
General revenues:						
Property taxes	144.4	151.7			144.4	151.7
Other taxes	107.0	114.9			107.0	114.9
Grants and contributions not restricted to specific programs	0.7	0.7			0.7	0.7
Other	20.8	19.4	20.6	17.8	41.4	37.2
Total revenues	364.1	389.1	224.7	194.3	588.8	583.4
Expenses:						
General government	37.6	37.8			37.6	37.8
Community development services	15.1	19.8			15.1	19.8
Public works	50.1	53.7			50.1	53.7
Public safety	118.4	130.1			118.4	130.1
Solid waste services	18.0	22.4			18.0	22.4
Leisure services	42.7	45.5			42.7	45.5
Economic development programs	4.5	5.3			4.5	5.3
Interest on long-term debt	10.0	10.8			10.0	10.8
Water and sewer			108.4	124.6	108.4	124.6
Convention center			29.9	20.1	29.9	20.1
Mass transit			19.9	23.9	19.9	23.9
Parking facilities			6.6	7.1	6.6	7.1
Stormwater			5.3	8.0	5.3	8.0
Total expenses	296.4	325.4	170.1	183.7	466.5	509.1
Increase in net assets before transfers	67.7	63.7	54.6	10.6	122.3	74.3
Transfers	(12.8)	(32.4)	12.8	32.4	-	-
Increase in net assets	54.9	31.3	67.4	43.0	122.3	74.3
Net assets, beginning of year	684.1	739.0	674.5	741.9	1,358.6	1,480.9
Prior period adjustment	-	-	-	4.6	-	4.6
Net assets, end of year	\$ 739.0	\$ 770.3	\$ 741.9	\$ 789.5	\$ 1,480.9	\$ 1,559.8

Change in net assets. The City's total revenues were \$583.4 million. Thirty-two percent of the City's revenue comes from charges for services; another twenty-six percent comes from property taxes. Other taxes account for twenty percent and most of the rest is state and federal grants and other contributions.

The total cost of all programs and services was \$509.1 million. The City's expenses cover a range of services, with twenty-six percent related to public safety (police, fire and emergency communications), twenty-four percent to utilities (water and sewer), and eleven percent related to public works.

GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were \$389.1 million, while total expenses were \$325.4 million. The increase in net assets for governmental activities (after transfers of \$32.4 million) was \$31.3 million in 2008.

General economic growth in the City resulted in increased property tax revenues of \$7.3 million from \$144.4 million to \$151.7 million. Property taxes represent 39.0% of total governmental revenues. Other taxes, which accounted for 29.5% of total governmental revenues, increased \$7.9 million from 2007.

Revenues by Source - Governmental Activities

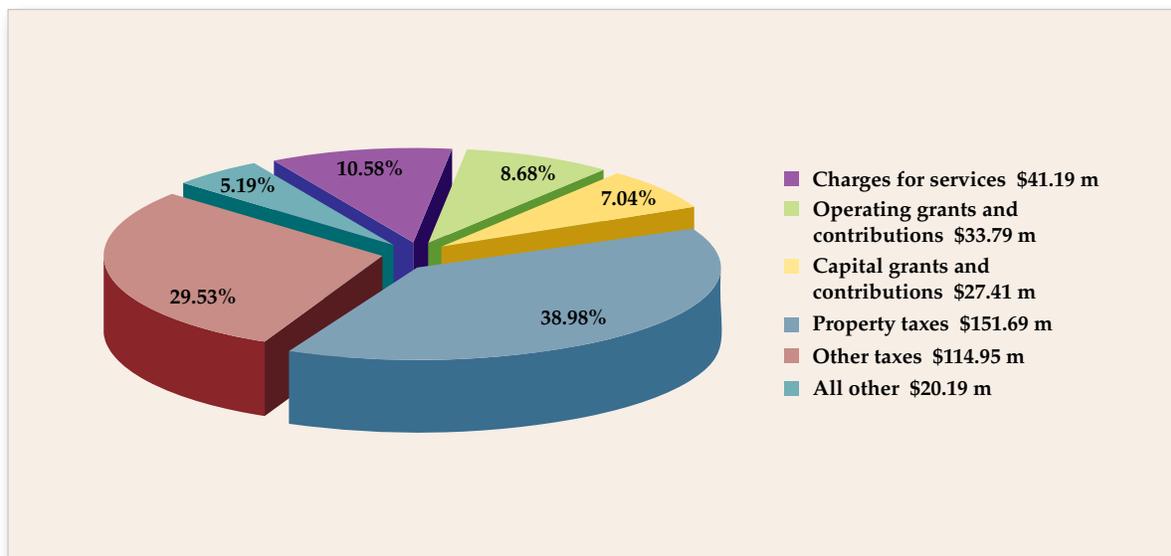


Table 3 presents the cost of each of the City's four largest governmental activities programs – public safety, public works, leisure services, and general government – as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the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

Table 3: Net Cost of City of Raleigh Governmental Programs
(in millions of dollars)

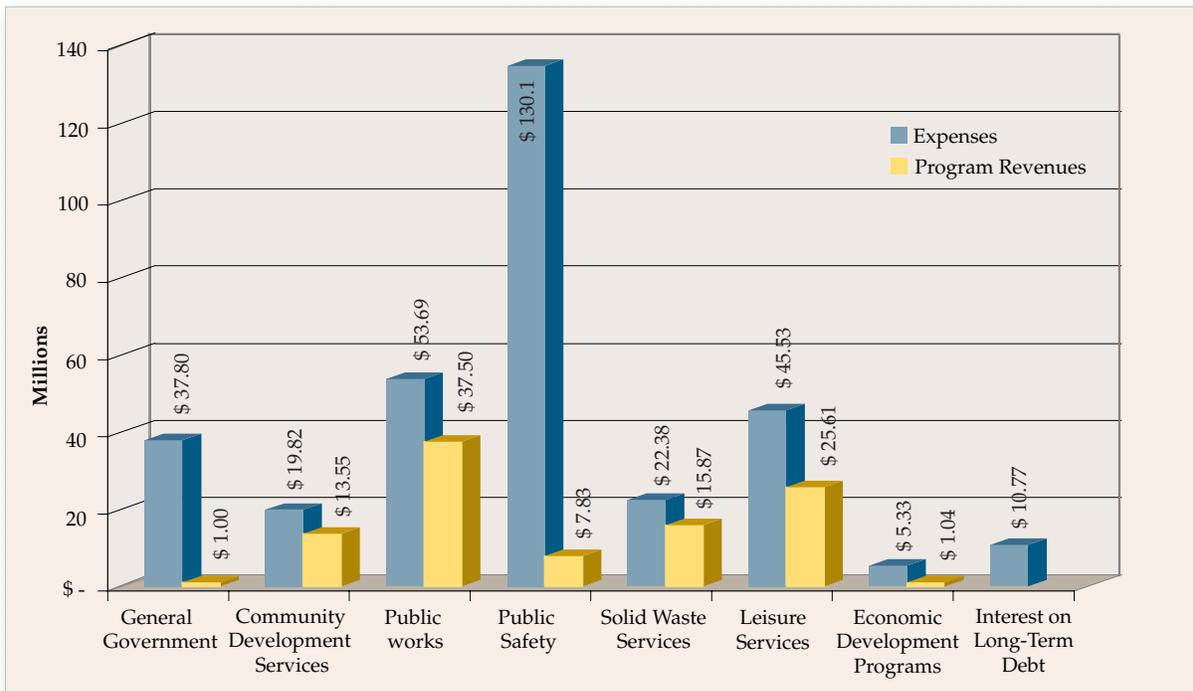
	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Public safety	\$ 118.4	\$ 130.1	\$ (115.1)	\$ (122.2)
Public works	50.1	53.7	(18.6)	(16.2)
Leisure services	42.7	45.5	(20.1)	(19.9)
General government	37.6	37.8	(36.3)	(36.8)



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

- The cost of all governmental activities this year was \$325.4 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: police, fire, solid waste services, parks and recreation, streets maintenance, inspections, planning and others.
- The amount that our taxpayers paid for these activities through property taxes was \$151.7 million.
- Those who directly benefited from service-fee based programs paid \$41.2 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions totaling \$61.2 million. These grants and contributions include annexations of streets and sidewalks (\$18.3 million), operating support from various federal and state agencies (\$21.2 million), interlocal support from Wake County for debt service on the convention center construction project (\$13.1 million), and other facility fees and developers' participation (\$8.6 million).
- The City received \$286.7 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$223.0 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (40.0%), public works (16.5%), leisure services (14.0%), and general government (11.6%) represent 82.1% – of the total governmental activities.

Expenses and Program Revenues - Governmental Activities





BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$194.3 million, and expenses were \$183.7 million. The increase in net assets for business-type activities (after transfers in of \$32.4 million) was \$43.0 million in 2008. Table 4 shows the total cost and net cost or revenue for these services.

Table 4: Net Cost of City of Raleigh Business-type Activities
(in millions of dollars)

	Total Cost of Services		Net (Cost) Revenue of Services	
	2007	2008	2007	2008
Water and sewer	\$ 108.4	\$ 124.6	\$ 44.7	\$ 2.2
Convention center	29.9	20.1	(8.8)	(6.6)
Parking facilities	6.6	7.1	2.3	0.8
Mass transit	19.9	23.9	(12.2)	(10.1)
Stormwater	5.3	8.0	7.9	6.5
Total	\$ 170.1	\$ 183.7	\$ 33.9	\$ (7.2)

The net revenue in the water and sewer operation decreased by \$42.5 million in 2007-08 from \$44.7 million to \$2.2 million. The decrease resulted primarily from two factors. Operating expenses increased \$16.2 million in 2007-08 from \$108.4 million to \$124.6 million as overall growth and our completed merger program increased our service base to over 167,573 customer accounts. While operating expenses increased, the severe drought continued into 2007-08 and resulted in slow operating revenue growth as our customers complied with our mandatory conservation program. Charges for services increased only \$2.6 million, from \$106.8 million to \$109.4 million, during 2007-08. The combination of increased operating costs and slow revenue growth resulted in an overall decrease in net operating income of \$13.6 million. A second factor for the net revenue decrease is that capital contributions from mergers decreased \$28.6 million in 2007-08 as our eastern Wake County merger program was completed in 2006-07 and we had no merger contributions in 2007-08. Annexations did result in \$13.6 million as capital contributions.

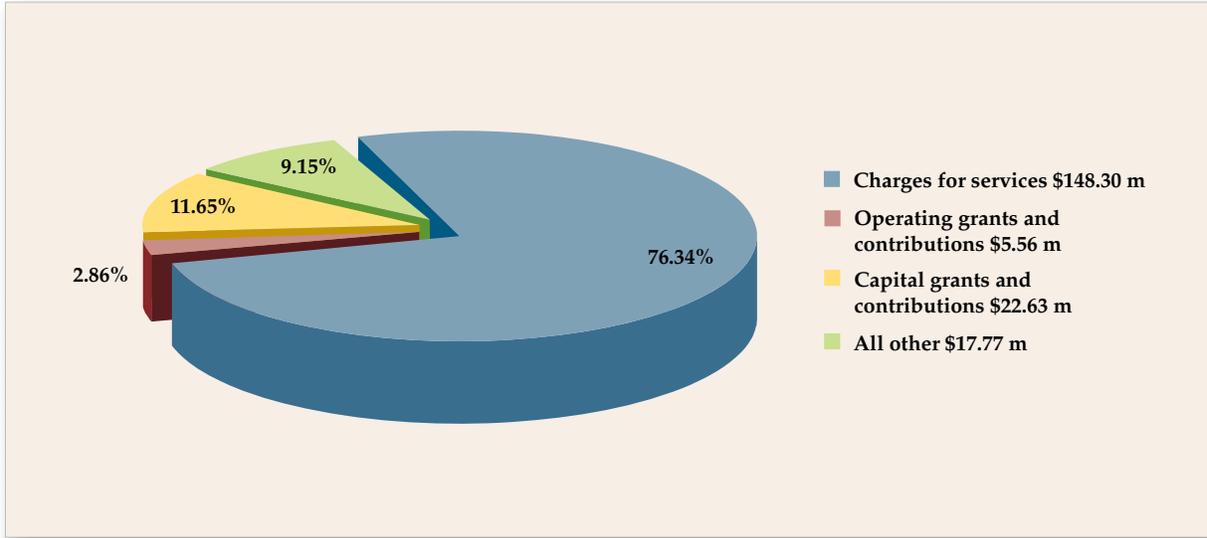
Our convention center activities experienced a decrease in net expenses of \$2.2 million, from \$8.8 million in 2006-07 to \$6.6 million in 2007-08. This decrease in net expenses resulted primarily from a decrease of \$9.7 million in operating expenses versus a decrease of only \$7.2 million in operating revenues as a result of reduced convention center operating activity during the on-going construction of a new facility.

Net revenues of parking facilities activities decreased during 2007-08. This decrease of \$1.5 million, from \$2.3 million to \$811,471, resulted primarily from a one-time \$2.9 million developer's contribution in 2006-07.

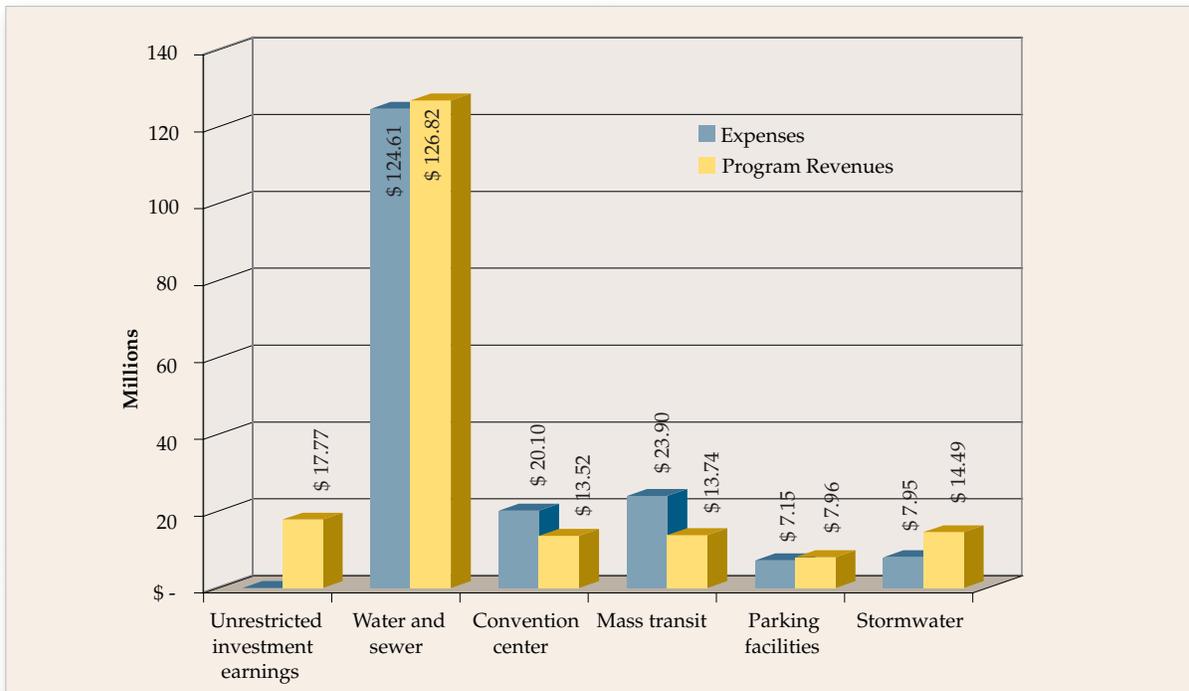
We continue to heavily subsidize our mass transit operation. Deficit net revenues of \$10.1 million are essentially funded from governmental activities general revenues by way of transfers. Net revenues in our stormwater activities decreased \$1.4 million in 2007-08 from \$7.9 million to \$6.5 million.



Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the fiscal year, the City of Raleigh's governmental funds reported combined ending fund balances of \$335.9 million, an increase of \$21.8 million in comparison with the prior year. Approximately 76.5% of this total amount (\$257.1 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$7.8 million), reserved for inventories (\$1.7 million), reserved by state statute (\$34.8 million), reserved for the new convention center project (\$32.4 million), or reserved for emergency communications equipment (\$2.1 million).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$92.8 million, while total fund balance was \$137.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.2 percent of total general fund expenditures, while total fund balance represents 47.6 percent of that same amount, amounts generally consistent with the prior year.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an undesignated fund balance of at least 14% of the succeeding year's expenditure budget. Undesignated fund balance is a sub classification of unreserved fund balance after consideration for management's policy designations. The City's designations of unreserved fund balance total \$36.6 million as specified on page 25 of the notes to the financial statements. This includes \$22.5 million appropriated for 2008-09. The remaining unreserved fund balance of \$56.2 million is undesignated and represents 14% of the 2008-09 general fund expenditure budget.

The fund balance of the City's general fund increased by \$10.6 million during the current fiscal year. Key factors in this increase are as follows:

- Overall revenues increased \$17.4 million in 2007-08. Specifically, property taxes increased \$7.3 million reflecting tax base growth consistent with prior years. Local sales tax increased \$3.1 million, and all other revenues increased in total by \$7.0 million.
- Overall expenditures increased \$20.0 million in 2007-08.
- The resulting change in revenues over expenditures for 2007-08 was a decrease of \$2.6 million, from \$31.8 million in 2006-07 to \$29.2 million in 2007-08.
- Net other financing uses decreased \$1.2 million in 2007-08 from \$19.7 million to \$18.5 million.

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



Net assets of the water and sewer fund at the end of the year amounted to \$628.6 million. The net assets of the water and sewer fund increased by \$12.8 million in 2007-08 versus a \$59.2 million increase in 2006-07. This \$46.4 million decrease is attributable to a \$17.7 million decrease in operating income and a \$29.0 million decrease in capital contributions. Operating income decreased in 2007-08 due to slow revenue growth resulting from consumption constrictions due to the severe drought. Capital contributions decreased as our eastern Wake County merger program was completed in 2006-07; we had no merger contributions in 2007-08. Convention center net assets increased \$14.4 million, before application of a \$4.0 million prior period accounting error adjustment. The net assets increase is primarily due to an increase in net transfers in of \$15.6 million, of which \$13.1 million was interlocal tax support from Wake County for construction of a new facility. Parking facilities fund net assets increased \$3.5 million as a result of \$2.6 million in operating income, net non-operating expense of \$1.1 million, and net transfers in of \$2.0 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in appropriations increasing \$15.0 million during 2007-08. Increases in expenditure budgets (\$10.9 million) and transfers to other funds budgets (\$6.3 million) exceeded increases in revenue and transfers from other funds budgets (\$2.2 million), thus resulting in the \$15.0 million increase in the budget from fund balance appropriated. The final positive budget variance was \$41.1 million. This overall positive variance resulted as follows:

- Revenues \$2.4 million positive, primarily from local sales tax (\$3.0 million positive), intergovernmental revenues (\$2.5 million positive), and inspection fees, licenses, and other revenues (\$3.8 million positive). These positive variances offset the \$6.9 million negative variance from ad valorem taxes, interest on investments, and other fees.
- Expenditures \$37.6 million positive, pervasively across the board as all individual expenditure functions and departments had positive budget variances.
- Other financing net uses \$1.0 million positive, from budgeted transfers to other funds that were not made.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$1.98 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery, streets and sidewalks, equipment, furniture and fixtures, and improvements. The total increase in the City's investment in capital assets for the current fiscal year, \$235.4 million, was 13.5 percent (a 6.5 percent increase for governmental activities and a 17.5 percent increase for business-type activities).

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

- Land additions of \$28.9 million were made during the year. Major tracts were obtained for future construction of both utilities and public works remote operations facilities.
- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total construction was \$51.4 million. Construction in progress for these activities was \$19.7 million as of June 30, 2008.
- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$127.3 million. Construction in progress for these activities was \$83.5 million as of June 30, 2008.



- Equipment acquisitions added \$19.6 million to the City's rolling stock inventory, including \$5.4 million in new buses.
- Total construction in progress for the on-going convention center project at June 30, 2008 was \$215.7 million, including \$68.8 million added during 2007-08.
- Total construction in progress on the on-going underground parking deck project adjacent to the new convention center was \$46.8 million at June 30, 2008, including \$11.1 million added during 2007-08.
- On-going investment in stormwater management (\$4.3 million) projects continued during 2007-08.
- Annexations added \$18.3 million to streets and \$13.6 million to water and sewer systems.

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

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$ 115,706	\$ 139,448	\$ 64,634	\$ 69,862	\$ 180,340	\$ 209,310
Buildings and machinery	54,120	53,192	76,361	78,298	130,481	131,490
Water and sewer systems	-	-	579,319	647,725	579,319	647,725
Streets and sidewalks	340,518	347,051	-	-	340,518	347,051
Parking decks	-	-	44,397	43,036	44,397	43,036
Buses	-	-	8,381	11,697	8,381	11,697
Equipment	26,720	27,180	15,437	15,948	42,157	43,128
Furniture and fixtures	700	563	26	25	726	588
Improvements	83,142	93,965	63,305	83,293	146,447	177,258
Construction in progress	18,567	19,658	254,932	350,718	273,499	370,376
Total	\$ 639,473	\$ 681,057	\$ 1,106,792	\$ 1,300,602	\$ 1,746,265	\$ 1,981,659

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

Long-term debt. In October 2007, the City sold \$28.930 million in certificates of participation to finance a solid waste transfer station (\$7.885 million), the on-going construction of an underground parking deck (\$14.765 million), and continuation of the Fayetteville Street renaissance project (\$6.280 million). The COPS mature incrementally between 2009 and 2032 and bear rates ranging from 4.25% to 5.00% for a true interest cost of 4.573601%. This issue was rated AA+ by S&P, AA by Fitch, and Aa2 by Moody's.

Also in October 2007, the City entered into an installment financing agreement in the amount of \$1,850,000 for the purchase of property for the future site of a utilities operation center. This note requires two installment payments of \$925,000 plus 5% interest over 2008 and 2009.

In December 2007, the City drew \$10,114,000 against an existing master financing agreement for the purchase of 36 acres of land to be used as the site of a new public works operation facility. Installment payments are due semi-annually beginning June 2008 through December 2017. The loan carries a fixed interest rate of 3.718%.

In June 2008, the City issued \$150 million in variable rate water/sewer revenue bonds. The bonds were issued in connection with a 2006 swap agreement which effectively fixes the City's interest rate at 4.163%. The bonds mature serially between 2011 and 2035 with a true interest cost of 4.667037%. The issue was rated Aa1/VMIG1 by Moody's, AAA/A-1+ by S&P, and AAA/F1+ by Fitch.



Also in June 2008, the City entered into a \$30 million installment financing agreement to finance the design, development and implementation of an enterprise resource planning (ERP) system. Loan payments are due monthly beginning July 2008 through June 2018 with a fixed interest rate of 3.47%.

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$185.4 million. The remainder of the City's debt represents revenue bonds (\$560.2 million) and installment financing agreements (\$448.7 million – notes, COPS, etc.) secured solely by specified revenue sources and property. The City's total liability for bonded debt and other installment financing agreements increased by \$177.8 million (17.5%) during 2007-08 as new debt issues of \$220.9 million exceeded principal repayments of \$43.1 million.

The City has other long-term obligations for earned but unused vacation pay due its employees (\$18.5 million) and landfill postclosure care costs (\$6.3 million). These obligations increased \$2.5 million from 2007 balances.

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

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
General obligation bonds	\$ 183,219	\$ 170,030	\$ 18,916	\$ 15,405	\$ 202,135	\$ 185,435
Revenue bonds	-	-	415,540	560,240	415,540	560,240
Installment financing agreements	60,272	104,398	338,086	344,335	398,358	448,733
Total	\$ 243,491	\$ 274,428	\$ 772,542	\$ 919,980	\$ 1,016,033	\$ 1,194,408

Subsequent to FY08 year-end, in August 2008, the City sold taxable variable rate certificates of participation totaling \$14,015,000 to finance the purchase of a downtown parking deck constructed in conjunction with other downtown development. The COPS mature annually beginning August 2009 through August 2023 with a true interest cost of 4.479830% based on variable rate terms at closing. The issues was rated AA-/A-1+ by Standard and Poor's.

Also during FY09, in November 2008, the City issued \$33.5 million in certificates of participation as an interim financing of initial costs of two major public improvement projects: a new public safety center and new public works operations facilities. The COPS were issued for one year with repayments of \$34.505 million due in November 2009. After closing costs and premium proceeds, the true interest cost is 1.553151%.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of the total assessed value of taxable property. The current debt limitation for the City is \$2.8 billion, which is significantly in excess of the City's outstanding net debt of \$824.0 million.

Raleigh continues to benefit from outstanding credit ratings as evidenced by the aforementioned placements, earning the highest general obligation credit ratings and excellent revenue bond and COPS ratings from all three major rating agencies. However, conditions in the financial markets subsequent to year-end have impacted the City's variable rate debt issues for its business-type activities. Credit issues of the City's liquidity providers and remarketing agents have caused \$336 million of these debt issues to be tendered back to the City's liquidity banks. Under terms of the stand-by purchase agreements, the City pays a set interest rate for 90 days, currently 5.0%. As of the date of this letter, \$99 million of this total has again been either remarketed or has been purchased by the remarketing institution. For the remaining \$237 million, the City is in the process of making additional changes in its liquidity providers and remarketing firms that will be effective before the end of the 90-day periods when a required acceleration of the debt payments would otherwise occur.



These actions are intended to allow normal remarketing of the debt issues going forward. While weekly reset rates on the City's variable rate issues have experienced significant variation during this period, ranging from a low of 1.7% to a high of 8.0%, rates have currently returned to the lower end of this range. All additional projected costs are expected to be covered within the City's overall debt model capacity.

The City's two interest rate swaps have mitigated the impact of these conditions. However, also as a result of these changes in financial markets, the credit ratings of the City's swap counterparties have been downgraded.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant factors considered in preparing the City's budget for the 2008-09 fiscal year were:

Based on property revaluation, a revenue neutral property tax rate was calculated, then adjusted upward by 4.18 cents for an adopted budget property tax rate of \$.3735 per \$100 assessed valuation. The adopted budget projects property tax revenue at \$178.5 million. This is an increase of \$27.0 million, or 17%, from 2007-08 and funds both operating needs and new major capital projects.

Sales tax is the City's second largest general revenue source. Sales tax has historically been positively impacted by good economic conditions in our area. Reduced consumer spending resulting from the declining economy will impact sales tax revenues. The 2008-09 budget for sales tax projects sales tax revenues of \$73.2 million, an increase of \$2.8 million, or 4.0%, over the actual revenue for 2007-08. In response to the current economic conditions, we are closely monitoring sales tax revenues and revised projections and, if necessary, we will adjust our budget accordingly.

Other major general revenue enhancements approved in the 2008-09 budget are increased facility fees projected to bring in an additional \$4.2 million, and the continuation of a revenue indexing program for development service fees. Reduced development levels will likely impact both of these revenue sources.

The overall growth in general revenues supports the continuation of current operations and provides funding associated with growth, expansion of facilities and new programs. Major facilities, such as the new convention center and several new parks and recreation facilities, require additional staffing in 2008-09.

As we recover from the 2007-2008 drought, consumption restrictions have eased and more normal growth is occurring in our water and sewer utility system revenues. Our eastern Wake County merger program is complete and we now service over 167,000 customer accounts in Raleigh and six surrounding towns. For 2008-09, water and sewer rates were raised 15% consistent with the utility system's financing plan for operations and capital investment. The 2008-09 budget includes \$122.1 million in water and sewer operating revenues, representing a \$16.3 million (15%) increase over 2007-08. Our immediate five-year capital improvement program (2008-09 through 2012-13) for utilities includes \$544.9 million of capital investment to upgrade, expand and improve water and sewer facilities. It is anticipated that this capital program will be funded from operating revenues, capital reserves and interest income (\$121 million); and from revenue bonds (\$423.9 million).

The other five major areas of our five-year capital improvement program include transportation (\$218.4 million), parks (\$126.4 million), stormwater (\$50.8 million), housing (\$19.5 million), and general public improvements (\$499.7 million). In addition to ongoing roads, parks and stormwater projects, major new facilities planned within the capital improvement program are a new public safety center (\$226.1 million) and four remote operations facilities for streets, parks, solid waste and other public works maintenance operations (\$189.6 million). It is anticipated that these major facilities will be funded from debt issues, specifically certificates of participation.



As a result of these and other factors, the 2008-09 budget was adopted with an overall combined operating and capital budget of \$644.8 million. This represents a 15.7% increase over the \$557.1 million 2007-08 budget. The budget includes 147 new positions to support continued growth in service population, with 28 positions going to police and fire, 24 positions going to utilities, 37 going to the convention center, and 58 positions going to other general services departments.

Ongoing downtown development. The City continues to focus new investment in revitalizing downtown. Construction was completed in September 2008 on three major projects that have been underway since 2005. The grand opening of the new 500,000 square foot convention center was held September 5, 2008. The first convention event was held during the opening week and events are already booked through 2023. By all counts, the new facility is receiving favorable reviews from customers and the community. Also, in September, a 400 room headquarters' hotel opened, again to favorable reviews. The hotel is adjacent to the convention center and includes public meeting space funded by the convention center project budget. In October 2008, a 944 space underground parking deck, constructed to serve both the convention center and the hotel, was also opened. The project budgets for the convention center, the hotel participation, and the underground parking deck total \$290 million. Another key downtown development project is the ongoing re-opening and renovation of Fayetteville Street. This project was begun in 2005 for the purpose of re-opening the City's main street for the five blocks between the State Capitol on the north end and the Progress Energy Center for the Performing Arts on the south end. The final \$16.3 million phase of the project is currently underway with construction of the public plaza site ongoing on the south end of the street. The public funding of these four projects has resulted in over \$2.5 billion in private investment in planned, current, and completed projects since 2002. Notable among these are new corporate headquarter facilities for both Progress Energy and RBC Centura Bank. Although the current economic conditions have delayed some projects, major projects continue to move forward such as a two-tower mixed-use complex on the site of the old convention center, several large residential projects and a twenty-story retail, residential, hotel facility two blocks west of the State Capitol across from City Hall.

Impact of and Response to Current Economic Conditions. The declining economy and national fiscal credit problems have impacted Raleigh, as it has all local governments. As noted on page 14, credit issues of certain liquidity providers resulted in \$336 million of the City's variable rate debt issues being tendered back to the City's liquidity providers. In response to this, City Council authorized the City Manager and the Chief Financial Officer to make immediate changes in current financing arrangements when felt to be in the best interest of the City. Currently, City staff have either resolved or are in the process of resolving the liquidity and associated remarketing issues. Also, in response to the current economic downturn, the City has taken cost containment actions to offset possible budget shortfalls. These actions include a "soft" freeze on hiring, cautionary management of all operating expenses, and delay of \$15 million in capital projects pending review later in the year. City management and staff are committed to continued delivery of the highest quality of essential services throughout the economic downturn and maintaining the financial integrity our citizens expect.

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) 996-3215

BASIC FINANCIAL STATEMENTS

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



CITY OF RALEIGH
2008

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 280,769,627	\$ 110,242,244	\$ 391,011,871
Taxes receivable, net of allowance for uncollectibles of \$7,451,974	2,344,589	-	2,344,589
Assessments receivable, net of allowance for uncollectibles of \$154,417	1,386,449	1,547,460	2,933,909
Customer receivables, net of allowance for uncollectibles of \$4,408,258	1,398,683	17,139,001	18,537,684
Due from other governmental agencies	4,862,013	808,067	5,670,080
Accrued interest receivable	3,539,375	2,701,378	6,240,753
Other receivables and assets	6,998,138	5,495,053	12,493,191
Sales tax receivable	22,555,398	6,131,863	28,687,261
Internal balances	2,443,581	(2,443,581)	-
Inventories	2,561,948	5,428,273	7,990,221
Deferred charges	80,239	2,930,581	3,010,820
Loans receivable	48,554,640	-	48,554,640
Cash and cash equivalents/investments - restricted deposits and bond proceeds	75,923,968	367,590,033	443,514,001
Net pension assets	1,257,665	-	1,257,665
Capital assets:			
Land and construction in progress	159,105,329	420,579,871	579,685,200
Other capital assets, net of depreciation	521,952,511	880,023,942	1,401,976,453
Total assets	<u>1,135,734,153</u>	<u>1,818,174,185</u>	<u>2,953,908,338</u>
LIABILITIES			
Accounts payable	16,607,089	44,987,660	61,594,749
Arbitrage rebate payable	-	522,761	522,761
Accrued salaries and employee payroll taxes	4,829,080	778,651	5,607,731
Employee taxes and related withholdings	864,208	-	864,208
Accrued interest payable	2,688,515	11,171,605	13,860,120
Rehabilitation loans escrow	1,251,288	-	1,251,288
Reimbursable facility fees	4,417,318	-	4,417,318
Claims payable and other liabilities	35,300,154	11,438	35,311,592
Deferred contributions from other funds	-	1,520,967	1,520,967
Unearned revenue	1,680,556	237,652	1,918,208
Escrow and other deposits payable from restricted assets	-	36,046,139	36,046,139
Long-term liabilities:			
Due within one year	36,861,196	22,135,348	58,996,544
Due in more than one year	260,889,526	911,252,875	1,172,142,401
Total liabilities	<u>365,388,930</u>	<u>1,028,665,096</u>	<u>1,394,054,026</u>
NET ASSETS			
Invested in capital assets, net of related debt	493,737,748	701,221,143	1,194,958,891
Restricted for:			
Capital projects	64,147,645	-	64,147,645
Community development projects	49,190,040	-	49,190,040
Unrestricted	163,269,790	88,287,946	251,557,736
Total net assets	<u>\$ 770,345,223</u>	<u>\$ 789,509,089</u>	<u>\$ 1,559,854,312</u>

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 37,800,565	\$ 782,466	\$ 215,766	\$ -
Community development services	19,826,719	9,635,030	3,917,767	-
Public works	53,691,555	2,058,072	11,884,753	23,554,284
Public safety	130,066,923	3,304,302	3,035,296	1,492,804
Solid waste services	22,383,488	15,867,877	-	-
Leisure services	45,530,317	8,500,717	14,740,223	2,371,403
Economic development programs	5,329,001	1,040,725	-	-
Interest on long-term debt	10,771,672	-	-	-
Total governmental activities	325,400,240	41,189,189	33,793,805	27,418,491
Business-type activities:				
Water and sewer	124,612,840	109,384,412	-	17,432,137
Convention center	20,099,998	13,517,742	-	-
Mass transit	23,895,387	3,215,393	5,560,373	4,968,780
Parking facilities	7,149,092	7,960,563	-	-
Stormwater	7,950,641	14,267,724	-	226,520
Total business-type activities	183,707,958	148,345,834	5,560,373	22,627,437
Total City of Raleigh	\$ 509,108,198	\$ 189,535,023	\$ 39,354,178	\$ 50,045,928

General revenues:

Taxes:

Property taxes, levied for general purpose

Local sales tax

Franchise tax

Other taxes

Privilege license tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment (Note 1.D.8, page 25)

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (36,802,333)		\$ (36,802,333)
(6,273,922)		(6,273,922)
(16,194,446)		(16,194,446)
(122,234,521)		(122,234,521)
(6,515,611)		(6,515,611)
(19,917,974)		(19,917,974)
(4,288,276)		(4,288,276)
<u>(10,771,672)</u>		<u>(10,771,672)</u>
<u>(222,998,755)</u>		<u>(222,998,755)</u>
	\$ 2,203,709	2,203,709
	(6,582,256)	(6,582,256)
	(10,150,841)	(10,150,841)
	811,471	811,471
	<u>6,543,603</u>	<u>6,543,603</u>
	<u>(7,174,314)</u>	<u>(7,174,314)</u>
<u>(222,998,755)</u>	<u>(7,174,314)</u>	<u>(230,173,069)</u>
151,694,669	-	151,694,669
70,312,998	-	70,312,998
19,553,532	-	19,553,532
7,501,983	-	7,501,983
17,585,201	-	17,585,201
680,004	-	680,004
17,555,111	17,770,284	35,325,395
1,958,810	-	1,958,810
<u>(32,455,297)</u>	<u>32,455,297</u>	<u>-</u>
<u>254,387,011</u>	<u>50,225,581</u>	<u>304,612,592</u>
31,388,256	43,051,267	74,439,523
738,956,967	741,877,686	1,480,834,653
-	4,580,136	4,580,136
<u>\$ 770,345,223</u>	<u>\$ 789,509,089</u>	<u>\$ 1,559,854,312</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 112,123,852	\$ 140,041,223	\$ 252,165,075
Taxes receivable, net of allowance for uncollectibles of \$7,451,974	2,344,589	-	2,344,589
Assessments receivable, net of allowance for uncollectibles of \$73,003	264,767	1,121,682	1,386,449
Customer receivables, net of allowance for uncollectibles of \$675,037	1,399,596	-	1,399,596
Due from other governmental agencies	322,804	4,539,209	4,862,013
Accrued interest receivable	1,619,834	1,647,773	3,267,607
Other receivables and assets	6,190,029	-	6,190,029
Sales tax receivable	21,681,156	370,219	22,051,375
Due from other funds	2,148,949	-	2,148,949
Inventories	1,738,315	-	1,738,315
Other assets	372,196	-	372,196
Loans receivable	38,118	48,516,522	48,554,640
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	72,328,660	72,328,660
Total assets	<u>\$ 150,244,205</u>	<u>\$ 268,565,288</u>	<u>\$ 418,809,493</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,978,514	\$ 10,603,562	\$ 14,582,076
Accrued salaries and employee payroll taxes	4,701,335	56,328	4,757,663
Employee taxes and related withholdings	864,208	-	864,208
Loan servicing escrow	-	1,251,288	1,251,288
Reimbursable facility fees	-	4,417,318	4,417,318
Other liabilities	225,015	2,079,106	2,304,121
Due to other funds	-	754,231	754,231
Deferred revenue	2,647,474	49,638,204	52,285,678
Unearned revenue	737,649	942,889	1,680,538
Total liabilities	<u>13,154,195</u>	<u>69,742,926</u>	<u>82,897,121</u>
Fund balances:			
Reserved for inventories	1,738,315	-	1,738,315
Reserved by state statute	34,756,866	-	34,756,866
Reserved for encumbrances	7,798,001	-	7,798,001
Reserved for new convention center project	-	32,438,761	32,438,761
Reserved for wireless 911	-	2,121,004	2,121,004
Unreserved, reported in:			
General fund	92,796,828	-	92,796,828
Special revenue funds	-	6,280,728	6,280,728
Capital projects funds	-	157,981,869	157,981,869
Total fund balances	<u>137,090,010</u>	<u>198,822,362</u>	<u>335,912,372</u>
Total liabilities and fund balances	<u>\$ 150,244,205</u>	<u>\$ 268,565,288</u>	<u>\$ 418,809,493</u>

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total *fund balances* for governmental funds \$ 335,912,372

Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Land and construction in progress - \$159,105,329; capital assets being depreciated, net - \$497,939,904). 657,045,233

The net pension assets resulting from contributions in excess of annual required contributions are not financial resources and therefore are not reported in the funds. 1,257,665

Deferred issuance costs are reported as expenditures in the funds because current financial resources are used. In the governmental activities issuance costs are recorded as a long-term asset and amortized over the life of the debt. 80,239

Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, health benefits, equipment replacement and central garage to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. 3,007,434

Taxes receivable - \$2,344,589, and assessments receivable - \$1,386,449 will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds. 3,731,038

Loans receivable - \$48,554,640, a long-term asset, is not available to pay for current expenditures and, therefore is deferred in the funds. 48,554,640

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (General obligation bonds - \$170,647,905 - net of deferred refunding and issuance premium, notes payable - \$83,894,768; earned vacation pay - \$15,824,114; landfill postclosure costs - \$6,273,435; and accrued interest payable - \$2,603,176). (279,243,398)

Net assets of governmental activities \$ 770,345,223

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

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

For the Fiscal Year Ended June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 151,300,907	\$ -	\$ 151,300,907
Intergovernmental	27,165,040	34,334,515	61,499,555
Developer participation	-	127,544	127,544
Assessments	-	732,873	732,873
Local sales tax	70,312,998	-	70,312,998
Licenses	17,585,201	-	17,585,201
Interest on investments	6,528,277	9,453,410	15,981,687
Inspection fees	10,917,601	-	10,917,601
Highway maintenance refunds	985,975	-	985,975
Facility fees	-	5,637,987	5,637,987
Other fees and charges	29,657,540	-	29,657,540
Rents	-	310,230	310,230
Program income	-	2,881,111	2,881,111
Other revenues	2,497,910	1,107,160	3,605,070
Miscellaneous other	-	1,076,470	1,076,470
Total revenues	<u>316,951,449</u>	<u>55,661,300</u>	<u>372,612,749</u>
EXPENDITURES			
Current:			
General government	37,560,120	231,929	37,792,049
Community development services	17,442,042	7,386,268	24,828,310
Public works	19,866,475	1,705,562	21,572,037
Public safety	126,083,594	4,392,883	130,476,477
Solid waste services	21,657,724	-	21,657,724
Leisure services	39,393,478	178,746	39,572,224
Economic development programs	-	5,329,000	5,329,000
Capital outlay	-	65,633,876	65,633,876
Debt service:			
Principal	15,966,793	-	15,966,793
Interest	9,492,700	-	9,492,700
Bond issue costs	306,909	-	306,909
Total expenditures	<u>287,769,835</u>	<u>84,858,264</u>	<u>372,628,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,181,614</u>	<u>(29,196,964)</u>	<u>(15,350)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,362,138	14,368,377	22,730,515
Transfers out	(26,938,792)	(28,280,090)	(55,218,882)
Notes issued	-	54,279,000	54,279,000
Total other financing sources (uses)	<u>(18,576,654)</u>	<u>40,367,287</u>	<u>21,790,633</u>
Net change in fund balances	10,604,960	11,170,323	21,775,283
Fund balance - beginning	126,485,050	187,652,039	314,137,089
Fund balance - ending	<u>\$ 137,090,010</u>	<u>\$ 198,822,362</u>	<u>\$ 335,912,372</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, 2008

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

Net change in *fund balances* - total governmental funds \$ 21,775,283

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 (\$57,848,604) exceeded depreciation (\$35,477,589) in the current period. 22,371,015

Net change in net pension assets. (718,959)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$18,322,312; Property taxes - \$393,762; Assessments - \$(347,211)). 18,368,863

Governmental funds report cash repayments of loan principal as revenues because they provide current financial resources. However, the statement of activities does not report these repayments as revenues because they are a reduction of loans receivable. (3,449,519)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the the amount by which proceeds (\$54,279,000) exceeded repayments (\$15,966,793).

Debt issued or incurred:			
Installment financing		54,279,000	
Principal repayments:			
General obligation debt		(13,189,371)	
Installment financing		(2,777,422)	
Net adjustment		<u>\$ 38,312,207</u>	(38,312,207)

Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$4,928,605). They reduce cash and increase loans receivable. 4,922,605

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 - \$(834,277), change in accrued interest expense - \$(195,285), and change in landfill postclosure liability - \$(1,797,589)). (2,827,151)

Governmental funds report premiums on bonds issued as an other financing source. In the governmental activities bond premiums are recorded as a liability and amortized over the life of the debt. Amortization for bond issue costs, deferred refunding and premium on bonds are expenses or reduction of expenses in the governmental activities. 18,917

Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, equipment replacement, and central garage to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities. 9,239,409

Change in net assets of governmental activities \$ 31,388,256

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, 2008**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 151,549,595	\$ 151,574,595	\$ 151,300,907	\$ (273,688)
Intergovernmental	24,051,792	24,684,666	27,165,040	2,480,374
Local sales tax	67,279,550	67,279,550	70,312,998	3,033,448
Licenses	15,735,000	15,735,000	17,585,201	1,850,201
Interest on investments	5,658,655	5,658,655	6,528,277	869,622
Inspection fees	12,401,140	12,460,140	10,917,601	(1,542,539)
Highway maintenance refunds	1,065,000	1,065,000	985,975	(79,025)
Solid waste fees	17,288,218	17,288,218	15,311,601	(1,976,617)
Parks and recreation fees	9,055,346	9,185,590	7,249,632	(1,935,958)
Other fees and charges	7,577,562	8,177,632	7,096,307	(1,081,325)
Other revenues	1,363,507	1,415,398	2,497,910	1,082,512
Total revenues	<u>313,025,365</u>	<u>314,524,444</u>	<u>316,951,449</u>	<u>2,427,005</u>
EXPENDITURES				
General government:				
City council	168,932	169,796	148,961	20,835
City clerk	494,403	501,403	443,415	57,988
City attorney	1,891,768	1,889,268	1,793,579	95,689
Special appropriations	14,297,457	13,903,944	13,386,856	517,088
Agency appropriations	3,234,100	3,710,057	2,956,711	753,346
City manager	2,513,323	2,573,280	2,293,395	279,885
Public affairs office	1,589,263	1,606,325	1,406,899	199,426
Arts office	227,431	249,998	241,102	8,896
Personnel	3,259,442	3,367,765	2,766,586	601,179
Administrative service	1,549,166	1,607,135	1,527,072	80,063
Finance	10,870,693	11,115,354	10,366,188	749,166
Information technology	13,276,876	15,567,657	13,094,821	2,472,836
Total general government	<u>53,372,854</u>	<u>56,261,982</u>	<u>50,425,585</u>	<u>5,836,397</u>
Community development services:				
Planning	4,618,117	4,698,808	3,987,714	711,094
Inspections	11,865,304	11,910,452	10,993,383	917,069
Community services	1,987,590	1,924,951	1,513,885	411,066
Economic development	1,021,500	1,678,370	947,060	731,310
Total community development services	<u>19,492,511</u>	<u>20,212,581</u>	<u>17,442,042</u>	<u>2,770,539</u>
Public works:				
Central engineering	17,578,687	17,934,030	16,700,056	1,233,974
Transportation	9,164,522	9,010,723	8,026,980	983,743
Total public works	<u>26,743,209</u>	<u>26,944,753</u>	<u>24,727,036</u>	<u>2,217,171</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, 2008**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Public safety:				
Emergency communications center	\$ 6,796,731	\$ 6,907,205	\$ 6,134,746	\$ 772,459
Police	81,832,037	84,146,295	75,661,581	8,484,714
Fire	46,055,898	46,692,521	44,337,267	2,355,254
Total public safety	<u>134,684,666</u>	<u>137,746,021</u>	<u>126,133,594</u>	<u>11,612,427</u>
Solid waste services	<u>22,801,851</u>	<u>24,638,026</u>	<u>21,657,724</u>	<u>2,980,302</u>
Leisure services:				
Parks and recreation	38,321,636	39,100,426	35,283,191	3,817,235
Continuing recreation activities	<u>7,038,572</u>	<u>7,852,525</u>	<u>4,110,287</u>	<u>3,742,238</u>
Total leisure services	<u>45,360,208</u>	<u>46,952,951</u>	<u>39,393,478</u>	<u>7,559,473</u>
Debt service:				
Principal and interest	29,363,411	29,882,950	25,459,493	4,423,457
Other debt service expenditures	<u>435,000</u>	<u>474,500</u>	<u>306,909</u>	<u>167,591</u>
Total debt service	<u>29,798,411</u>	<u>30,357,450</u>	<u>25,766,402</u>	<u>4,591,048</u>
Total expenditures before charge-out	<u>332,253,710</u>	<u>343,113,764</u>	<u>305,545,861</u>	<u>37,567,903</u>
Less: administrative costs charged to other funds	<u>17,710,389</u>	<u>17,710,389</u>	<u>17,776,026</u>	<u>65,637</u>
Total expenditures	<u>314,543,321</u>	<u>325,403,375</u>	<u>287,769,835</u>	<u>37,633,540</u>
Excess (deficiency) of revenues over expenditures	(1,517,956)	(10,878,931)	29,181,614	40,060,545
OTHER FINANCING SOURCES (USES)				
Transfers in	7,699,902	8,362,138	8,362,138	-
Transfers out	<u>(21,669,551)</u>	<u>(27,932,632)</u>	<u>(26,938,792)</u>	<u>993,840</u>
Total other financing sources (uses)	<u>(13,969,649)</u>	<u>(19,570,494)</u>	<u>(18,576,654)</u>	<u>993,840</u>
Net changes in fund balance	<u>\$ (15,487,605)</u>	<u>\$ (30,449,425)</u>	<u>10,604,960</u>	<u>\$ 41,054,385</u>
Fund balance appropriated	<u>\$ 15,487,605</u>	<u>\$ 30,449,425</u>		
Fund balance - beginning of year			<u>126,485,050</u>	
Fund balance - end of year			<u>\$ 137,090,010</u>	

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Parking Facilities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 54,358,905	\$ 20,330,326	\$ 1,406,590
Customer receivables, net of allowance for uncollectibles of \$3,733,221	15,607,322	-	514,035
Assessments receivable, net of allowance for uncollectibles of \$81,414	1,547,460	-	-
Due from other governmental agencies	-	-	-
Accrued interest receivable	2,003,721	246,041	15,969
Other receivables and assets	115,027	487,180	4,892,846
Sales tax receivable	4,741,754	1,047,837	179,283
Due from other funds	-	-	500,000
Inventories	5,014,284	-	-
Insurance deposit	-	-	-
Deferred charges	909,035	1,677,614	343,932
Total current assets	84,297,508	23,788,998	7,852,655
Noncurrent assets:			
Restricted cash and cash equivalents	323,945,905	25,706,542	10,919,938
Capital assets:			
Land and improvements	36,842,464	23,978,826	8,050,998
Construction in progress	83,551,729	215,689,014	46,921,806
Water and sewer systems	842,978,396	-	-
Buildings and machinery	84,681,973	27,022,903	-
Parking decks	-	-	57,890,473
Buses	-	-	-
Equipment	17,933,795	525,567	331,002
Furniture and fixtures	62,873	370,296	-
Improvements	71,638,171	25,907,367	487,664
Less accumulated depreciation	(241,272,412)	(21,263,261)	(15,376,405)
Total noncurrent assets	1,220,362,894	297,937,254	109,225,476
Total assets	1,304,660,402	321,726,252	117,078,131

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	Enterprise Funds		Internal Service Funds
	Other Nonmajor Enterprise	Total	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 33,742,600	\$ 109,838,421	\$ 29,008,375
Customer receivables, net of allowance for uncollectibles of \$3,733,221	1,017,644	17,139,001	-
Assessments receivable, net of allowance for uncollectibles of \$81,414	-	1,547,460	-
Due from other governmental agencies	808,067	808,067	-
Accrued interest receivable	413,275	2,679,006	294,140
Other receivables and assets	-	5,495,053	-
Sales tax receivable	85,695	6,054,569	581,317
Due from other funds	-	500,000	231,031
Inventories	413,989	5,428,273	823,633
Insurance deposit	-	-	435,000
Deferred charges	-	2,930,581	-
Total current assets	<u>36,481,270</u>	<u>152,420,431</u>	<u>31,373,496</u>
Noncurrent assets:			
Restricted cash and cash equivalents	5,616,474	366,188,859	4,996,482
Capital assets:			
Land and improvements	988,989	69,861,277	-
Construction in progress	4,556,045	350,718,594	-
Water and sewer systems	-	842,978,396	-
Buildings and machinery	3,798,718	115,503,594	230,912
Parking decks	-	57,890,473	-
Buses	21,716,970	21,716,970	-
Equipment	1,541,951	20,332,315	84,281,896
Furniture and fixtures	44,845	478,014	5,636
Improvements	7,038,000	105,071,202	-
Less accumulated depreciation	(14,412,766)	(292,324,844)	(52,128,015)
Total noncurrent assets	<u>30,889,226</u>	<u>1,658,414,850</u>	<u>37,386,911</u>
Total assets	<u>67,370,496</u>	<u>1,810,835,281</u>	<u>68,760,407</u>

Continued

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008**

	Enterprise Funds		
	Water and Sewer Fund	Convention Center Fund	Parking Facilities Fund
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 23,772,947	\$ 15,740,920	\$ 3,405,524
Arbitrage rebate payable	479,318	-	10,152
Accrued salaries and employee payroll taxes	583,000	108,101	13,567
Accrued interest payable	6,806,766	3,432,563	912,258
Claims payable and other liabilities	-	-	-
Deferred contributions from other funds	-	-	-
Due to other funds	-	1,170,252	-
Unearned revenue	150,812	29,288	57,552
Bonds, notes and loans payable	7,650,249	-	665,000
Unamortized premium (discount)	924,695	-	30,381
Deferred refunding - bonds payable	(388,099)	-	-
Contracts and other notes payable	7,019,588	-	2,440,000
Deferred refunding - contracts payable	-	-	(42,158)
Total current liabilities	46,999,276	20,481,124	7,492,276
Noncurrent liabilities:			
Bonds, notes and loans payable	578,100,230	243,425,000	4,430,000
Unamortized premium (discount)	13,828,598	-	496,098
Deferred refunding - bonds payable	(3,833,321)	-	-
Contracts and other notes payable	8,767,040	-	61,085,000
Deferred refunding - contracts payable	-	-	(83,929)
Escrow and other deposits payable from restricted assets	30,429,665	-	-
Earned vacation pay	1,761,758	427,891	36,015
Total noncurrent liabilities	629,053,970	243,852,891	65,963,184
Total liabilities	676,053,246	264,334,015	73,455,460
NET ASSETS			
Invested in capital assets, net of related debt	577,864,248	54,512,254	40,205,084
Unrestricted	50,742,908	2,879,983	3,417,587
Total net assets	\$ 628,607,156	\$ 57,392,237	\$ 43,622,671

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	Enterprise Funds		
	Other Nonmajor Enterprise	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,839,225	\$ 44,758,616	\$ 2,180,462
Arbitrage rebate payable	-	489,470	135,229
Accrued salaries and employee payroll taxes	73,983	778,651	71,417
Accrued interest payable	-	11,151,587	105,357
Claims payable and other liabilities	-	-	32,996,033
Deferred contributions from other funds	1,520,967	1,520,967	-
Due to other funds	955,497	2,125,749	-
Unearned revenue	-	237,652	-
Bonds, notes and loans payable	-	8,315,249	9,506,843
Unamortized premium (discount)	-	955,076	-
Deferred refunding - bonds payable	-	(388,099)	-
Contracts and other notes payable	-	9,459,588	-
Deferred refunding - contracts payable	-	(42,158)	-
Total current liabilities	4,389,672	79,362,348	44,995,341
Noncurrent liabilities:			
Bonds, notes and loans payable	-	825,955,230	17,755,529
Unamortized premium (discount)	-	14,324,696	-
Deferred refunding - bonds payable	-	(3,833,321)	-
Contracts and other notes payable	-	69,852,040	-
Deferred refunding - contracts payable	-	(83,929)	-
Escrow and other deposits payable from restricted assets	5,616,474	36,046,139	-
Earned vacation pay	236,122	2,461,786	243,307
Total noncurrent liabilities	5,852,596	944,722,641	17,998,836
Total liabilities	10,242,268	1,024,084,989	62,994,177
NET ASSETS			
Invested in capital assets, net of related debt	25,272,752	697,854,338	10,124,539
Unrestricted	31,855,476	88,895,954	(4,358,309)
Total net assets	\$ 57,128,228	786,750,292	\$ 5,766,230

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

2,758,797

Net assets of business-type activities \$ 789,509,089

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2008**

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
Operating revenues		
User charges	\$ 101,325,416	\$ 12,955,402
Charges for services - internal	-	-
Other	6,714,420	288,000
Total operating revenues	<u>108,039,836</u>	<u>13,243,402</u>
Operating expenses		
Administration	4,336,028	-
Other facility operating costs	-	15,164,679
Water supply and treatment	23,800,396	-
Sewer system and treatment	21,478,056	-
Warehousing, maintenance and construction	17,957,295	-
Other services	5,988,784	-
Non-departmental charges	8,775,263	-
Management contract charges	-	-
Claims	-	-
Premiums	-	-
Depreciation	25,189,403	1,921,681
Other	-	-
Total operating expenses	<u>107,525,225</u>	<u>17,086,360</u>
Operating income (loss)	<u>514,611</u>	<u>(3,842,958)</u>
Nonoperating revenue (expense)		
Interest on investments	12,445,954	2,720,961
Subsidy income - federal and state	-	-
Other revenues	1,344,576	274,340
Interest expense	(16,841,391)	(2,779,776)
Miscellaneous expense	(1,651,225)	(407,096)
Total nonoperating revenue (expense)	<u>(4,702,086)</u>	<u>(191,571)</u>
Income (loss) before contributions, transfers and special item	(4,187,475)	(4,034,529)
Capital contributions	17,432,137	-
Transfers in	-	21,066,889
Transfers out	(470,380)	(2,561,307)
Change in net assets	<u>12,774,282</u>	<u>14,471,053</u>
Total net assets - beginning of year, as previously reported	615,832,874	38,910,415
Prior period adjustment (note 1.d.8, page 25)	<u>-</u>	<u>4,010,769</u>
Total net assets - end of year	<u>\$ 628,607,156</u>	<u>\$ 57,392,237</u>

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

Enterprise Funds			
Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Funds
\$ 7,897,663	\$ 15,889,456	\$ 138,067,937	\$ -
-	-	-	59,574,872
-	1,593,661	8,596,081	2,107,807
<u>7,897,663</u>	<u>17,483,117</u>	<u>146,664,018</u>	<u>61,682,679</u>
625,217	3,693,525	8,654,770	6,006,147
3,294,754	13,845,886	32,305,319	11,125,456
-	-	23,800,396	-
-	-	21,478,056	-
-	-	17,957,295	-
-	-	5,988,784	-
-	-	8,775,263	-
-	11,530,413	11,530,413	-
-	-	-	22,766,289
-	-	-	1,170,043
1,405,615	2,685,980	31,202,679	9,555,875
-	224,730	224,730	331,225
<u>5,325,586</u>	<u>31,980,534</u>	<u>161,917,705</u>	<u>50,955,035</u>
<u>2,572,077</u>	<u>(14,497,417)</u>	<u>(15,253,687)</u>	<u>10,727,644</u>
661,381	1,763,835	17,592,131	1,889,852
-	5,560,373	5,560,373	-
62,900	-	1,681,816	-
(1,694,561)	-	(21,315,728)	(1,466,035)
(183,174)	-	(2,241,495)	-
<u>(1,153,454)</u>	<u>7,324,208</u>	<u>1,277,097</u>	<u>423,817</u>
1,418,623	(7,173,209)	(13,976,590)	11,151,461
-	5,195,300	22,627,437	-
2,106,199	13,286,314	36,459,402	3,551,739
(70,583)	(124,535)	(3,226,805)	(4,295,969)
<u>3,454,239</u>	<u>11,183,870</u>	<u>41,883,444</u>	<u>10,407,231</u>
39,599,065	45,944,358		(4,641,001)
<u>569,367</u>	<u>-</u>		
<u>\$ 43,622,671</u>	<u>\$ 57,128,228</u>		<u>\$ 5,766,230</u>

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

1,167,823

Change in net assets of business-type activities

\$ 43,051,267

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008**

	Enterprise Funds	
	Water and Sewer Fund	Convention Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 109,234,992	\$ 13,219,036
Payments to employees	(18,987,085)	(5,284,756)
Payments to suppliers and service providers	(63,219,401)	(9,184,981)
Internal activity - payments from (to) other funds	-	284,131
Claims paid	-	-
Premiums paid	-	-
Other receipts/(payments)	224,040	-
Net cash provided by (used in) operating activities	<u>27,252,546</u>	<u>(966,570)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds	-	21,066,889
Operating subsidies and transfers to other funds	(470,380)	(2,561,307)
Other nonoperating receipts/(payments)	-	(132,757)
Operating grants received	-	-
Negative cash balance implicitly financed	-	-
Net cash provided by noncapital financing activities	<u>(470,380)</u>	<u>18,372,825</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(108,555,415)	(59,730,211)
Capital grants and other capital contributions	4,169,535	-
Proceeds from capital debt	151,326,500	-
Principal paid on capital debt	(14,230,217)	-
Interest paid on capital debt	(21,688,293)	(9,878,534)
Other debt related payments	-	-
Short-term loan to developer	-	-
Escrow deposits	(682,576)	-
Net cash provided by (used in) capital and related financing activities	<u>10,339,534</u>	<u>(69,608,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	12,437,190	2,926,072
Net cash provided by investing activities	<u>12,437,190</u>	<u>2,926,072</u>
Net increase (decrease) in cash and cash equivalents	49,558,890	(49,276,418)
Cash and cash equivalents - beginning of year	328,745,920	95,313,286
Cash and cash equivalents - end of year	<u>\$ 378,304,810</u>	<u>\$ 46,036,868</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 514,611	\$ (3,842,958)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	25,189,403	1,921,681
Miscellaneous nonoperating expense	(306,649)	-
Change in assets and liabilities:		
Operating receivables	1,226,849	-
Sales tax receivable	254,805	1,020,380
Inventories	(859,718)	-
Other receivables and assets	(33,864)	114,735
Due from other governmental agencies	530,689	-
Accounts payable and other accrued liabilities	692,329	(351,474)
Due to/from other funds	-	284,131
Escrow and other deposits	-	-
Earned vacation pay and other payroll liabilities	44,091	26,036
Deferred revenue	-	(139,101)
Total adjustments	<u>26,737,935</u>	<u>2,876,388</u>
Net cash provided by (used in) operating activities	<u>\$ 27,252,546</u>	<u>\$ (966,570)</u>
Noncash investing, capital, and financing activities:		
Capital contributions from annexations and mergers	<u>\$ 13,607,584</u>	<u>\$ -</u>
Acquisition and construction of capital assets	<u>\$ 7,606,630</u>	<u>\$ 13,299,307</u>
Installment financing agreements	<u>\$ 1,850,000</u>	<u>\$ -</u>

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

Parking Facilities Fund	Enterprise Funds			Internal Service Funds
	Other Nonmajor Enterprise	Total		
\$ 7,699,029	\$ 16,533,229	\$ 146,686,286	\$ 59,575,785	
(624,651)	(3,574,125)	(28,470,617)	(3,451,275)	
(3,071,818)	(24,932,460)	(100,408,660)	(13,267,765)	
375,000	-	659,131.00	-	
-	-	-	(27,068,534)	
-	-	-	(1,170,043)	
-	785,273	1,009,313	2,392,268	
<u>4,377,560</u>	<u>(11,188,083)</u>	<u>19,475,453</u>	<u>17,010,436</u>	
2,106,199	12,928,085	36,101,173	3,551,739	
(70,583)	(124,535)	(3,226,805)	(3,000,000)	
62,900	-	(69,857)	-	
-	2,528,303	2,528,303	-	
-	-	-	(103,759)	
<u>2,098,516</u>	<u>15,331,853</u>	<u>35,332,814</u>	<u>447,980</u>	
(11,090,293)	(9,405,277)	(188,781,196)	(10,911,618)	
-	8,516,495	12,686,030	-	
14,765,000	-	166,091,500	-	
(2,819,066)	-	(17,049,283)	(9,506,843)	
(2,675,552)	-	(34,242,379)	(1,528,109)	
(183,176)	-	(183,176)	-	
(4,750,000)	-	(4,750,000)	-	
-	1,699,602	1,017,026	-	
<u>(6,753,087)</u>	<u>810,820</u>	<u>(65,211,478)</u>	<u>(21,946,570)</u>	
661,936	1,508,593	17,533,791	1,684,194	
<u>661,936</u>	<u>1,508,593</u>	<u>17,533,791</u>	<u>1,684,194</u>	
384,925	6,463,183	7,130,580	(2,803,960)	
11,941,603	32,895,891	468,896,700	36,808,816	
<u>\$ 12,326,528</u>	<u>\$ 39,359,074</u>	<u>\$ 476,027,280</u>	<u>\$ 34,004,856</u>	
\$ 2,572,077	\$ (14,497,417)	\$ (15,253,687)	\$ 10,727,644	
1,405,615	2,685,980	31,202,679	9,555,875	
-	-	(306,649)	-	
(75,152)	60,115	1,211,812	913	
173,140	116,087	1,564,412	469,813	
-	24,531	(835,187)	(29,475)	
(8,253)	-	72,618	-	
-	-	530,689	-	
52,063	371,952	764,870	(3,732,617)	
375,000	-	659,131.00	-	
-	1,600	1,600	-	
(1,701)	49,069	117,495	18,283	
(115,229)	-	(254,330)	-	
<u>1,805,483</u>	<u>3,309,334</u>	<u>34,729,140</u>	<u>6,282,792</u>	
<u>\$ 4,377,560</u>	<u>\$ (11,188,083)</u>	<u>\$ 19,475,453</u>	<u>\$ 17,010,436</u>	
\$ -	\$ -	\$ 13,607,584	\$ -	
<u>\$ 3,345,035</u>	<u>\$ 668,408</u>	<u>\$ 24,919,380</u>	<u>\$ 531,616</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,850,000</u>	<u>\$ -</u>	

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Pension Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 30,959,858	\$ 11,335
Accrued interest receivable	45,100	-
Total assets	<u>31,004,958</u>	<u>\$ 11,335</u>
LIABILITIES		
Due to other agencies	-	\$ 11,335
Claims payable	376,000	-
Total liabilities	<u>376,000</u>	<u>\$ 11,335</u>
NET ASSETS		
Held in trust for employees' retirement and other post-employment benefits	<u>\$ 30,628,958</u>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Fiscal Year Ended June 30, 2008

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer contributions	\$ 13,408,391
Retiree contributions	928,643
Total contributions	<u>14,337,034</u>
Investment earnings:	
Interest	1,836,792
Net increase in fair value of investments	<u>(3,271,720)</u>
Total investment earnings	(1,434,928)
Less investment expense	<u>(35,101)</u>
Net investment earnings	<u>(1,470,029)</u>
Total additions	<u>12,867,005</u>
DEDUCTIONS	
Benefits	10,402,382
Withdrawals and forfeitures	29,191
Total deductions	<u>10,431,573</u>
Change in net assets	2,435,432
Net assets - beginning of the year	<u>28,193,526</u>
Net assets - end of the year	<u>\$ 30,628,958</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

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

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

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

Uncollected taxes billed by February of the fiscal year are shown as a receivable in the financial statements and are offset by deferred revenue. Taxes for vehicles registered after February 28, apply to the 2008-09 fiscal year and are not shown as receivables at June 30, 2008.

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

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

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

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

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

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

3. Inventories and prepaid items

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

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

4. Restricted Assets

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

5. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City for business-type activities during the fiscal year was \$34,409,256. Of this amount, \$13,093,528 was included as part of the cost of capital assets under construction in connection with water and sewer, convention center, and parking facilities construction projects.

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

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

6. Earned vacation pay

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

8. Net Assets/fund equity

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Also presented are the amounts in annually budgeted funds which are reserved and, therefore, not available for appropriation in subsequent years as provided by the North Carolina general statutes. The statutes dictate what portion of fund balance is available for appropriation with the remainder being unavailable for appropriation or "Reserved by State Statute." Generally, all amounts represented by accounts receivable or interfund receivables are not available for appropriation. Portions of fund balance have also been reserved for encumbrances and inventories. The unreserved portion of fund balance is further detailed as either "Designated" or "Undesignated." A breakdown of the "Designations" at June 30, 2008 is as follows:

General Fund		General Capital Projects Funds	
Designations	Amount	Designations	Amount
Debt service	\$ 12,070,520	Various capital projects	\$ 14,756,691
Law enforcement projects	1,833,219	Appropriated for	
Appropriated for subsequent year	22,490,699	subsequent year	\$ 143,225,178
Other	210,229		
	<u>\$ 36,604,667</u>		
		Special Revenue Funds	
		Appropriated for	
		subsequent year	\$ 4,612,467

Prior Period Adjustment. It was necessary to restate the financial results for the fiscal year ended June 30, 2007 due to errors in the arbitrage liability calculation. We had previously recognized liabilities of \$4,779,819 as of June 30, 2007. After further review and analysis with our third party specialist we determined that the calculated bond yield rate was incorrect and resulted in an overstatement of our liabilities. As a result, we obtained a revised report and we have decreased the arbitrage liabilities to \$199,653 as of June 30, 2007.

9. Interest rate swap

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

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust and agency funds which are not budgeted and four internal service funds which have financial plans approved. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day of June 30, 2008. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds, the powell bill fund, and the new convention center financing fund. All other funds including all capital project funds and the remaining grant funds adopt project budgets. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed. At June 30, 2008, the effect of such amendments, less eliminating transfers, was as follows:

	Original <u>Budget</u>	Total <u>Amendments</u>	Budget <u>June 30, 2008</u>
General Fund	\$ 353,923,261	\$ 17,123,135	\$ 371,046,396
Special Revenue Funds	68,669,024	22,635,945	91,304,969
General Capital Projects Funds	405,534,256	55,634,742	461,168,998
Enterprise Funds	1,051,393,832	90,430,472	1,141,824,304
Internal Service Funds	14,390,250	460,787	14,851,037

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

B. Deficit net assets

The risk management fund (an internal service fund) had deficit net assets of \$15,226,135 at June 30, 2008. The deficit net assets in the risk management fund results primarily from the City's full recognition of the actuarially determined liability of \$23.1 million for claims incurred but not reported at June 30, 2008. The City continues to review options to address the overall deficit condition.

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, 2008, the City's bank balance was \$26,038,065 and the carrying amount of the City's deposits was \$20,730,562, net of a cash overdraft of \$330,857 which is included in accounts payable. Of the bank balance, \$119,392 was covered by federal depository insurance and \$25,918,673 was covered by collateral held under the Pooling Method.

Investments. At June 30, 2008, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1		
		Year	1- 3 Years	3 - 5 Years
U. S. Government				
Treasuries	\$ 88,989,333	\$ 76,288,293	\$ 7,076,167	\$ 5,624,873
Ginnie Mae	632	-	632	-
Federal Home Loan Bank	94,147,768	67,279,631	22,810,821	4,057,316
Freddie Mac	145,033,180	81,734,307	60,252,282	3,046,591
Fannie Mae	124,339,994	91,219,730	27,349,842	5,770,422
Federal Farm Credit Bank	34,372,710	9,107,413	22,636,471	2,628,826
Commercial paper	7,345,725	7,345,725	-	-
NCCMT - Cash Portfolio	55,047,804	55,047,804	N/A	N/A
	<u>\$ 549,277,146</u>	<u>\$ 388,022,903</u>	<u>\$ 140,126,215</u>	<u>\$ 21,128,028</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the city's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the asset managers.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008. The City's investments in US Agencies (Federal Home Loan Bank, Freddie Mac, Fannie Mae and Federal Farm Credit Bank) are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings.

Concentration of Credit Risk. The City's investment policy does not restrict the level of investment in federal agencies, but it restricts investment in commercial paper or bankers' acceptances of a single issuer to no more than 5% of the total investment portfolio. More than 5 percent of the City's investments are in Federal Home Loan Bank,

Freddie Mac, Fannie Mae, and Federal Farm Credit Bank securities. These investments are 17.14%, 26.40%, 22.64%, and 6.26% respectively of the City's total investments.

A summary of cash and investments at June 30, 2008 is as follows:

Petty Cash and Change Funds	\$ 14,885
Medical, Dental, and OPEB Trust Funds	7,081,360
BB&T - Supplemental Pension Funds	24,287,111
Deposits (includes CDs and money market accounts)	284,836,562
Investments	549,277,146
	<u>\$ 865,497,064</u>

B. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows (stated in thousands):

	Balance June 30, 2007	Additions	Transfers	Deletions	Balance June 30, 2008
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 115,706	\$ 23,748	\$ -	\$ 6	\$ 139,448
Construction in progress	18,567	11,262	(10,171)	-	19,658
Total capital assets, not being depreciated	<u>134,273</u>	<u>35,010</u>	<u>(10,171)</u>	<u>6</u>	<u>159,106</u>
Capital assets, being depreciated:					
Buildings and machinery	91,207	1,997	-	1,000	92,204
Streets and sidewalks	597,692	25,775	4,240	-	627,707
Equipment	88,057	9,001	-	4,993	92,065
Furniture and fixtures	2,071	206	-	18	2,259
Improvements - general and parks	142,722	12,150	5,931	7	160,796
Total capital assets being depreciated	<u>921,749</u>	<u>49,129</u>	<u>10,171</u>	<u>6,018</u>	<u>975,031</u>
Less accumulated depreciation for:					
Buildings and machinery	37,087	2,925	-	1,000	39,012
Streets and sidewalks	257,174	23,482	-	-	280,656
Equipment	61,337	8,541	-	4,993	64,885
Furniture and fixtures	1,371	343	-	18	1,696
Improvements - general and parks	59,580	7,258	-	7	66,831
Total accumulated depreciation	<u>416,549</u>	<u>42,549</u>	<u>-</u>	<u>6,018</u>	<u>453,080</u>
Total capital assets being depreciated, net	<u>505,200</u>	<u>6,580</u>	<u>10,171</u>	<u>-</u>	<u>521,951</u>
Governmental activities capital assets, net	<u>\$ 639,473</u>	<u>\$ 41,590</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 681,057</u>

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

General government	\$ 612
Community development	91
Public works	26,670
Public safety	1,829
Solid waste services	348
Leisure services	5,928
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>7,071</u>
Total depreciation expense - governmental activities	<u><u>\$ 42,549</u></u>

Annexations: The amount reported as additions for street and sidewalks includes \$18,322,312 from annexations during fiscal year 2007-08.

	Balance June 30, 2007	Additions	Transfers	Deletions	Balance June 30, 2008
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 64,634	\$ 5,228	\$ -	\$ -	\$ 69,862
Construction in progress	<u>254,932</u>	<u>131,065</u>	<u>(35,279)</u>	<u>-</u>	<u>350,718</u>
Total capital assets, not being depreciated	<u>319,566</u>	<u>136,293</u>	<u>(35,279)</u>	<u>-</u>	<u>420,580</u>
Capital assets, being depreciated:					
Buildings and machinery	110,897	4,607	-	-	115,504
Water and sewer systems	756,881	57,767	28,330	-	842,978
Parking decks	57,890	-	-	-	57,890
Buses	19,255	5,375	-	2,912	21,718
Equipment	36,161	5,203	54	1,950	39,468
Furniture and fixtures	463	14	-	-	477
Improvements	79,835	18,347	6,895	6	105,071
Total capital assets being depreciated	<u>1,061,382</u>	<u>91,313</u>	<u>35,279</u>	<u>4,868</u>	<u>1,183,106</u>
Less accumulated depreciation for:					
Buildings and machinery	34,536	2,670	-	-	37,206
Water and sewer systems	177,562	17,691	-	-	195,253
Parking decks	13,493	1,361	-	-	14,854
Buses	10,874	2,059	-	2,912	10,021
Equipment	20,589	4,774	-	1,843	23,520
Furniture and fixtures	437	15	-	-	452
Improvements	16,666	5,118	-	6	21,778
Total accumulated depreciation	<u>274,157</u>	<u>33,688</u>	<u>-</u>	<u>4,761</u>	<u>303,084</u>
Total capital assets being depreciated, net	<u>787,226</u>	<u>57,625</u>	<u>35,279</u>	<u>107</u>	<u>880,022</u>
Business-type activities capital assets, net	<u><u>\$ 1,106,792</u></u>	<u><u>\$ 193,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 107</u></u>	<u><u>\$ 1,300,602</u></u>

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

Water/Sewer	\$ 25,190
Convention center	1,922
Parking	1,406
Mass Transit	2,366
Stormwater	320
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	2,484
Total depreciation expense - business-type activities	<u>\$ 33,688</u>

Annexations: The amount reported as additions for water and sewer systems includes \$13,607,584 added from annexations during fiscal year 2007-08.

Commitments - construction projects

At June 30, 2008, the City has \$145,404,987 in project obligations for business-type activities for construction projects in progress as follows: \$91,929,955 water and sewer projects, \$25,418,409 new convention center project, and \$28,056,483 parking garage projects. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, and certificates of participation.

In addition, the City has \$39,031,248 in general government project obligations at June 30, 2008. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2008.

C. Deferred Revenue

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

	<u>General</u>	<u>NonMajor Governmental</u>
Amounts arising from cash:		
Police informant account	\$ 8,615	\$ -
Cemetery cash account	8,056	-
Cafeteria plan cash	103,951	-
Deferred vehicle taxes	474,803	-
Grants, program income	-	942,889
Facility fees	142,224	-
	<u>\$ 737,649</u>	<u>\$ 942,889</u>
Amounts not arising from cash:		
Assessments receivable	\$ 264,767	\$ 1,121,682
Taxes receivable	2,344,589	-
Loans receivable	38,118	48,516,522
	<u>\$ 2,647,474</u>	<u>\$ 49,638,204</u>
Total	<u>\$ 3,385,123</u>	<u>\$ 50,581,093</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as June 30, 2008, is as follows:

Due to general fund from:	
Nonmajor governmental funds	\$ 523,200
Convention center fund	670,252
Nonmajor enterprise funds	955,497
Total due to general fund	<u>\$ 2,148,949</u>
Due to parking fund from:	
Convention center fund	<u>\$ 500,000</u>
Due to internal service funds from:	
Nonmajor governmental funds	<u>\$ 231,031</u>
Total interfund balances	<u>\$ 2,879,980</u>

The balance of \$2,148,949 due to the general fund includes \$35,218 of negative special revenue fund (community development) cash reclassified as due to the general fund and a corresponding reduction in general fund cash and a due from other funds. This general fund balance also includes \$955,497 in excess operating subsidy advanced to the mass transit fund during FY 2007-08. The balance of \$500,000 due to the parking facilities fund from nonmajor governmental funds results from loans made in 2001 to provide cash for the performing arts center and memorial auditorium construction projects until pledges for the projects are received. The balance of \$231,031 due to internal funds represents City matching funds advanced from the governmental equipment replacement fund to the grants fund for an equipment acquisition grant. The remaining balances are \$487,982 due to the general fund from the grants fund for excess City matching funds and \$670,252 due to the general fund from the convention center fund for unsettled accounts payable reimbursements.

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

A summary of interfund transfers for the fiscal year ended June 30, 2008 is as follows:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 6,216,555
Water and sewer fund	75,000
Parking fund	70,583
Internal service funds	2,000,000
Total transfers to general fund	<u>\$ 8,362,138</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 12,320,083
Water and sewer fund	172,680
Convention center fund	579,645
Internal service fund	1,295,969
Total transfers to nonmajor governmental funds	<u>\$ 14,368,377</u>
Transfers to convention center fund from:	
General fund	\$ 314,246
Nonmajor governmental funds	20,752,643
Total transfers to convention center fund	<u>\$ 21,066,889</u>
Transfers to parking fund from:	
Convention center fund	\$ 1,981,663
Nonmajor enterprise funds	124,536
Total transfers to parking fund	<u>\$ 2,106,199</u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 11,975,424
Nonmajor governmental funds	1,310,890
Total transfers to nonmajor enterprise funds	<u>\$ 13,286,314</u>
Transfers to internal service funds from:	
General fund	\$ 2,329,039
Water and sewer fund	222,700
Internal service fund	1,000,000
Total transfers to internal service funds	<u>\$ 3,551,739</u>

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

During the fiscal year ended June 30, 2008, \$591,653 was transferred from general capital projects funds to the general fund. These transfers were made to support specific related operating activities. Also during FY 2007-08, \$1,310,890 was transferred from general capital projects to a nonmajor enterprise fund as matching support for capital grants.

E. Operating leases

During FY 2007-08 total rental payments on noncancelable operating leases was \$3,270,296. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2008:

<u>Fiscal Year Ending June 30</u>	
2009	\$ 3,193,451
2010	2,544,997
2011	1,706,919
2012	540,655
2013	208,031
	<u>\$ 8,194,053</u>

F. Long-term obligations

1. General obligation bonds

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

General obligation bonds outstanding at June 30, 2008 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, 2008</u>
Governmental Activities					
Housing-Series 1994B-Taxable	7.9% to 8.0%	9/1/1994	3/1/2011	\$ 2,900,000	\$ 700,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	920,000
Public Improvement Refunding - Series 1997	5.0%	10/1/1997	4/1/2012	22,255,000	2,925,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	2,420,000
GO Refunding, Series 1998	4.0% to 4.2%	12/1/1998	6/1/2012	6,740,000	2,200,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	13,450,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	7,900,000
Public Improvement, Series 2002A	3.25% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,400,000
Public Improvement, Series 2002B	3.25% to 4.5%	12/1/2002	2/1/2021	43,000,000	36,875,000
Public Improvement, Series 2002C	4.0%	12/1/2002	2/1/2013	14,905,000	3,025,000
Public Improvement, Series 2004	2.0% to 4.0%	3/1/2004	4/1/2022	15,000,000	13,200,000
Public Improvement Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	17,338,150	13,274,521
Housing, Series, 2004B	3.25% to 4.375%	3/1/2004	4/1/2017	7,000,000	5,725,000
Housing Refunding, Series 2004B	3.25% to 4.0%	3/1/2004	4/1/2012	2,355,000	780,000
Street Improvement, Series 2005A	3.5% to 5.0%	8/1/2005	2/1/2023	10,600,000	10,000,000
Public Improvement, Series 2005B	3.5% to 5.0%	8/1/2005	2/1/2023	50,585,000	47,585,000
Housing Series 2007 Taxable	4.95% to 5.4%	3/1/2007	3/1/2027	7,000,000	6,650,000
Total Governmental Activities					<u>\$ 170,029,521</u>

General obligation bonds outstanding at June 30, 2008 (continued):

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2008</u>
<u>Business-type Activities</u>					
Water and Sewer:					
Sanitary Sewer Refunding - Series 1997	5.0%	10/1/1997	4/1/2012	\$ 16,325,000	\$ 2,135,000
Sanitary Sewer Refunding - Series 2002C	4.0%	12/1/2002	2/1/2013	3,055,000	625,000
Water Refunding, Series 2004A					
Sanitary Sewer Refunding - Series 2004A	2.0% to 4.0%	3/1/2004	4/1/2016	6,187,620	4,737,396
	2.0% to 4.0%	3/1/2004	4/1/2016	3,674,230	2,813,083
Water and Sewer Total					10,310,479
Parking Facilities:					
Parking Facilities Refunding—Series 1997	5.0%	10/1/1997	4/1/2012	3,230,000	425,000
Parking Facilities, Series 1997	4.7% to 5.0%	10/1/1997	4/1/2016	8,670,000	4,670,000
Parking Facilities Total					5,095,000
Total Business-type Activities					<u>\$ 15,405,479</u>

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,264,750	\$ 7,224,912	\$ 2,815,249	\$ 635,006
2010	12,411,943	6,723,880	2,118,057	528,752
2011	12,616,008	6,208,662	2,098,992	434,529
2012	12,625,072	5,697,702	1,934,928	341,170
2013	12,315,949	5,174,514	1,829,051	255,872
2014-2018	59,210,799	18,267,798	4,609,202	328,122
2019-2023	46,185,000	5,600,712	-	-
2024-2027	1,400,000	188,475	-	-
	<u>\$ 170,029,521</u>	<u>\$ 55,086,655</u>	<u>\$ 15,405,479</u>	<u>\$ 2,523,451</u>

Status of bond authorizations

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2008:

October 7, 2003

Parks and recreation \$ 27,665,000

October 11, 2005

Housing 20,000,000
Street improvement 60,000,000
80,000,000

October 9, 2007

Parks and recreation 88,600,000
Total \$ 196,265,000

Defeased debt

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, 2008, the amount of defeased debt outstanding was \$69,910,000.

2. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects, including \$150,000,000 issued in FY 2007-08. The bonds are repaid solely from utility user charges. Revenue bonds outstanding at year end are \$560,240,000. The bonds have stated interest rates between 2.5% and 5.0% and one variable rate issue at 4.163% at June 30, 2008. The bonds are payable serially over the next 30 years. Annual debt service requirements for 2007-08 were less than 12% 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
2009	\$ 5,500,000	\$ 24,200,423
2010	6,735,000	25,715,767
2011	10,865,000	25,442,454
2012	11,800,000	24,951,397
2013	12,895,000	24,413,427
2014-2018	87,890,000	111,552,451
2019-2023	111,890,000	88,365,537
2024-2028	118,710,000	62,508,217
2029-2033	127,265,000	33,155,828
2034-2038	66,690,000	5,897,289
	<u>\$ 560,240,000</u>	<u>\$ 426,202,790</u>

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, between the City and Wachovia Bank of North Carolina, as trustee, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2008.

3. Other long-term obligations

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is \$754,471,431. Interest is also paid on reimbursement contracts at a rate of 4 percent per year; however, the future amount to be paid on existing contracts has not been determined.

Certificates of participation – demand bonds

The City has previously issued \$253,565,000 in variable rate certificates of participation to finance the purchase of an office building (\$10,140,000) and construction of a new convention center (\$243,425,000). This debt was sold by the Walnut Creek Financing Assistance Corporation, a blended component unit of the City, whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to the variable rate certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. *(There have been significant changes in rates subsequent to year-end, see Note 5, Subsequent events, page 51.)* The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest, which cannot exceed 12%, required for these variable rate certificates through maturity would be \$541,072,581. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2008 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

Issue	Balance June 30, 2008	Agreement Expiration	Fees Paid FY 2008	Interest Rate June 30, 2008
2004A	\$ 55,000,000	February 1, 2004	\$ 95,067	1.54 %
2004C	\$ 8,110,000	September 1, 2009	\$ 22,387	1.48 %
2005B	\$ 188,425,000	January 16, 2015	\$ 334,546	1.54 %

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 510,000	\$ 450,754	\$ -	\$ 11,306,050
2010	510,000	422,408	-	11,260,410
2011	510,000	394,062	-	11,283,230
2012	510,000	365,716	-	11,283,230
2013	510,000	337,371	-	11,283,230
2014-2018	2,525,000	1,264,445	31,505,000	54,432,805
2019-2023	2,525,000	562,748	48,325,000	45,530,801
2024-2028	510,000	28,624	60,715,000	33,966,638
2029-2033	-	-	83,270,000	18,634,449
2034-2038	-	-	19,610,000	1,030,571
	<u>\$ 8,110,000</u>	<u>\$ 3,826,127</u>	<u>\$ 243,425,000</u>	<u>\$ 210,011,414</u>

Installment financing agreements

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.0% to 5.25% (downtown improvement projects), and 3.0% to 4.25% (parks projects). During FY 2007-08 the City entered into new installment financing agreements of \$10,114,000 at 3.718% (land for remote operations facility), \$7,885,000 at 4.0% to 5.0% (solid waste transfer station), \$6,280,000 at 4.0% to 5.0% (Fayetteville Street), and \$30,000,000 at 3.47% (enterprise resource planning). Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 6,314,548	\$ 2,950,441
2010	6,333,997	2,735,750
2011	6,391,740	2,485,408
2012	6,452,938	2,232,435
2013	6,562,763	1,982,322
2014-2018	30,778,152	6,061,829
2019-2023	7,685,000	2,181,906
2024-2028	4,615,000	529,924
	<u>\$ 75,134,138</u>	<u>\$ 21,160,015</u>

The City has previously entered into installment financing agreements to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.6% to 5.85% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), 3.0% to 5.0% (construction of a utilities operation center), and 4.16% (equipment). Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 5,889,451	\$ 1,059,377
2010	5,889,451	831,983
2011	5,324,451	605,116
2012	4,763,051	383,980
2013	963,051	203,801
2014-2018	4,315,253	537,232
2019-2023	1,080,000	112,620
2024-2028	300,000	11,970
	<u>\$ 28,524,708</u>	<u>\$ 3,746,079</u>

The City has entered into installment financing agreements to finance various downtown parking facilities, including a new agreement issued during FY 2007-08 for \$14,765,000. These agreements bear interest at rates ranging from 4.2% to 6.6% with a variable rate component for one agreement, not to exceed 15%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	\$ 2,440,000	\$ 2,911,894
2010	2,510,000	2,810,431
2011	2,595,000	2,694,472
2012	2,690,000	2,575,888
2013	2,190,000	2,473,918
2014-2018	12,045,000	10,823,198
2019-2023	13,160,000	7,969,198
2024-2028	11,435,000	4,882,775
2029-2033	11,040,000	2,222,024
2034-2038	3,420,000	232,650
	<u>\$ 63,525,000</u>	<u>\$ 39,596,448</u>

A portion of this debt was previously refinanced. The reacquisition price of the new debt exceeded the carrying value of the old debt. This amount is being netted against the new debt and amortized over the life of the new debt. The unamortized balance of this deferred refunding at June 30, 2008 is \$126,087.

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 2.5% to 5.0%. 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
2009	\$ 7,392,463	\$ 846,322	\$ 2,114,380	\$ 261,810
2010	7,388,413	531,107	2,113,430	172,048
2011	3,034,663	252,484	1,092,180	90,869
2012	3,034,663	115,722	1,092,180	41,648
	<u>\$ 20,850,202</u>	<u>\$ 1,745,635</u>	<u>\$ 6,412,170</u>	<u>\$ 566,375</u>

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

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 48,242	\$ 25,763	\$ 1,124,375	\$ 92,500
2010	39,802	26,807	1,124,375	46,250
2011	40,377	26,232	199,375	-
2012	42,764	23,845	-	-
2013	48,844	17,765	-	-
2014-2015	83,935	10,428	-	-
	<u>\$ 303,965</u>	<u>\$ 130,841</u>	<u>\$ 2,448,125</u>	<u>\$ 138,750</u>

Reimbursement contracts

Outstanding principal balances for reimbursement contracts at June 30, 2008 are \$13,796 for business-type activities.

Earned vacation pay

At June 30, 2008, earned vacation pay consists of \$16,067,421 for governmental activities and \$2,461,785 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 FY08 the City filed an assessment of corrective measures report (ACM) with the North Carolina Department of Environment and Natural Resources (DENR). The report outlines the City's plan for corrective action to address ground water violations at the landfill. The preliminary cost estimate for this action over the 21 remaining years required to maintain the closed landfill is \$1,957,000. The cost estimate will be updated as the City prepares and submits its formal corrective action plan to DENR for approval. The corrective action plan cost estimate is not expected to be greater than the preliminary cost estimate outlined in the ACM report. The \$6,273,435 reported as landfill postclosure liability as of June 30, 2008 includes the ACM 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 December 6, 2007.

Subsequent debt issuances and bond referendum

The City issued certificates of participation subsequent to June 30, 2008 as follows: \$14,015,000 in August 2008 for parking facilities, and \$33,500,000 in November 2008 for remote public works operations facilities and a new public safety center.

4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 183,218,892	\$ -	\$ 13,189,371	\$ 170,029,521	\$ 13,264,751
Unamortized premiums - GO bonds	1,644,287	-	120,710	1,523,577	120,710
Deferred refundings - GO bonds	(1,018,342)	-	(113,149)	(905,193)	(113,149)
Installment financing agreements	60,272,303	54,295,887	10,169,780	104,398,410	14,265,253
Unamortized premiums on IFA	384,937	-	21,386	363,551	21,386
Earned vacation pay	15,208,616	10,164,956	9,306,151	16,067,421	9,302,245
Landfill postclosure	4,475,846	1,930,410	132,821	6,273,435	n/a
Total governmental activities	\$ 264,186,539	\$ 66,391,253	\$ 32,827,070	\$ 297,750,722	\$ 36,861,196
Business-type activities:					
General obligation bonds	\$ 18,916,108	\$ -	\$ 3,510,629	\$ 15,405,479	\$ 2,815,249
Unamortized premium - GO bonds	209,974	-	23,330	186,644	23,330
Deferred refundings - GO bonds	(680,145)	-	(165,270)	(514,875)	(64,360)
Revenue bonds	415,540,000	150,000,000	5,300,000	560,240,000	5,500,000
Unamortized premium - Rev. bonds	15,991,514	(523,500)	901,365	14,566,649	901,365
Deferred refundings - Rev. bonds	(3,946,194)	-	(239,649)	(3,706,545)	(239,649)
Installment financing agreements	338,067,275	16,615,000	10,347,377	344,334,898	11,568,206
Unamortized premiums - IFA	556,860	-	30,381	526,479	30,381
Deferred refundings - IFA	(168,245)	-	(42,158)	(126,087)	(42,158)
Reimbursement contracts	19,558	-	5,762	13,796	5,762
Earned vacation pay	2,365,669	1,733,338	1,637,222	2,461,785	1,637,222
Total business-type activities	\$ 786,872,374	\$ 167,824,838	\$ 21,308,989	\$ 933,388,223	\$ 22,135,348

The current year additions to the installment financing agreements include noncash related financing activities in the amount of \$1,850,000 for business-type 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 \$243,307 of internal service funds earned vacation pay are included above as part of governmental activities. Also, for the governmental activities, landfill closure and postclosure costs and earned vacation pay are generally liquidated by the general fund.

5. Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2008, arbitrage liabilities are reported as follows: water and sewer fund \$479,318, parking facilities fund \$10,152, and internal service equipment funds \$135,229.

6. Interest rate swaps

2002 Swap

In order to achieve an economic benefit, when compared to the issuance of fixed rate bonds, effective June 24, 2002, the City entered into a six year pay-variable, receive-fixed interest rate swap agreement with respect to \$50 million of its general obligation bonds. The agreement matured June 1, 2008. During FY 2007-08 the City received interest rate swap payments of \$146,549.

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, 2008, the swap had a negative fair value to the City of \$15,044,222. 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, 2008, 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, 2008, Citibank NA, the counterparty, was rated "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 36.

Using rates as of June 30, 2008, 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
2009	\$ -	\$ 2,920,588	\$ 5,294,743	\$ 8,215,331
2010	-	2,920,588	5,294,743	8,215,331
2011	-	2,920,588	5,294,743	8,215,331
2012	-	2,920,588	5,294,743	8,215,331
2013	-	2,920,588	5,294,743	8,215,331
2014-2018	31,505,000	13,897,533	25,194,882	39,092,415
2019-2023	48,325,000	10,732,355	19,456,721	30,189,076
2024-2028	60,715,000	6,709,950	12,002,353	18,712,303
2029-2033	42,685,000	1,958,425	3,550,435	5,508,860
2034	5,195,000	80,523	145,980	226,503
Total	\$ 188,425,000	\$ 47,981,726	\$ 86,824,086	\$ 134,805,812

**Computed using 4.36% less floating rate paid to the City (1.55% at June 30, 2008) 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 20, 2008, the swaps had a combined negative fair value to the City of \$7,246,240, 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, 2008, Citigroup and Wachovia, the counterparties, were rated "Aa3"/"AA-"/"AA-" and "Aa1"/"AA"/"AA-", 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 35.

Using the rates as of June 30, 2008, 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
2009	\$ -	\$ 2,325,000	\$ 3,919,500	\$ 6,244,500
2010	-	2,325,000	3,919,500	6,244,500
2011	3,390,000	2,325,000	3,919,500	6,244,500
2012	3,540,000	2,272,455	3,830,919	6,103,374
2013	3,665,000	2,217,585	3,738,419	5,956,004
2014-2018	21,145,000	10,176,138	17,154,998	27,331,136
2019-2023	26,240,000	8,387,515	14,139,727	22,527,242
2024-2028	32,620,000	6,164,738	10,392,554	16,557,292
2029-2033	40,550,000	3,401,320	5,733,967	9,135,287
2034-2035	18,850,000	441,440	744,182	1,185,622
Total	<u>\$ 150,000,000</u>	<u>\$ 40,036,191</u>	<u>\$ 67,493,266</u>	<u>\$ 107,529,457</u>

**Computed using 4.163% less floating rate paid to the City (1.55% at June 30, 2008) times \$150,000,000 less accumulated annual reductions, if any.*

(Note: Recent changes in the financial markets have affected both rates and counterparty credit ratings relative to both the 2005 and 2008 swap. See Note 5, Subsequent events, page 51).

G. Restricted assets

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

	Deposits	Unspent Debt Proceeds
<u>Governmental</u>		
Nonmajor governmental funds	\$ -	\$ 72,328,660
<u>Enterprise</u>		
Water and sewer fund	30,429,666	293,516,239
Convention center fund	-	25,706,542
Parking facilities fund	-	10,919,938
Nonmajor enterprise funds	5,616,474	-
Total enterprise	<u>36,046,140</u>	<u>330,142,719</u>
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	3,595,308
Public utilities equipment replacement fund	-	1,401,174
Total internal service fund	<u>-</u>	<u>4,996,482</u>
Total	<u>\$ 36,046,140</u>	<u>\$ 407,467,861</u>

Note 4. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents.

The City protects itself from potential loss through a combination of self-insurance retention plus the purchase of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year. No settlements, individually or in the aggregate, have exceeded the City's coverage limits or its own retention during the past three fiscal years.

City insurance coverages include general liability, automobile liability, police liability, automobile comprehensive, real and personal property, municipal equipment, electronic equipment, and boiler and machinery. For liability, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 per occurrence purchased through the private sector. For property, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value of \$300,000,000 purchased through the private sector. The excess coverage includes \$100,000,000 in the aggregate for loss due to flood, \$10,000,000 annual aggregate for flood plain location losses. The City continues to self insure for public officials liability.

Workers' compensation coverage is provided by a \$1,000,000 per occurrence self-insured retention with commercial excess coverage of \$1,000,000.

The City provides medical and dental coverage for employees and retirees. Employees can provide dependent coverage, if desired.

The City, as allowed by GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, uses internal service funds, the risk management fund and the employees' health benefits fund, to account for its risk financing activities. The claims liability total of \$32,996,033 reported for these two internal service funds at June 30, 2008, 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 2007-08 and 2006-07 are as follows:

	<u>2008</u>	<u>2007</u>
Insurance claims payable, beginning of year	\$ 37,298,278	\$ 35,515,465
Current year claims and changes in estimates	18,464,044	32,072,612
Claim payments	<u>(22,766,289)</u>	<u>(30,289,799)</u>
Insurance claims payable, end of year	<u>\$ 32,996,033</u>	<u>\$ 37,298,278</u>

Insurance claims payable at June 30, 2008 which are due within one year are estimated to be \$29,091,663.

As previously noted, the risk management fund has deficit net assets at June 30, 2008 of \$15,226,135. This deficit results primarily from the City's full recognition of the liability for claims incurred but not reported at June 30, 2008. The City is reviewing several options to address the deficit condition, including re-evaluating the level of funding.

B. Commitments and contingent liabilities

Commitment - loan guarantees

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

Commitment - enterprise funds

The City has entered into a raw water storage contract with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's FY 2007-08 obligation was \$647,320. It is estimated, at this time, that the future annual cost to the City will not exceed \$725,000.

Contingent liabilities

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

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

The City continues to be engaged in a land dispute with Hanson Aggregates. The dispute revolves around the City's prohibition of Hanson's quarrying for rock on property it owns adjacent to its Duraleigh Road quarry. The City believes it will prevail in the matter. However, should Hanson prevail, the damages could be substantial. The

City has no reserve amount set up to provide payment of any damages that may be awarded in this matter. The case remains at least one year away from resolution.

C. Jointly governed organizations

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

Triangle J Council of Governments. The City, in conjunction with three counties and 22 other municipalities are members of the Triangle J Council of Governments. The participating governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of \$95,803 to the council during the fiscal year ended June 30, 2008. 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, 2008 the City appropriated \$51,500 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

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

Interlocal agreement with Wake County

Pursuant to enabling legislation in 1991, the City of Raleigh and Wake County entered into an interlocal agreement to provide for the funding of various projects and facilities from the proceeds to be realized from the

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

At June 30, 2008 the balance of the trust maintained by the County was \$5,068,538, which is not available to the City except for current and future projects jointly determined by the City and the County. During FY 2007-08, the City received funding as follows: an annual \$1,000,000 that the City Council previously dedicated for continuing support of the performing arts center and the existing convention center complex; and \$13,117,464 to support construction financing of a new convention center complex. The City will continue to receive \$1,000,000 allocations that the City Council may use for any eligible purpose in the original state legislation. In addition, the City will annually receive 85% of all uncommitted interlocal tax funds for construction and other purposes related to the new convention center as well as a financial participation in the construction of a headquarters hotel.

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

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6 percent occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the bureau's minimum annual distributions, the City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of \$1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2008. 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, 2008. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

D. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

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

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.78%, respectively, of annually covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$8,142,199, \$7,584,174, and \$7,308,127, 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, 2008 were \$3,018,711 which consisted of \$1,927,683 from the City and \$1,091,028 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, 2007, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	119
Current active employees	<u>703</u>
Total	<u>822</u>

Summary of significant accounting policies:

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$1,886,285 or 4.96% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

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

Employer annual required contribution	\$ 1,635,739
Interest paid on pension obligation	(143,305)
Adjustment to annual required contribution	121,460
Annual pension cost	<u>1,613,894</u>
Employer contributions made for current fiscal year	<u>1,886,285</u>
Increase in net pension obligation	(272,391)
Net pension obligation beginning of fiscal year	<u>(1,976,624)</u>
Net Pension obligation end of fiscal year	<u><u>\$ (2,249,015)</u></u>

Annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2007 was 23 years.

The trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
June 30, 2006	\$ 1,657,669	105.76%	\$ (1,616,204)
June 30, 2007	\$ 1,492,086	124.16%	\$ (1,976,624)
June 30, 2008	\$ 1,613,894	116.88%	\$ (2,249,015)

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.

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. 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 under age 60 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, 2007, the plan membership consisted of:

Active members:

Law enforcement officers	678
Firefighters	504
General employees	2,256
Retirees	<u>1,188</u>
Total	<u>4,626</u>

Summary of significant accounting policies:

Funding policy. The City pays the full cost of coverage 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 a pay as you go basis. For the current year the City contributed \$8,639,783 or 5.1% of the annual covered payroll. Contributions made by retirees for dependent coverage and medicare supplement premiums were \$928,643.

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	\$ 9,669,155
Interest paid on OPEB obligation	<u>(38,022)</u>
Annual OPEB cost	9,631,133
Employer contributions made for current fiscal year	<u>8,639,783</u>
Increase in net OPEB obligation	991,350
Net OPEB obligation beginning of fiscal year	-
Net OPEB obligation end of fiscal year	<u><u>\$ 991,350</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using projected unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return and (b) projected medical cost trend rates of 12% to 6%, including an inflation component of 3.75%. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period was 30 years.

The trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Plan Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation End of Year</u>
June 30, 2008	\$ 9,631,133	89.70%	\$ 991,350

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 .3% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.0%) into the 401a plan. During FY 2007-08, the City contributed \$2,839,777 to the plan.

The FY 2007-08 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENT OF NET ASSETS

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 24,287,111	\$ 4,004,046	\$ 2,668,701	\$ 30,959,858
Accrued interest receivable	-	32,977	12,123	45,100
Total assets	<u>\$ 24,287,111</u>	<u>\$ 4,037,023</u>	<u>\$ 2,680,824</u>	<u>\$ 31,004,958</u>
LIABILITIES				
Claims payable	\$ -	\$ -	\$ 376,000	\$ 376,000
NET ASSETS				
Held in trust for employees' retirement and other post-employment benefits	<u>\$ 24,287,111</u>	<u>\$ 4,037,023</u>	<u>\$ 2,304,824</u>	<u>\$ 30,628,958</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,882,323	\$ 1,886,285	\$ 8,639,783	\$ 13,408,391
Retiree contributions	-	-	928,643	928,643
Interest	1,650,321	152,204	34,267	1,836,792
Net increase (decrease) in the fair value of investments	(3,285,690)	10,215	3,755	(3,271,720)
Less investment expense	(35,101)	-	-	(35,101)
Total additions	<u>1,211,853</u>	<u>2,048,704</u>	<u>9,606,448</u>	<u>12,867,005</u>
DEDUCTIONS				
Benefits	887,773	2,212,985	7,301,624	10,402,382
Withdrawals and forfeitures	29,191	-	-	29,191
Total deductions	<u>916,964</u>	<u>2,212,985</u>	<u>7,301,624</u>	<u>10,431,573</u>
Change in net assets restricted for:				
Employees' retirement and other post-employment benefits	294,889	(164,281)	2,304,824	2,435,432
Net assets, beginning of year	23,992,222	4,201,304	-	28,193,526
Net assets, end of year	<u>\$ 24,287,111</u>	<u>\$ 4,037,023</u>	<u>\$ 2,304,824</u>	<u>\$ 30,628,958</u>

Note 5. Subsequent events

Significant fluctuations in the national financial markets subsequent to year-end impacted the City's variable rate debt issues for its Enterprise Funds. Credit issues of both the liquidity providers and the remarketing agents resulted in over \$335 million of the Enterprise Fund's debt issues being tendered back to the City's liquidity banks. Under the terms of the stand-by purchase agreements with these institutions, the City pays a set interest rate for 90 days, that rate currently being 5.0%. The City has made, or is in the process of making, various changes in its liquidity providers and remarketing firms before the end of the 90-day periods when a required acceleration of debt payments would otherwise occur. These actions are intended to allow normal remarketing of the COPs issues going forward. While weekly reset rates on the City's variable rate taxable and tax exempt debt issues have experienced significant variation during this period, ranging from a low of 1.7% to a high of 8.0%, rates have currently returned to the lower end of that range. As a result of the changes made or in process, as well as other mitigating impacts of the City's two interest rate swaps, all additional projected costs are anticipated to be covered within the City's overall debt model capacity.

Changes in the financial markets have also affected the ratings of the City's swap counterparties, which were downgraded from the June 30, 2008 ratings previously reported as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Citigroup	Aa3 to Aa3	AA- to AA-	AA- to A+
Citibank	Aa1 to Aa1	AA to AA	AA- to A+
Wachovia	Aa1 to Aa2	AA to AA-	AA- to A+



CITY OF RALEIGH
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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]
2002*	\$ 4,146,793	\$ 16,081,235	\$ 11,934,442	25.8%	\$ 30,285,779	39.4%
2003*	4,220,540	16,914,130	12,693,590	24.9	31,666,230	40.1
2004*	4,186,220	18,067,520	13,881,300	23.2	34,675,457	40.0
2005*	3,445,835	16,629,292	13,183,457	20.7	35,627,409	37.0
2006*	3,341,952	18,104,374	14,762,422	18.5	36,919,192	39.9
2007*	3,212,204	20,637,390	17,425,186	15.6	38,040,517	45.8

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
2003	\$ 1,411,280	118.2%
2004	1,428,523	115.4
2005	1,509,766	65.5
2006	1,663,837	104.2
2007	1,498,641	123.6
2008	1,635,739	115.3

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, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increase	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A

**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]
2005*	\$ -	\$ 154,882,606	\$ 154,882,606	0.0%	\$ 141,026,686	109.8%
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

Note:

*Information presented as of December 31 actuarial valuation date.

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

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 9,669,155	89.4%

Notes to the Required Schedules:

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

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Medical cost trend rate	11.00% to 5.00%
Year of ultimate trend rate	2016
Includes inflation at	3.75%
Cost of living adjustments	N/A



CITY OF RALEIGH

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COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

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

Included are the following:

1. Combining Statements - By Fund Type
2. Individual Fund Schedules with Comparisons to Budget
3. Other Schedules - Debt



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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, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 39,252,897	\$ 100,788,326	\$ 140,041,223
Assessments receivable, net of allowance for uncollectibles of \$59,068	-	1,121,682	1,121,682
Due from other governmental agencies	4,087,251	451,958	4,539,209
Accrued interest receivable	480,098	1,167,675	1,647,773
Sales tax receivable	38,736	331,483	370,219
Loans receivable	48,516,522	-	48,516,522
Cash and cash equivalents/investments - restricted deposits and bond proceeds	1,213,009	71,115,651	72,328,660
Total assets	<u>\$ 93,588,513</u>	<u>\$ 174,976,775</u>	<u>\$ 268,565,288</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,226,762	\$ 9,376,800	\$ 10,603,562
Accrued salaries and employee payroll taxes	56,328	-	56,328
Loan servicing escrow	1,251,288	-	1,251,288
Reimbursable facility fees	-	4,417,318	4,417,318
Other liabilities	-	2,079,106	2,079,106
Due to other funds	754,231	-	754,231
Deferred revenue	48,516,522	1,121,682	49,638,204
Unearned revenue	942,889	-	942,889
Total liabilities	<u>52,748,020</u>	<u>16,994,906</u>	<u>69,742,926</u>
Fund balances:			
Reserved for new convention center project	32,438,761	-	32,438,761
Reserved for wireless 911	2,121,004	-	2,121,004
Unreserved:			
Designated for subsequent year's appropriation	4,612,467	143,225,178	147,837,645
Designated for specific purposes	-	14,756,691	14,756,691
Undesignated	1,668,261	-	1,668,261
Total fund balances	<u>40,840,493</u>	<u>157,981,869</u>	<u>198,822,362</u>
Total liabilities and fund balances	<u>\$ 93,588,513</u>	<u>\$ 174,976,775</u>	<u>\$ 268,565,288</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 33,312,940	\$ 1,021,575	\$ -	\$ 34,334,515
Developer participation	-	127,544	-	127,544
Assessments	-	732,873	-	732,873
Interest on investments	2,592,284	6,861,126	-	9,453,410
Facility fees	-	5,637,987	-	5,637,987
Rents	310,230	-	-	310,230
Program income	2,881,111	-	-	2,881,111
Miscellaneous other	129,441	2,054,189	-	2,183,630
Total revenues	<u>39,226,006</u>	<u>16,435,294</u>	<u>-</u>	<u>55,661,300</u>
EXPENDITURES				
General government	231,929	-	-	231,929
Community development services	7,386,268	-	-	7,386,268
Public works	1,175,520	530,042	-	1,705,562
Public safety	4,392,883	-	-	4,392,883
Leisure services	178,746	-	-	178,746
Economic development programs	5,329,000	-	-	5,329,000
Capital outlay	910,055	64,723,821	-	65,633,876
Total expenditures	<u>19,604,401</u>	<u>65,253,863</u>	<u>-</u>	<u>84,858,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,621,605</u>	<u>(48,818,569)</u>	<u>-</u>	<u>(29,196,964)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,498,250	16,747,267	(4,877,140)	14,368,377
Transfers out	(31,254,685)	(1,902,545)	4,877,140	(28,280,090)
Notes issued	-	54,279,000	-	54,279,000
Total other financing sources (uses)	<u>(28,756,435)</u>	<u>69,123,722</u>	<u>-</u>	<u>40,367,287</u>
Net change in fund balances	(9,134,830)	20,305,153	-	11,170,323
Fund balance - beginning of year	49,975,323	137,676,716	-	187,652,039
Fund balance - ending of year	<u>\$ 40,840,493</u>	<u>\$ 157,981,869</u>	<u>\$ -</u>	<u>\$ 198,822,362</u>



CITY OF RALEIGH
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SPECIAL REVENUE FUNDS

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



CITY OF RALEIGH
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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Grants Fund	Housing Development Fund	Housing Bond Fund	Community Development Fund
ASSETS				
Cash and cash equivalents	\$ 933,547	\$ 2,544,268	\$ 936,995	\$ -
Due from other governmental agencies	954,524	-	-	696,897
Accrued interest receivable	-	30,028	8,605	-
Sales tax receivable	34,689	3,517	52	478
Loans receivable	-	2,191,921	27,794,152	18,530,449
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	-	1,213,009	-
Total assets	<u>\$ 1,922,760</u>	<u>\$ 4,769,734</u>	<u>\$ 29,952,813</u>	<u>\$ 19,227,824</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 268,156	\$ 99,140	\$ 148,990	\$ 114,130
Accrued salaries and employee payroll taxes	23,233	33,095	-	-
Loan servicing escrow	-	376,551	357,241	517,496
Due to other funds	719,013	-	-	35,218
Deferred revenue	-	2,191,921	27,794,152	18,530,449
Unearned revenue	912,358	-	-	30,531
Total liabilities	<u>1,922,760</u>	<u>2,700,707</u>	<u>28,300,383</u>	<u>19,227,824</u>
Fund balances:				
Reserved for new convention center project	-	-	-	-
Reserved for wireless 911	-	-	-	-
Unreserved:				
Designated for subsequent year's appropriation	-	1,608,319	1,588,358	-
Undesignated	-	460,708	64,072	-
Total fund balances	<u>-</u>	<u>2,069,027</u>	<u>1,652,430</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,922,760</u>	<u>\$ 4,769,734</u>	<u>\$ 29,952,813</u>	<u>\$ 19,227,824</u>

<u>Powell Bill Fund</u>	<u>Disaster Recovery Fund</u>	<u>New Convention Center Financing Fund</u>	<u>Wireless 911 Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1,130,288	\$ 1,415,790	\$ 29,606,118	\$ 2,685,891	\$ 39,252,897
-	-	2,435,830	-	4,087,251
13,193	-	396,813	31,459	480,098
-	-	-	-	38,736
-	-	-	-	48,516,522
-	-	-	-	1,213,009
<u>\$ 1,143,481</u>	<u>\$ 1,415,790</u>	<u>\$ 32,438,761</u>	<u>\$ 2,717,350</u>	<u>\$ 93,588,513</u>
\$ -	\$ -	\$ -	\$ 596,346	\$ 1,226,762
-	-	-	-	56,328
-	-	-	-	1,251,288
-	-	-	-	754,231
-	-	-	-	48,516,522
-	-	-	-	942,889
-	-	-	596,346	52,748,020
-	-	32,438,761	-	32,438,761
-	-	-	2,121,004	2,121,004
-	1,415,790	-	-	4,612,467
1,143,481	-	-	-	1,668,261
<u>1,143,481</u>	<u>1,415,790</u>	<u>32,438,761</u>	<u>2,121,004</u>	<u>40,840,493</u>
<u>\$ 1,143,481</u>	<u>\$ 1,415,790</u>	<u>\$ 32,438,761</u>	<u>\$ 2,717,350</u>	<u>\$ 93,588,513</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008**

	<u>Grants Fund</u>	<u>Housing Development Fund</u>	<u>Housing Bond Fund</u>	<u>Community Development Fund</u>
REVENUES				
Intergovernmental	\$ 4,610,128	\$ -	\$ -	\$ 3,662,971
Interest on investments	-	115,260	213,205	-
Rents	-	310,230	-	-
Program income	-	148,427	1,110,650	1,622,034
Miscellaneous other	109,741	-	19,700	-
Total revenues	<u>4,719,869</u>	<u>573,917</u>	<u>1,343,555</u>	<u>5,285,005</u>
EXPENDITURES				
Current:				
General government	231,529	-	-	-
Community development services	483,057	1,618,206	-	5,285,005
Public works	1,175,520	-	-	-
Public safety	4,392,883	-	-	-
Leisure services	178,746	-	-	-
Economic development programs	-	-	5,329,000	-
Capital outlay	-	-	-	-
Total expenditures	<u>6,461,735</u>	<u>1,618,206</u>	<u>5,329,000</u>	<u>5,285,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,741,866)</u>	<u>(1,044,289)</u>	<u>(3,985,445)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,741,866	756,384	-	-
Transfers out	-	(62,716)	(400,000)	-
Total other financing sources and uses	<u>1,741,866</u>	<u>693,668</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	-	(350,621)	(4,385,445)	-
Fund balances - beginning	-	2,419,648	6,037,875	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,069,027</u>	<u>\$ 1,652,430</u>	<u>\$ -</u>

Powell Bill Fund	Disaster Recovery Fund	New Convention Center Financing Fund	Wireless 911 Fund	Total Nonmajor Special Revenue Funds
\$ 10,800,492	\$ 8,053	\$ 13,117,464	\$ 1,113,832	\$ 33,312,940
138,275	-	2,001,946	123,598	2,592,284
-	-	-	-	310,230
-	-	-	-	2,881,111
-	-	-	-	129,441
<u>10,938,767</u>	<u>8,053</u>	<u>15,119,410</u>	<u>1,237,430</u>	<u>39,226,006</u>
-	400	-	-	231,929
-	-	-	-	7,386,268
-	-	-	-	1,175,520
-	-	-	-	4,392,883
-	-	-	-	178,746
-	-	-	-	5,329,000
-	-	-	910,055	910,055
-	<u>400</u>	<u>-</u>	<u>910,055</u>	<u>19,604,401</u>
<u>10,938,767</u>	<u>7,653</u>	<u>15,119,410</u>	<u>327,375</u>	<u>19,621,605</u>
-	-	-	-	2,498,250
(9,799,660)	-	(20,752,643)	(239,666)	(31,254,685)
(9,799,660)	-	(20,752,643)	(239,666)	(28,756,435)
1,139,107	7,653	(5,633,233)	87,709	(9,134,830)
4,374	1,408,137	38,071,994	2,033,295	49,975,323
<u>\$ 1,143,481</u>	<u>\$ 1,415,790</u>	<u>\$ 32,438,761</u>	<u>\$ 2,121,004</u>	<u>\$ 40,840,493</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 GRANTS FUND
 For the Fiscal Year Ended June 30, 2008**

	<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	\$ 1,106,395	\$ 913,993	\$ 2,020,388	\$ 3,226,417	\$ (1,206,029)
U.S. Forest Service	-	316,601	316,601	320,881	(4,280)
U.S. Department of Justice	142,813	254,604	397,417	534,579	(137,162)
U.S. Environmental Protection Agency	296,360	210,277	506,637	1,400,000	(893,363)
U.S. Department of Agriculture	7,480	-	7,480	9,802	(2,322)
State of North Carolina	881,537	2,549,242	3,430,779	4,661,891	(1,231,112)
Wake County	206,140	361,907	568,047	633,840	(65,793)
	<u>2,640,725</u>	<u>4,610,128</u>	<u>7,250,853</u>	<u>10,803,266</u>	<u>(3,552,413)</u>
Miscellaneous other	84,368	109,741	194,109	1,334,418	(1,140,309)
Total revenues	<u>2,725,093</u>	<u>4,719,869</u>	<u>7,444,962</u>	<u>12,137,684</u>	<u>(4,692,722)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	303,425	445,897	749,322	1,082,224	(332,902)
Government equipment replacement fund	-	1,295,969	1,295,969	1,527,000	(231,031)
Total other financing sources	<u>303,425</u>	<u>1,741,866</u>	<u>2,045,291</u>	<u>2,609,224</u>	<u>(563,933)</u>
Total revenues and other financing sources	<u>\$ 3,028,518</u>	<u>\$ 6,461,735</u>	<u>\$ 9,490,253</u>	<u>\$ 14,746,908</u>	<u>\$ (5,256,655)</u>
EXPENDITURES					
General government	\$ 309,863	\$ 231,529	\$ 541,392	\$ 1,473,270	\$ (931,878)
Community development services	2,258	483,057	485,315	495,785	(10,470)
Public works	1,460,256	1,175,520	2,635,776	5,351,776	(2,716,000)
Public safety	813,667	4,392,883	5,206,550	6,287,288	(1,080,738)
Solid waste services	7,480	-	7,480	9,802	(2,322)
Leisure services	434,994	178,746	613,740	1,128,987	(515,247)
Total expenditures	<u>\$ 3,028,518</u>	<u>\$ 6,461,735</u>	<u>\$ 9,490,253</u>	<u>\$ 14,746,908</u>	<u>\$ (5,256,655)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 HOUSING DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 115,260	\$ 115,260	\$ 85,000	\$ 30,260
Rents	-	310,230	310,230	497,840	(187,610)
Program income	-	148,427	148,427	47,162	101,265
Miscellaneous other	189,927	-	189,927	-	189,927
Total revenues	<u>189,927</u>	<u>573,917</u>	<u>763,844</u>	<u>630,002</u>	<u>133,842</u>
OTHER FINANCING SOURCES					
Transfer from general fund	-	756,384	756,384	756,384	-
Total revenues and other financing sources	<u>\$ 189,927</u>	<u>\$ 1,330,301</u>	<u>\$ 1,520,228</u>	1,386,386	<u>\$ 133,842</u>
Fund balance appropriated				<u>4,203,372</u>	
				<u>\$ 5,589,758</u>	
EXPENDITURES					
Community development services	<u>\$ 2,171,722</u>	<u>\$ 1,618,206</u>	<u>\$ 3,789,928</u>	<u>\$ 5,527,042</u>	<u>\$ (1,737,114)</u>
OTHER FINANCING USES					
Transfer to general fund	-	62,716	62,716	62,716	-
Total expenditures and other financing uses	<u>\$ 2,171,722</u>	<u>\$ 1,680,922</u>	<u>\$ 3,852,644</u>	<u>\$ 5,589,758</u>	<u>\$ (1,737,114)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 HOUSING BOND FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 213,205	\$ 213,205	\$ -	\$ 213,205
Program income	-	1,110,650	1,110,650	-	1,110,650
Miscellaneous other	-	19,700	19,700	-	19,700
Total revenues	<u>-</u>	<u>1,343,555</u>	<u>1,343,555</u>	<u>-</u>	<u>1,343,555</u>
OTHER FINANCING SOURCES					
Bonds issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,175,000</u>	<u>(6,175,000)</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,343,555</u>	<u>\$ 1,343,555</u>	<u>6,175,000</u>	<u>\$ (4,831,445)</u>
Fund balance appropriated				<u>8,254,135</u>	
				<u>\$ 14,429,135</u>	
EXPENDITURES					
Economic development programs	<u>\$ 3,436,777</u>	<u>\$ 5,329,000</u>	<u>\$ 8,765,777</u>	<u>\$ 14,029,135</u>	<u>\$ (5,263,358)</u>
OTHER FINANCING USES					
Transfer to general fund	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,436,777</u>	<u>\$ 5,729,000</u>	<u>\$ 9,165,777</u>	<u>\$ 14,429,135</u>	<u>\$ (5,263,358)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 COMMUNITY DEVELOPMENT FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 2,666,038	\$ 3,656,003	\$ 6,322,041	\$ 12,940,136	\$ (6,618,095)
State of North Carolina	76,000	6,968	82,968	152,000	(69,032)
Program income	<u>2,680,468</u>	<u>1,622,034</u>	<u>4,302,502</u>	<u>4,495,307</u>	<u>(192,805)</u>
Total revenues	<u>\$ 5,422,506</u>	<u>\$ 5,285,005</u>	<u>\$ 10,707,511</u>	<u>\$ 17,587,443</u>	<u>\$ (6,879,932)</u>
EXPENDITURES					
Community development services	<u>\$ 5,422,506</u>	<u>\$ 5,285,005</u>	<u>\$ 10,707,511</u>	<u>\$ 17,587,443</u>	<u>\$ (6,879,932)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 POWELL BILL FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 10,800,492	\$ 9,799,660	\$ 1,000,832
Interest on investments	138,275	-	138,275
Total revenues	<u>\$ 10,938,767</u>	<u>9,799,660</u>	<u>\$ 1,139,107</u>
Fund balance appropriated		-	
		<u>\$ 9,799,660</u>	
OTHER FINANCING USES			
Transfers to:			
General fund	\$ 4,922,520	\$ 4,922,520	\$ -
Street improvement fund	4,877,140	4,877,140	-
Total transfers out	<u>9,799,660</u>	<u>9,799,660</u>	<u>-</u>
Total other financing uses	<u>\$ 9,799,660</u>	<u>\$ 9,799,660</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 DISASTER RECOVERY FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ -	\$ 8,053	\$ 8,053	\$ -	\$ 8,053
Miscellaneous other	-	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 8,053</u>	<u>\$ 8,053</u>	-	<u>\$ 8,053</u>
Fund balance appropriated				<u>1,151,767</u>	
				<u>\$ 1,151,767</u>	
EXPENDITURES					
General government	<u>\$ 450</u>	<u>\$ 400</u>	<u>\$ 850</u>	<u>\$ 1,151,767</u>	<u>\$ (1,150,917)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 NEW CONVENTION CENTER FINANCING FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
Wake County	\$ 13,117,464	\$ 9,466,685	\$ 3,650,779
Interest on investments	<u>2,001,946</u>	<u>933,947</u>	<u>1,067,999</u>
Total revenues	<u>\$ 15,119,410</u>	10,400,632	<u>\$ 4,718,778</u>
Fund balance appropriated		<u>16,400,000</u>	
		<u>\$ 26,800,632</u>	
OTHER FINANCING USES			
Reserve for future debt service	\$ -	\$ 6,047,989	\$ (6,047,989)
Transfers to:			
Convention center complex operating fund	4,352,643	4,352,643	-
New convention center capital projects fund	<u>16,400,000</u>	<u>16,400,000</u>	<u>-</u>
Total other financing uses	<u>\$ 20,752,643</u>	<u>\$ 26,800,632</u>	<u>\$ (6,047,989)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WIRELESS 911 FUND**

For the Fiscal Year Ended June 30, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 1,113,832	\$ 879,666	\$ 234,166
Interest on investments	123,598	-	123,598
Total revenues	<u>\$ 1,237,430</u>	<u>879,666</u>	<u>\$ 357,764</u>
Fund balance appropriated		<u>320,000</u>	
		<u>\$ 1,199,666</u>	
EXPENDITURES			
Emergency communications capital outlay	<u>\$ 910,055</u>	<u>\$ 960,000</u>	<u>\$ (49,945)</u>
OTHER FINANCING USES			
Transfer to general fund	<u>239,666</u>	<u>239,666</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 1,149,721</u>	<u>\$ 1,199,666</u>	<u>\$ (49,945)</u>



CITY OF RALEIGH
2008

GENERAL CAPITAL PROJECTS FUNDS

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



CITY OF RALEIGH

2008

GENERAL CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2008

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 28,092,274	\$ 21,559,589	\$ 4,960,659	\$ 9,405,561
Assessments receivable, net of allowance for uncollectibles of \$59,068	1,121,682	-	-	-
Due from other governmental agencies	152,410	-	43,206	-
Accrued interest receivable	334,441	229,786	57,745	113,121
Sales tax receivable	49,033	12,743	5,121	48,029
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	8,122,155	-	-
Total assets	<u>\$ 29,749,840</u>	<u>\$ 29,924,273</u>	<u>\$ 5,066,731</u>	<u>\$ 9,566,711</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,667,712	\$ 1,026,030	\$ 262,125	\$ 433,264
Reimbursable facility fees	-	-	-	-
Other liabilities	2,004,624	-	-	44,719
Deferred revenue	1,121,682	-	-	-
Total liabilities	<u>4,794,018</u>	<u>1,026,030</u>	<u>262,125</u>	<u>477,983</u>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	22,658,438	27,097,206	4,468,234	8,938,983
Designated for specific purposes	2,297,384	1,801,037	336,372	149,745
Undesignated	-	-	-	-
Total fund balances	<u>24,955,822</u>	<u>28,898,243</u>	<u>4,804,606</u>	<u>9,088,728</u>
Total liabilities and fund balances	<u>\$ 29,749,840</u>	<u>\$ 29,924,273</u>	<u>\$ 5,066,731</u>	<u>\$ 9,566,711</u>

Facility Fees Fund	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Stormwater Projects Fund	Technology Capital Projects Fund	Total Nonmajor Capital Projects Funds
\$ 5,057,884	\$ 9,587,938	\$ 14,311,512	\$ 452,203	\$ 326,776	\$ 7,033,930	\$ 100,788,326
-	-	-	-	-	-	1,121,682
-	-	-	-	256,342	-	451,958
54,635	110,808	171,009	8,768	4,220	83,142	1,167,675
-	23,958	156,500	16,486	-	19,613	331,483
-	14,744,028	18,218,523	-	-	30,030,945	71,115,651
<u>\$ 5,112,519</u>	<u>\$ 24,466,732</u>	<u>\$ 32,857,544</u>	<u>\$ 477,457</u>	<u>\$ 587,338</u>	<u>\$ 37,167,630</u>	<u>\$ 174,976,775</u>
\$ -	\$ 924,523	\$ 4,382,033	\$ 256,021	\$ 2,133	\$ 422,959	\$ 9,376,800
4,417,318	-	-	-	-	-	4,417,318
12,566	981	10,969	-	-	5,247	2,079,106
-	-	-	-	-	-	1,121,682
<u>4,429,884</u>	<u>925,504</u>	<u>4,393,002</u>	<u>256,021</u>	<u>2,133</u>	<u>428,206</u>	<u>16,994,906</u>
450,001	22,917,328	19,335,025	221,436	573,418	36,565,109	143,225,178
232,634	623,900	9,129,517	-	11,787	174,315	14,756,691
-	-	-	-	-	-	-
<u>682,635</u>	<u>23,541,228</u>	<u>28,464,542</u>	<u>221,436</u>	<u>585,205</u>	<u>36,739,424</u>	<u>157,981,869</u>
<u>\$ 5,112,519</u>	<u>\$ 24,466,732</u>	<u>\$ 32,857,544</u>	<u>\$ 477,457</u>	<u>\$ 587,338</u>	<u>\$ 37,167,630</u>	<u>\$ 174,976,775</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2008

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Facility Fees Fund
REVENUES					
Intergovernmental	\$ 914,504	\$ -	\$ 43,206	\$ -	\$ -
Developer participation	127,544	-	-	-	-
Assessments	638,415	-	94,458	-	-
Interest on investments	1,418,650	1,464,095	238,661	415,009	307,503
Facility Fees	-	-	-	-	5,637,987
Miscellaneous other	931,075	-	163,319	178,658	-
Total revenues	<u>4,030,188</u>	<u>1,464,095</u>	<u>539,644</u>	<u>593,667</u>	<u>5,945,490</u>
EXPENDITURES					
Public works	530,042	-	-	-	-
Public improvements:					
Street paving/sidewalk projects	8,895,830	7,574,484	379,219	-	-
Parks and recreation projects	-	-	-	9,978,941	-
Walnut creek amphitheater projects	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Total expenditures	<u>9,425,872</u>	<u>7,574,484</u>	<u>379,219</u>	<u>9,978,941</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,395,684)</u>	<u>(6,110,389)</u>	<u>160,425</u>	<u>(9,385,274)</u>	<u>5,945,490</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,677,875	3,632,858	543,800	3,609,312	-
Transfers out	(4,781,069)	-	(55,108)	(416,527)	(6,566,328)
Notes issued	-	-	-	-	-
Total other financing sources and uses	<u>3,896,806</u>	<u>3,632,858</u>	<u>488,692</u>	<u>3,192,785</u>	<u>(6,566,328)</u>
Net change in fund balances	<u>(1,498,878)</u>	<u>(2,477,531)</u>	<u>649,117</u>	<u>(6,192,489)</u>	<u>(620,838)</u>
Fund balance - beginning of year	<u>26,454,700</u>	<u>31,375,774</u>	<u>4,155,489</u>	<u>15,281,217</u>	<u>1,303,473</u>
Fund balance - ending of year	<u>\$ 24,955,822</u>	<u>\$ 28,898,243</u>	<u>\$ 4,804,606</u>	<u>\$ 9,088,728</u>	<u>\$ 682,635</u>

Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Stormwater Projects Fund	Technology Capital Projects Fund	Combining Eliminations	Total Nonmajor Capital Projects Funds
\$ -	\$ 52,056	\$ -	\$ 11,809	\$ -	\$ -	\$ 1,021,575
-	-	-	-	-	-	127,544
-	-	-	-	-	-	732,873
1,182,098	1,426,023	39,087	19,423	350,577	-	6,861,126
-	-	-	-	-	-	5,637,987
-	595,137	186,000	-	-	-	2,054,189
<u>1,182,098</u>	<u>2,073,216</u>	<u>225,087</u>	<u>31,232</u>	<u>350,577</u>	<u>-</u>	<u>16,435,294</u>
-	-	-	-	-	-	530,042
-	-	-	-	-	-	16,849,533
5,723,880	-	-	-	-	-	15,702,821
-	-	298,652	-	-	-	298,652
-	-	-	68,964	-	-	68,964
-	29,887,145	-	-	-	-	29,887,145
-	-	-	-	1,916,706	-	1,916,706
<u>5,723,880</u>	<u>29,887,145</u>	<u>298,652</u>	<u>68,964</u>	<u>1,916,706</u>	<u>-</u>	<u>65,253,863</u>
<u>(4,541,782)</u>	<u>(27,813,929)</u>	<u>(73,565)</u>	<u>(37,732)</u>	<u>(1,566,129)</u>	<u>-</u>	<u>(48,818,569)</u>
401,000	7,465,035	-	-	2,890,000	(10,472,613)	16,747,267
-	(556,126)	-	-	-	10,472,613	(1,902,545)
-	24,279,000	-	-	30,000,000	-	54,279,000
<u>401,000</u>	<u>31,187,909</u>	<u>-</u>	<u>-</u>	<u>32,890,000</u>	<u>-</u>	<u>69,123,722</u>
<u>(4,140,782)</u>	<u>3,373,980</u>	<u>(73,565)</u>	<u>(37,732)</u>	<u>31,323,871</u>	<u>-</u>	<u>20,305,153</u>
<u>27,682,010</u>	<u>25,090,562</u>	<u>295,001</u>	<u>622,937</u>	<u>5,415,553</u>	<u>-</u>	<u>137,676,716</u>
<u>\$ 23,541,228</u>	<u>\$ 28,464,542</u>	<u>\$ 221,436</u>	<u>\$ 585,205</u>	<u>\$ 36,739,424</u>	<u>\$ -</u>	<u>\$ 157,981,869</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 STREET IMPROVEMENT FUND
 For the Fiscal Year Ended June 30, 2008**

	<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	\$ 1,323,402	\$ 914,504	\$ 2,237,906	\$ 35,283,500	\$ (33,045,594)
Developer participation	252,860	127,544	380,404	2,771,133	(2,390,729)
Assessments	-	638,415	638,415	800,000	(161,585)
Interest on investments	-	1,418,650	1,418,650	775,000	643,650
Miscellaneous other	-	931,075	931,075	-	931,075
Total revenues	<u>1,576,262</u>	<u>4,030,188</u>	<u>5,606,450</u>	<u>39,629,633</u>	<u>(34,023,183)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	142,747	142,747	142,747	-
Powell bill fund	-	4,877,140	4,877,140	4,877,140	-
Sidewalk fund	-	55,108	55,108	55,108	-
Facility fees fund	-	3,602,880	3,602,880	3,602,880	-
Total other financing sources	<u>-</u>	<u>8,677,875</u>	<u>8,677,875</u>	<u>8,677,875</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 1,576,262</u>	<u>\$ 12,708,063</u>	<u>\$ 14,284,325</u>	48,307,508	<u>\$ (34,023,183)</u>
Fund balance appropriated				<u>50,702,111</u>	
				<u>\$ 99,009,619</u>	
EXPENDITURES					
Street projects	<u>\$ 26,697,927</u>	<u>\$ 8,895,830</u>	<u>\$ 35,593,757</u>	<u>\$ 93,664,508</u>	<u>\$ (58,070,751)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	10,000	10,000	10,000	-
Street bond fund	-	3,460,178	3,460,178	3,460,178	-
Mass transit fund	-	1,840,933	1,840,933	1,874,933	(34,000)
Total other financing uses	<u>-</u>	<u>5,311,111</u>	<u>5,311,111</u>	<u>5,345,111</u>	<u>(34,000)</u>
Total expenditures and other financing uses	<u>\$ 26,697,927</u>	<u>\$ 14,206,941</u>	<u>\$ 40,904,868</u>	<u>\$ 99,009,619</u>	<u>\$ (58,104,751)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 STREET BOND FUND
 For the Fiscal Year Ended June 30, 2008**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 312,206	\$ -	\$ 312,206	\$ 410,000	\$ (97,794)
Interest on investments	-	1,464,095	1,464,095	700,000	764,095
Miscellaneous other	13,443	-	13,443	43,489	(30,046)
Total revenues	325,649	1,464,095	1,789,744	1,153,489	636,255
OTHER FINANCING SOURCES					
Transfers from:					
Street improvement fund	-	3,460,178	3,460,178	3,460,178	-
Water capital projects	-	46,000	46,000	46,000	-
Sewer capital projects	-	126,680	126,680	126,680	-
Bonds issued	-	-	-	35,362,549	(35,362,549)
Total other financing sources	-	3,632,858	3,632,858	38,995,407	(35,362,549)
Total revenues and other financing sources	\$ 325,649	\$ 5,096,953	\$ 5,422,602	40,148,896	\$ (34,726,294)
Fund balance appropriated				86,355,764	
				\$ 126,504,660	
EXPENDITURES					
Street projects	\$ 56,838,534	\$ 7,574,484	\$ 64,413,018	\$ 126,504,660	\$ (62,091,642)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 SIDEWALK FUND
 For the Fiscal Year Ended June 30, 2008**

	<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	\$ -	\$ 43,206	\$ 43,206	\$ 90,000	\$ (46,794)
Interest on investments	-	238,661	238,661	100,000	138,661
Sidewalk paving assessment	-	94,458	94,458	190,000	(95,542)
Fees in lieu various	-	163,319	163,319	-	163,319
Total revenues	<u>-</u>	<u>539,644</u>	<u>539,644</u>	<u>380,000</u>	<u>159,644</u>
OTHER FINANCING SOURCES					
Transfer from facility fees fund	<u>-</u>	<u>543,800</u>	<u>543,800</u>	<u>543,800</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,083,444</u>	<u>\$ 1,083,444</u>	923,800	<u>\$ 159,644</u>
Fund balance appropriated				<u>4,700,816</u>	
				<u>\$ 5,624,616</u>	
EXPENDITURES					
Sidewalk projects	<u>\$ 782,055</u>	<u>\$ 379,219</u>	<u>\$ 1,161,274</u>	<u>\$ 5,569,508</u>	<u>\$ (4,408,234)</u>
OTHER FINANCING USES					
Transfer to street improvement fund	<u>-</u>	<u>55,108</u>	<u>55,108</u>	<u>55,108</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 782,055</u>	<u>\$ 434,327</u>	<u>\$ 1,216,382</u>	<u>\$ 5,624,616</u>	<u>\$ (4,408,234)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 PARK IMPROVEMENT FUND
 For the Fiscal Year Ended June 30, 2008**

	<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					
Interest on investments	\$ -	\$ 415,009	\$ 415,009	\$ 310,000	\$ 105,009
Miscellaneous other	129,015	178,658	307,673	4,390	303,283
Total revenues	<u>129,015</u>	<u>593,667</u>	<u>722,682</u>	<u>314,390</u>	<u>408,292</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	1,189,664	1,189,664	1,189,664	-
Facility fees fund	-	2,419,648	2,419,648	2,614,648	(195,000)
Total other financing sources	<u>-</u>	<u>3,609,312</u>	<u>3,609,312</u>	<u>3,804,312</u>	<u>(195,000)</u>
Total revenues and other financing sources	<u>\$ 129,015</u>	<u>\$ 4,202,979</u>	<u>\$ 4,331,994</u>	4,118,702	<u>\$ 213,292</u>
Fund balance appropriated				29,572,506	
				<u>\$ 33,691,208</u>	
EXPENDITURES					
Park improvement projects	\$ 14,687,034	\$ 9,978,941	\$ 24,665,975	\$ 33,274,681	\$ (8,608,706)
OTHER FINANCING USES					
Transfers to:					
General fund	-	25,527	25,527	25,527	-
Park bond fund	-	391,000	391,000	391,000	-
Total other financing uses	<u>-</u>	<u>416,527</u>	<u>416,527</u>	<u>416,527</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,687,034</u>	<u>\$ 10,395,468</u>	<u>\$ 25,082,502</u>	<u>\$ 33,691,208</u>	<u>\$ (8,608,706)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 FACILITY FEES FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 307,503	\$ 307,503	\$ 144,000	\$ 163,503
Facility fees	-	5,637,987	5,637,987	6,617,328	(979,341)
Total revenues	<u>\$ -</u>	<u>\$ 5,945,490</u>	<u>\$ 5,945,490</u>	6,761,328	<u>\$ (815,838)</u>
Fund balance appropriated				-	
				<u>\$ 6,761,328</u>	
OTHER FINANCING USES					
Transfers to:					
Street improvement fund	\$ -	\$ 3,602,880	\$ 3,602,880	\$ 3,602,880	\$ -
Sidewalk fund	-	543,800	543,800	543,800	-
Park improvement fund	-	2,419,648	2,419,648	2,614,648	(195,000)
Total other financing uses	<u>\$ -</u>	<u>\$ 6,566,328</u>	<u>\$ 6,566,328</u>	<u>\$ 6,761,328</u>	<u>\$ (195,000)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 PARK BOND FUND
 For the Fiscal Year Ended June 30, 2008**

	<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	\$ 20,000	\$ -	\$ 20,000	\$ 1,100,000	\$ (1,080,000)
Interest on investments	-	1,182,098	1,182,098	700,000	482,098
Miscellaneous income	2,000	-	2,000	-	2,000
Total revenues	<u>22,000</u>	<u>1,182,098</u>	<u>1,204,098</u>	<u>1,800,000</u>	<u>(595,902)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	10,000	10,000	10,000	-
Park improvement fund	50,000	391,000	441,000	441,000	-
Bonds issued	-	-	-	15,769,034	(15,769,034)
Total other financing sources	<u>50,000</u>	<u>401,000</u>	<u>451,000</u>	<u>16,220,034</u>	<u>(15,769,034)</u>
Total revenues and other financing sources	<u>\$ 72,000</u>	<u>\$ 1,583,098</u>	<u>\$ 1,655,098</u>	18,020,034	<u>\$ (16,364,936)</u>
Fund balance appropriated				<u>44,017,768</u>	
				<u>\$ 62,037,802</u>	
EXPENDITURES					
Park projects	<u>\$ 17,273,289</u>	<u>\$ 5,723,880</u>	<u>\$ 22,997,169</u>	<u>\$ 62,037,802</u>	<u>\$ (39,040,633)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
US Department of HUD	\$ -	\$ 52,056	\$ 52,056	\$ 173,968	\$ (121,912)
Interest on investments	-	1,426,023	1,426,023	450,000	976,023
Miscellaneous income	455,819	595,137	1,050,956	6,522,920	(5,471,964)
Total revenues	<u>455,819</u>	<u>2,073,216</u>	<u>2,529,035</u>	<u>7,146,888</u>	<u>(4,617,853)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	6,885,391	6,885,391	6,885,391	-
Convention center fund	-	579,644	579,644	579,644	-
Certificates of participation issued	-	14,165,000	14,165,000	14,165,000	-
Notes issued	-	10,114,000	10,114,000	10,114,000	-
Total other financing sources	<u>-</u>	<u>31,744,035</u>	<u>31,744,035</u>	<u>31,744,035</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 455,819</u>	<u>\$ 33,817,251</u>	<u>\$ 34,273,070</u>	38,890,923	<u>\$ (4,617,853)</u>
Fund balance appropriated				<u>53,868,501</u>	
				<u>\$ 92,759,424</u>	
EXPENDITURES					
Miscellaneous capital projects	<u>\$ 31,386,204</u>	<u>\$ 29,887,145</u>	<u>\$ 61,273,349</u>	<u>\$ 92,203,298</u>	<u>\$ (30,929,949)</u>
OTHER FINANCING USES					
Transfer to general fund	<u>-</u>	<u>556,126</u>	<u>556,126</u>	<u>556,126</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 31,386,204</u>	<u>\$ 30,443,271</u>	<u>\$ 61,829,475</u>	<u>\$ 92,759,424</u>	<u>\$ (30,929,949)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WALNUT CREEK AMPHITHEATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2008**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Amphitheater rent	\$ -	\$ 186,000	\$ 186,000	\$ 368,000	\$ (182,000)
Interest on investments	-	39,087	39,087	-	39,087
Total revenues	\$ -	\$ 225,087	\$ 225,087	368,000	\$ (142,913)
Fund balance appropriated				921,247	
				\$ 1,289,247	
EXPENDITURES					
Amphitheater capital projects	\$ 659,927	\$ 298,652	\$ 958,579	\$ 1,289,247	\$ (330,668)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 STORMWATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2008**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 244,533	\$ 11,809	\$ 256,342	\$ 443,334	\$ (186,992)
Interest on investments	-	19,423	19,423	-	19,423
Total revenues	244,533	31,232	275,765	443,334	(167,569)
Fund balance appropriated				1,018,548	
				\$ 1,461,882	
EXPENDITURES					
Stormwater projects	\$ 632,116	\$ 68,964	\$ 701,080	\$ 1,461,882	\$ (760,802)

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 TECHNOLOGY CAPITAL PROJECTS FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 350,577	\$ 350,577	\$ 1,050,000	\$ (699,423)
OTHER FINANCING SOURCES					
Transfer from general fund	-	2,890,000	2,890,000	2,890,000	-
Notes issued	<u>-</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>32,890,000</u>	<u>32,890,000</u>	<u>32,890,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 33,240,577</u>	<u>\$ 33,240,577</u>	33,940,000	<u>\$ (699,423)</u>
Fund balance appropriated				<u>8,756,826</u>	
				<u>\$ 42,696,826</u>	
EXPENDITURES					
Technology projects	<u>\$ 2,687,926</u>	<u>\$ 1,916,706</u>	<u>\$ 4,604,632</u>	<u>\$ 42,696,826</u>	<u>\$ (38,092,194)</u>



CITY OF RALEIGH
2008

ENTERPRISE FUNDS

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

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

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

ENTERPRISE FUNDS

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

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

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

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

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENTS

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

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2008

	<u>Mass Transit Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,051,681	\$ 30,690,919	\$ 33,742,600
Customer receivables, net of allowance for uncollectibles of \$335,911	-	1,017,644	1,017,644
Due from other governmental agencies	734,547	73,520	808,067
Accrued interest receivable	-	413,275	413,275
Sales tax receivable	51,938	33,757	85,695
Inventories	413,989	-	413,989
Total current assets	<u>4,252,155</u>	<u>32,229,115</u>	<u>36,481,270</u>
Noncurrent assets:			
Restricted cash and cash equivalents	45,330	5,571,144	5,616,474
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	-	4,556,045	4,556,045
Buildings and machinery	3,798,718	-	3,798,718
Buses	21,716,970	-	21,716,970
Equipment	1,260,823	281,128	1,541,951
Furniture and fixtures	44,845	-	44,845
Improvements	1,087,605	5,950,395	7,038,000
Less accumulated depreciation	<u>(13,773,430)</u>	<u>(639,336)</u>	<u>(14,412,766)</u>
Total noncurrent assets	<u>15,169,850</u>	<u>15,719,376</u>	<u>30,889,226</u>
Total assets	<u>19,422,005</u>	<u>47,948,491</u>	<u>67,370,496</u>
LIABILITIES			
Current liabilities:			
Accounts payable	840,165	999,060	1,839,225
Accrued salaries and employee payroll taxes	10,626	63,357	73,983
Deferred contributions from other funds	1,520,967	-	1,520,967
Due to other funds	955,497	-	955,497
Total current liabilities	<u>3,327,255</u>	<u>1,062,417</u>	<u>4,389,672</u>
Noncurrent liabilities:			
Escrow and other deposits payable from restricted assets	45,330	5,571,144	5,616,474
Earned vacation pay	34,008	202,114	236,122
Total noncurrent liabilities	<u>79,338</u>	<u>5,773,258</u>	<u>5,852,596</u>
Total liabilities	<u>3,406,593</u>	<u>6,835,675</u>	<u>10,242,268</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,124,520	10,148,232	25,272,752
Unrestricted	890,892	30,964,584	31,855,476
Total net assets	<u>\$ 16,015,412</u>	<u>\$ 41,112,816</u>	<u>\$ 57,128,228</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
User charges	\$ 2,631,735	\$ 13,257,721	\$ 15,889,456
Other	583,658	1,010,003	1,593,661
Total operating revenues	<u>3,215,393</u>	<u>14,267,724</u>	<u>17,483,117</u>
OPERATING EXPENSES			
Administration	680,452	3,013,073	3,693,525
Other facility operating costs	9,321,275	4,524,611	13,845,886
Management contract charges	11,530,413	-	11,530,413
Depreciation	2,366,124	319,856	2,685,980
Other	-	224,730	224,730
Total operating expenses	<u>23,898,264</u>	<u>8,082,270</u>	<u>31,980,534</u>
Operating income (loss)	<u>(20,682,871)</u>	<u>6,185,454</u>	<u>(14,497,417)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	1,763,835	1,763,835
Subsidy income - federal and state	5,560,373	-	5,560,373
Total nonoperating revenue	<u>5,560,373</u>	<u>1,763,835</u>	<u>7,324,208</u>
Income (loss) before contributions and transfers	<u>(15,122,498)</u>	<u>7,949,289</u>	<u>(7,173,209)</u>
Capital contributions	4,968,780	226,520	5,195,300
Transfers in	13,286,314	-	13,286,314
Transfers out	(124,535)	-	(124,535)
Change in net assets	<u>3,008,061</u>	<u>8,175,809</u>	<u>11,183,870</u>
Total net assets - beginning of year	<u>13,007,351</u>	<u>32,937,007</u>	<u>45,944,358</u>
Total net assets - end of year	<u>\$ 16,015,412</u>	<u>\$ 41,112,816</u>	<u>\$ 57,128,228</u>

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008**

	<u>Mass Transit Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,215,393	\$ 13,317,836	\$ 16,533,229
Payments to employees	(607,764)	(2,966,361)	(3,574,125)
Payments to suppliers and service providers	(20,593,065)	(4,339,395)	(24,932,460)
Other receipts/(payments)	-	785,273	785,273
Net cash provided by (used in) operating activities	<u>(17,985,436)</u>	<u>6,797,353</u>	<u>(11,188,083)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	12,928,085	-	12,928,085
Operating subsidies and transfers to other funds	(124,535)	-	(124,535)
Operating grants received	2,528,303	-	2,528,303
Net cash provided by noncapital financing activities	<u>15,331,853</u>	<u>-</u>	<u>15,331,853</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(5,533,677)	(3,871,600)	(9,405,277)
Capital grants and other capital contributions	8,363,495	153,000	8,516,495
Escrow deposits	-	1,699,602	1,699,602
Net cash (used in) capital and related financing activities	<u>2,829,818</u>	<u>(2,018,998)</u>	<u>810,820</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	1,508,593	1,508,593
Net cash provided by investing activities	<u>-</u>	<u>1,508,593</u>	<u>1,508,593</u>
Net increase in cash and cash equivalents/investments	176,235	6,286,948	6,463,183
Cash and cash equivalents/investments - beginning of year	2,920,776	29,975,115	32,895,891
Cash and cash equivalents/investments - end of year	<u>\$ 3,097,011</u>	<u>\$ 36,262,063</u>	<u>\$ 39,359,074</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	\$ (20,682,871)	\$ 6,185,454	\$ (14,497,417)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	2,366,124	319,856	2,685,980
Change in assets and liabilities			
Operating receivables	-	60,115	60,115
Sales tax receivable	106,265	9,822	116,087
Inventories	24,531	-	24,531
Accounts payable and other accrued liabilities	196,558	175,394	371,952
Escrow and other deposits	1,600	-	1,600
Earned vacation pay and other payroll liabilities	2,357	46,712	49,069
Total adjustments	<u>2,697,435</u>	<u>611,899</u>	<u>3,309,334</u>
Net cash provided by (used in) operating activities	<u>\$ (17,985,436)</u>	<u>\$ 6,797,353</u>	<u>\$ (11,188,083)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ 668,408</u>	<u>\$ 668,408</u>

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

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

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Water and sewer user charges	\$ 96,408,333	\$ 95,222,926	\$ 1,185,407
Water and sewer services	1,314,805	1,458,200	(143,395)
Outside sewer connections	95,856	31,000	64,856
Water and sewer penalties	521,521	343,520	178,001
Water and sewer sales - municipalities	1,237,063	880,200	356,863
Capital facility charges	5,022,988	2,906,040	2,116,948
Water and sewer assessments	800,353	650,000	150,353
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	2,974,688	2,560,000	414,688
Miscellaneous other	<u>1,365,739</u>	<u>1,834,700</u>	<u>(468,961)</u>
Total operating revenues	<u>109,991,346</u>	<u>106,136,586</u>	<u>3,854,760</u>
NONOPERATING REVENUES			
Interest on investments	5,133,725	4,566,342	567,383
Other	<u>1,344,576</u>	<u>659,680</u>	<u>684,896</u>
Total nonoperating revenues	<u>6,478,301</u>	<u>5,226,022</u>	<u>1,252,279</u>
OTHER FINANCING SOURCES			
Bonds issued	10,737,071	10,737,071	-
Capital related debt issue	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
Total other financing sources	<u>12,587,071</u>	<u>12,587,071</u>	<u>-</u>
Total revenues	<u>\$ 129,056,718</u>	123,949,679	<u>\$ 5,107,039</u>
Fund balance appropriated		<u>38,986,088</u>	
		<u>\$ 162,935,767</u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 4,336,028	\$ 4,789,524	\$ (453,496)
Water plant	24,385,189	26,533,096	(2,147,907)
Waste treatment plant	18,735,163	22,530,646	(3,795,483)
Utilities construction	6,147,972	6,901,588	(753,616)
Utilities reuse	4,256,107	4,751,913	(495,806)
Meter	5,119,145	6,180,619	(1,061,474)
Warehouse	<u>1,934,268</u>	<u>2,925,637</u>	<u>(991,369)</u>
	<u>64,913,872</u>	<u>74,613,023</u>	<u>(9,699,151)</u>
Special appropriations:			
Reimbursement to general fund	11,895,504	11,895,504	-
Insurance and risk management charges	1,799,933	1,841,425	(41,492)
Other expenditures	<u>1,530,478</u>	<u>2,431,516</u>	<u>(901,038)</u>
	<u>15,225,915</u>	<u>16,168,445</u>	<u>(942,530)</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, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
EXPENDITURES (CONTINUED)			
Debt service:			
General obligations bonds:			
Principal	\$ 2,830,629	\$ 2,830,629	\$ -
Interest	495,618	495,619	(1)
Revenue bonds:			
Principal	5,300,000	5,300,000	-
Interest	19,907,186	19,907,186	-
Installment financing agreement	7,181,290	7,181,292	(2)
Other installment obligations	6,223	10,000	(3,777)
Other expenditures	<u>3,176,413</u>	<u>13,983,023</u>	<u>(10,806,610)</u>
	<u>38,897,359</u>	<u>49,707,749</u>	<u>(10,810,390)</u>
OTHER EXPENDITURES			
Refunds and other	60,550	80,600	(20,050)
Capital outlay - installment note obligation	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
	<u>1,910,550</u>	<u>1,930,600</u>	<u>(20,050)</u>
Total expenditures	<u>120,947,696</u>	<u>142,419,817</u>	<u>(21,472,121)</u>
OTHER FINANCING USES			
Transfers to:			
General fund	75,000	75,000	-
Water capital projects fund	3,850,000	3,850,000	-
Sewer capital projects fund	4,700,000	4,700,000	-
Water and sewer revenue bond fund	11,668,250	11,668,250	-
Public utilities equipment replacement fund	<u>222,700</u>	<u>222,700</u>	<u>-</u>
Total other financing uses	<u>20,515,950</u>	<u>20,515,950</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 141,463,646</u>	<u>\$ 162,935,767</u>	<u>\$ (21,472,121)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 WATER CAPITAL PROJECTS FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 285,696	\$ 285,696	\$ 50,000	\$ 235,696
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	3,850,000	3,850,000	3,850,000	-
Total other financing sources	-	3,850,000	3,850,000	3,850,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 4,135,696</u>	<u>\$ 4,135,696</u>	3,900,000	<u>\$ 235,696</u>
Fund balance appropriated				9,906,962	
				<u>\$ 13,806,962</u>	
EXPENDITURES					
Water capital projects	\$ 5,993,311	\$ 2,833,577	\$ 8,826,888	\$ 13,622,696	\$ (4,795,808)
OTHER FINANCING USES					
Transfers to:					
Water and sewer revenue bond fund	-	138,266	138,266	138,266	-
Street bond fund	-	46,000	46,000	46,000	-
Total other financing uses	-	184,266	184,266	184,266	-
Total expenditures and other financing uses	<u>\$ 5,993,311</u>	<u>\$ 3,017,843</u>	<u>\$ 9,011,154</u>	<u>\$ 13,806,962</u>	<u>\$ (4,795,808)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 266,994	\$ 266,994	\$ 50,000	\$ 216,994
Developer participation	38,473	1,249,611	1,288,084	1,372,800	(84,716)
Total revenues	<u>38,473</u>	<u>1,516,605</u>	<u>1,555,078</u>	<u>1,422,800</u>	<u>132,278</u>
OTHER FINANCING SOURCES					
Transfers from water and sewer operating fund	-	4,700,000	4,700,000	4,700,000	-
Total revenues and other financing sources	<u>\$ 38,473</u>	<u>\$ 6,216,605</u>	<u>\$ 6,255,078</u>	6,122,800	<u>\$ 132,278</u>
Fund balance appropriated				<u>10,548,585</u>	
				<u>\$ 16,671,385</u>	
EXPENDITURES					
Sewer capital projects	\$ 8,929,221	\$ 1,458,690	\$ 10,387,911	\$ 16,544,705	\$ (6,156,794)
OTHER FINANCING USES					
Transfer to street bond fund	-	126,680	126,680	126,680	-
Total expenditures and other financing uses	<u>\$ 8,929,221</u>	<u>\$ 1,585,370</u>	<u>\$ 10,514,591</u>	<u>\$ 16,671,385</u>	<u>\$ (6,156,794)</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, 2008**

	<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	\$ -	\$ -	\$ -	\$ 919,000	\$ (919,000)
Interest on investments	-	8,157,739	8,157,739	1,743,330	6,414,409
Developer participation	2,823	-	2,823	19,500	(16,677)
Miscellaneous other	-	-	-	238,275	(238,275)
Total revenues	<u>2,823</u>	<u>8,157,739</u>	<u>8,160,562</u>	<u>2,920,105</u>	<u>5,240,457</u>
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	11,668,250	11,668,250	11,668,250	-
Water capital projects fund	-	138,266	138,266	138,266	-
Bonds issued	-	139,262,929	139,262,929	139,262,929	-
Total other financing sources	<u>-</u>	<u>151,069,445</u>	<u>151,069,445</u>	<u>151,069,445</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 2,823</u>	<u>\$ 159,227,184</u>	<u>\$ 159,230,007</u>	<u>153,989,550</u>	<u>\$ 5,240,457</u>
Fund balance appropriated				<u>364,429,819</u>	
				<u>\$ 518,419,369</u>	
EXPENDITURES					
Water capital projects	\$ 82,196,592	\$ 69,927,922	\$ 152,124,514	\$ 268,025,221	\$ (115,900,707)
Sewer capital projects	82,290,351	41,971,290	124,261,641	249,317,273	(125,055,632)
Debt Service:					
Installment Principal	-	199,375	199,375	199,375	-
Bond issue costs	-	-	-	354,000	(354,000)
Total expenditures	<u>164,486,943</u>	<u>112,098,587</u>	<u>276,585,530</u>	<u>517,895,869</u>	<u>(241,310,339)</u>
OTHER FINANCING USES					
Discount on revenue bonds	<u>-</u>	<u>523,500</u>	<u>523,500</u>	<u>523,500</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 164,486,943</u>	<u>\$ 112,622,087</u>	<u>\$ 277,109,030</u>	<u>\$ 518,419,369</u>	<u>\$ (241,310,339)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 WATER AND SEWER GENERAL OBLIGATION BOND FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
Fund balance appropriated				<u>\$ 1,119,269</u>	
EXPENDITURES					
Water and sewer capital projects	<u>\$ 796,528</u>	<u>\$ 211,957</u>	<u>\$ 1,008,485</u>	<u>\$ 1,119,269</u>	<u>\$ (110,784)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER FUNDS**

For the Fiscal Year Ended June 30, 2008

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis:	
Water and sewer operating fund	\$ 129,056,718
Water capital projects fund	4,135,696
Sewer capital projects fund	6,216,605
Water and sewer revenue bond fund	159,227,184
Total current year expenditures and other financing uses - modified accrual basis:	
Water and sewer operating fund	(141,463,646)
Water capital projects fund	(3,017,843)
Sewer capital projects fund	(1,585,370)
Water and sewer revenue bond fund	(112,622,087)
Water and sewer general obligation bond fund	<u>(211,957)</u>
Excess of revenues and other financing sources under expenditures and other financing uses	39,735,300
Adjustments to full accrual basis:	
Amortization of deferred costs	(53,473)
Bond and note proceeds	(151,326,500)
Bond and note principal payments	14,232,028
Capital contributions	15,416,570
Capital outlay	116,203,338
Capitalized interest	4,316,144
Depreciation	(25,189,403)
Interest expense accrual	584,231
Accrued interest income - arbitrage	(1,398,200)
Earned vacation pay expense	(44,091)
Other escrow expenditures	1,525,188
Revenue accruals from receivables	<u>(1,226,850)</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u><u>\$ 12,774,282</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX OPERATING FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges			
Performing arts center	\$ 11,185,174	\$ 14,475,713	\$ (3,290,539)
Convention and civic center	507,734	421,455	86,279
Special events	283,881	1,217,350	(933,469)
Other fees and charges	978,613	529,664	448,949
Total user charges	<u>12,955,402</u>	<u>16,644,182</u>	<u>(3,688,780)</u>
Interest on investments	<u>665,150</u>	<u>60,000</u>	<u>605,150</u>
Total revenues	<u>13,620,552</u>	<u>16,704,182</u>	<u>(3,083,630)</u>
OTHER FINANCING SOURCES			
Transfers from:			
General fund	314,246	314,246	-
New convention center financing fund	4,352,643	4,352,643	-
Total other financing sources	<u>4,666,889</u>	<u>4,666,889</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 18,287,441</u>	21,371,071	<u>\$ (3,083,630)</u>
Fund balance appropriated		<u>10,015,155</u>	
		<u>\$ 31,386,226</u>	
EXPENDITURES			
Administration	\$ 1,856,841	\$ 2,021,997	\$ (165,156)
Civic and convention center	282,659	658,698	(376,039)
Performing arts center	11,032,233	14,110,057	(3,077,824)
Special events	732,708	1,364,107	(631,399)
New convention center	926,783	1,163,513	(236,730)
Total operating expenditures	<u>14,831,224</u>	<u>19,318,372</u>	<u>(4,487,148)</u>
DEBT SERVICE			
Interest	9,878,534	11,282,830	(1,404,296)
Other debt service costs	407,096	485,024	(77,928)
Total debt service	<u>10,285,630</u>	<u>11,767,854</u>	<u>(1,482,224)</u>
OTHER FINANCING USES			
Transfers to:			
Convention center and memorial auditorium projects fund	300,000	300,000	-
Total expenditures and other financing uses	<u>\$ 25,416,854</u>	<u>\$ 31,386,226</u>	<u>\$ (5,969,372)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 CONVENTION CENTER AND MEMORIAL AUDITORIUM PROJECTS FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 27,980	\$ 27,980	\$ -	\$ 27,980
Performing arts center donations	-	288,000	288,000	38,000	250,000
Total revenues	-	315,980	315,980	38,000	277,980
OTHER FINANCING SOURCES					
Transfer from convention center operating fund	-	300,000	300,000	300,000	-
Total revenues and other financing sources	\$ -	\$ 615,980	\$ 615,980	338,000	\$ 277,980
Fund balance appropriated				451,187	
				<u>\$ 789,187</u>	
EXPENDITURES					
Convention center and memorial auditorium projects	\$ -	\$ 248,914	\$ 248,914	\$ 789,187	\$ (540,273)

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
NEW CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
REVENUES					
Interest on investments	\$ 13,652,215	\$ 2,027,831	\$ 15,680,046	\$ 13,000,000	\$ 2,680,046
Miscellaneous revenue	463,536	274,340	737,876	5,909,201	(5,171,325)
Total revenues	<u>14,115,751</u>	<u>2,302,171</u>	<u>16,417,922</u>	<u>18,909,201</u>	<u>(2,491,279)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	27,000	-	27,000	27,000	-
Park improvement fund	15,000	-	15,000	15,000	-
Water and sewer operating fund	105,590	-	105,590	105,590	-
Water capital projects fund	287,000	-	287,000	287,000	-
Sewer capital projects fund	268,260	-	268,260	268,260	-
New convention center financing fund	-	16,400,000	16,400,000	16,400,000	-
Certificates of participation issued	<u>206,270,588</u>	<u>-</u>	<u>206,270,588</u>	<u>210,000,000</u>	<u>(3,729,412)</u>
Total revenues and other financing sources	<u>\$ 221,089,189</u>	<u>\$ 18,702,171</u>	<u>\$ 239,791,360</u>	<u>\$ 246,012,051</u>	<u>\$ (6,220,691)</u>
EXPENDITURES					
New convention center project	<u>\$ 153,782,634</u>	<u>\$ 61,663,615</u>	<u>\$ 215,446,249</u>	<u>\$ 241,948,431</u>	<u>\$ (26,502,182)</u>
OTHER FINANCING USES					
Transfer to:					
Miscellaneous capital projects fund	-	579,644	579,644	579,644	-
Parking facilities capital projects fund	1,502,313	1,981,663	3,483,976	3,483,976	-
Total expenditures and other financing uses	<u>\$ 155,284,947</u>	<u>\$ 64,224,922</u>	<u>\$ 219,509,869</u>	<u>\$ 246,012,051</u>	<u>\$ (26,502,182)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER FUNDS
For the Fiscal Year Ended June 30, 2008**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis		
(Convention center complex operating fund)	\$	18,287,441
Total current year expenditures and other financing uses - modified accrual basis		
(Convention center complex operating fund)		(25,416,854)
Total current year revenues and other financing sources - modified accrual basis		
(Convention center and memorial auditorium projects fund)		615,980
Total current year expenditures and other financing uses - modified accrual basis		
(Convention center and memorial auditorium projects fund)		(248,914)
Total current year revenues and other financing sources - modified accrual basis		
(New convention center capital projects fund)		18,702,171
Total current year expenditures and other financing uses - modified accrual basis		
(New convention center capital projects fund)		<u>(64,224,922)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(52,285,098)
Adjustments to full accrual basis:		
Depreciation		(1,921,681)
Capital outlay		61,605,110
Accrued interest expense		(9,509)
Capitalized interest		7,175,372
Amortization of deferred issue costs		(67,105)
Vacation expense		<u>(26,036)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	\$	<u>14,471,053</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Parking fees	\$ 7,897,663	\$ 6,500,346	\$ 1,397,317
Interest on investments	266,986	218,423	48,563
Total revenues	<u>8,164,649</u>	<u>6,718,769</u>	<u>1,445,880</u>
OTHER FINANCING SOURCES			
Transfers from:			
Mass transit	124,535	124,535	-
Parking capital projects	1,342,000	1,342,000	-
Total other financing sources	<u>1,466,535</u>	<u>1,466,535</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 9,631,184</u>	8,185,304	<u>\$ 1,445,880</u>
Fund balance appropriated		<u>7,807,273</u>	
		<u>\$ 15,992,577</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 3,261,576</u>	<u>\$ 3,877,258</u>	<u>\$ (615,682)</u>
DEBT SERVICE			
Bond principal	680,000	680,000	-
Bond interest	279,100	279,100	-
Note principal	2,139,066	2,139,066	-
Note interest	2,396,452	3,254,287	(857,835)
Other debt service expenditures	183,174	277,283	(94,109)
Total debt service	<u>5,677,792</u>	<u>6,629,736</u>	<u>(951,944)</u>
OTHER FINANCING USES			
Transfer to:			
General fund	70,583	70,583	-
Parking facilities capital projects fund	665,000	665,000	-
Short term loan to developer	4,750,000	4,750,000	-
Total other financing uses	<u>5,485,583</u>	<u>5,485,583</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,424,951</u>	<u>\$ 15,992,577</u>	<u>\$ (1,567,626)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ 1,510,730	\$ 377,127	\$ 1,887,857	\$ 1,300,000	\$ 587,857
Developer participation	2,962,964	-	2,962,964	3,180,350	(217,386)
Miscellaneous income	-	62,900	62,900	488,119	(425,219)
Total revenues	<u>4,473,694</u>	<u>440,027</u>	<u>4,913,721</u>	<u>4,968,469</u>	<u>(54,748)</u>
OTHER FINANCING SOURCES					
Transfers from:					
Parking facilities operating fund	-	665,000	665,000	665,000	-
New convention center capital projects fund	1,252,313	1,981,663	3,233,976	3,233,976	-
Certifications of participation issued	<u>24,767,421</u>	<u>14,765,000</u>	<u>39,532,421</u>	<u>63,714,000</u>	<u>(24,181,579)</u>
Total other financing sources	<u>26,019,734</u>	<u>17,411,663</u>	<u>43,431,397</u>	<u>67,612,976</u>	<u>(24,181,579)</u>
Total revenues and other financing sources	<u>\$ 30,493,428</u>	<u>\$ 17,851,690</u>	<u>\$ 48,345,118</u>	72,581,445	<u>\$ (24,236,327)</u>
Fund balance appropriated				4,575,066	
				<u>\$ 77,156,511</u>	
EXPENDITURES					
Parking facilities capital projects	<u>\$ 35,877,668</u>	<u>\$ 10,304,730</u>	<u>\$ 46,182,398</u>	<u>\$ 75,814,511</u>	<u>\$ (29,632,113)</u>
OTHER FINANCING USES					
Transfers to:					
Parking facilities operating fund	-	1,342,000	1,342,000	1,342,000	-
Total expenditures	<u>\$ 35,877,668</u>	<u>\$ 11,646,730</u>	<u>\$ 47,524,398</u>	<u>\$ 77,156,511</u>	<u>\$ (29,632,113)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES FUNDS
For the Fiscal Year Ended June 30, 2008**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Parking facilities operating fund)	\$ 9,631,184
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities operating fund)	(14,424,951)
Total current year revenues and other financing sources - modified accrual basis (Parking facilities capital projects fund)	17,851,690
Total current year expenditures and other financing uses - modified accrual basis (Parking facilities capital projects fund)	<u>(11,646,730)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,411,193
Adjustments to full accrual basis:	
Depreciation	(1,405,615)
Capital outlay	9,644,636
Accrued interest expense	(574,738)
Capitalized interest	1,602,012
Amortization of premiums, deferred refunding and deferred issue costs	(46,283)
Certificates of participation proceeds	(14,765,000)
Bond principal	680,000
Note principal	2,139,066
Accrued interest income - arbitrage	17,267
Short-term loan to developer	4,750,000
Vacation expense	<u>1,701</u>
Change in net assets per statement of revenues, expenses and changes in net assets	<u><u>\$ 3,454,239</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2008**

	<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					
Farebox	\$ -	\$ 2,018,662	\$ 2,018,662	\$ 2,391,260	\$ (372,598)
ART program fees	-	613,073	613,073	543,906	69,167
Intergovernmental revenue:					
Federal Transit Administration	9,406,725	7,477,381	16,884,106	26,960,701	(10,076,595)
State of North Carolina	-	3,318,157	3,318,157	3,625,824	(307,667)
Miscellaneous other	-	583,658	583,658	85,000	498,658
Total revenues	<u>9,406,725</u>	<u>14,010,931</u>	<u>23,417,656</u>	<u>33,606,691</u>	<u>(10,189,035)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	11,975,424	11,975,424	12,798,787	(823,363)
Street improvement fund	2,915,308	1,840,933	4,756,241	5,494,379	(738,138)
Total other financing sources	<u>2,915,308</u>	<u>13,816,357</u>	<u>16,731,665</u>	<u>18,293,166</u>	<u>(1,561,501)</u>
Total revenues and other financing sources	<u>\$ 12,322,033</u>	<u>\$ 27,827,288</u>	<u>\$ 40,149,321</u>	51,899,857	<u>\$ (11,750,536)</u>
Fund balance appropriated				303,333	
				<u>\$ 52,203,190</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 11,926,889	\$ 11,926,889	\$ 13,222,782	\$ (1,295,893)
ART program operating expenditures	-	5,733,058	5,733,058	4,774,969	958,089
Capital grant expenditures	11,683,270	9,406,798	21,090,068	34,080,904	(12,990,836)
Total expenditures	<u>11,683,270</u>	<u>27,066,745</u>	<u>38,750,015</u>	<u>52,078,655</u>	<u>(13,328,640)</u>
OTHER FINANCING USES					
Transfer to parking fund	-	124,535	124,535	124,535	-
Total expenditures and other financing uses	<u>\$ 11,683,270</u>	<u>\$ 27,191,280</u>	<u>\$ 38,874,550</u>	<u>\$ 52,203,190</u>	<u>\$ (13,328,640)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 MASS TRANSIT FUND
 For the Fiscal Year Ended June 30, 2008**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 27,827,288
Total current year expenditures and other financing uses - modified accrual basis	<u>(27,191,280)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	636,008
Adjustments to full accrual basis:	
Capital outlay	5,533,678
Decrease in federal and state receivables - capital projects	(266,386)
Increase in deferred contributions from other funds	(530,042)
Depreciation	(2,366,124)
Vacation expense	<u>927</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u>\$ 3,008,061</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 STORMWATER UTILITY OPERATING FUND
 For the Fiscal Year Ended June 30, 2008**

	<u>Actual Current Year</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges	\$ 13,317,835	\$ 13,866,175	\$ (548,340)
Interest on investments	688,590	411,977	276,613
Miscellaneous other	967,130	1,455,832	(488,702)
Total revenues	<u>\$ 14,973,555</u>	15,733,984	<u>\$ (760,429)</u>
Fund balance appropriated		<u>149,243</u>	
		<u>\$ 15,883,227</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 7,709,041</u>	<u>\$ 9,565,927</u>	<u>\$ (1,856,886)</u>
OTHER FINANCING USES			
Transfer to stormwater utility capital projects fund	<u>6,317,300</u>	<u>6,317,300</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 14,026,341</u>	<u>\$ 15,883,227</u>	<u>\$ (1,856,886)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008**

	<u>Prior</u>	<u>Actual</u>			<u>Over</u>
	<u>Years</u>	<u>Current</u>	<u>Total</u>	<u>Budget</u>	<u>(Under)</u>
		<u>Year</u>			<u>Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 1,075,245	\$ 1,075,245	\$ -	\$ 1,075,245
Intergovernmental:					
U.S. EPA	-	200,230	200,230	362,000	(161,770)
State of North Carolina	-	26,290	26,290	1,433,000	(1,406,710)
Miscellaneous other	14,809	42,873	57,682	80,900	(23,218)
Total revenues	<u>14,809</u>	<u>1,344,638</u>	<u>1,359,447</u>	<u>1,875,900</u>	<u>(516,453)</u>
OTHER FINANCING SOURCES					
Transfers from:					
Stormwater utility operating fund	-	6,317,300	6,317,300	6,317,300	-
Total other financing sources	<u>-</u>	<u>6,317,300</u>	<u>6,317,300</u>	<u>6,317,300</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 14,809</u>	<u>\$ 7,661,938</u>	<u>\$ 7,676,747</u>	8,193,200	<u>\$ (516,453)</u>
Fund balance appropriated				<u>26,508,350</u>	
				<u>\$ 34,701,550</u>	
EXPENDITURES					
Stormwater capital projects	<u>\$ 6,501,346</u>	<u>\$ 4,348,412</u>	<u>\$ 10,849,758</u>	<u>\$ 34,701,550</u>	<u>\$ (23,851,792)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 STORMWATER UTILITY BOND FUND
 For the Fiscal Year Ended June 30, 2008**

	<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	\$ -	\$ -	\$ -	\$ 24,220,000	\$ (24,220,000)
EXPENDITURES					
Stormwater capital projects	\$ -	\$ 161,740	\$ 161,740	\$ 24,220,000	\$ (24,058,260)

**SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 STORMWATER UTILITY FUNDS
 For the Fiscal Year Ended June 30, 2008**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis (Stormwater utility operating fund)	\$ 14,973,555
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility operating fund)	(14,026,341)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	7,661,938
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility capital projects fund)	(4,348,412)
Total current year revenues and other financing sources - modified accrual basis (Stormwater utility bond fund)	-
Total current year expenditures and other financing sources - modified accrual basis (Stormwater utility bond fund)	<u>(161,740)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	4,099,000
Adjustments to full accrual basis:	
Capital outlay	4,485,396
Depreciation	(319,856)
Revenue accruals from receivables	(60,114)
Earned vacation pay	<u>(28,617)</u>
Change in net assets per statement of revenues, expenses, and changes in net assets	<u><u>\$ 8,175,809</u></u>



CITY OF RALEIGH
2008

INTERNAL SERVICE FUNDS

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



CITY OF RALEIGH
2008

INTERNAL SERVICE FUNDS

PRINT SERVICES FUND - The Print Services Fund accounts for the operations of the City's print shop.

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

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

GOVERNMENTAL EQUIPMENT REPLACEMENT FUND - The Governmental Equipment Replacement Fund accounts for the activities related to managing the equipment replacement program for governmental activities.

PUBLIC UTILITIES EQUIPMENT REPLACEMENT FUND - The Public Utilities Equipment Replacement Fund accounts for the activities related to managing the City's equipment replacement program for the City's public utilities.

VEHICLE FLEET SERVICES FUND – The Vehicle Fleet Services Fund accounts for the activities related to the City's central garage operation.

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008**

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 125,596	\$ 14,726,586	\$ 5,490,183
Accrued interest receivable	-	156,471	-
Sales tax receivable	50,336	652	-
Due from other funds	-	-	-
Inventories	19,034	-	-
Insurance deposit	-	435,000	-
Total current assets	<u>194,966</u>	<u>15,318,709</u>	<u>5,490,183</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	111,949	-	-
Furniture and fixtures	-	-	-
Less accumulated depreciation	<u>(110,909)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,040</u>	<u>-</u>	<u>-</u>
Total assets	<u>196,006</u>	<u>15,318,709</u>	<u>5,490,183</u>
LIABILITIES			
Current liabilities:			
Accounts payable	103,518	7,667	-
Arbitrage rebate payable	-	-	-
Accrued salaries and employee payroll taxes	2,343	5,172	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	30,515,033	2,481,000
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>105,861</u>	<u>30,527,872</u>	<u>2,481,000</u>
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Earned vacation pay	12,640	16,972	-
Total noncurrent liabilities	<u>12,640</u>	<u>16,972</u>	<u>-</u>
Total liabilities	<u>118,501</u>	<u>30,544,844</u>	<u>2,481,000</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,040	-	-
Unrestricted	76,465	(15,226,135)	3,009,183
Total net assets	<u>\$ 77,505</u>	<u>\$ (15,226,135)</u>	<u>\$ 3,009,183</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2008
\$ 4,370,995	\$ 403,823	\$ 3,891,192	\$ 29,008,375
90,188	22,372	25,109	294,140
219,330	77,294	233,705	581,317
231,031	-	-	231,031
-	-	804,599	823,633
-	-	-	435,000
<u>4,911,544</u>	<u>503,489</u>	<u>4,954,605</u>	<u>31,373,496</u>
3,595,308	1,401,174	-	4,996,482
-	-	230,912	230,912
64,204,302	19,137,375	828,270	84,281,896
-	-	5,636	5,636
<u>(40,464,636)</u>	<u>(10,759,553)</u>	<u>(792,917)</u>	<u>(52,128,015)</u>
<u>27,334,974</u>	<u>9,778,996</u>	<u>271,901</u>	<u>37,386,911</u>
<u>32,246,518</u>	<u>10,282,485</u>	<u>5,226,506</u>	<u>68,760,407</u>
754,714	240,482	1,074,081	2,180,462
101,938	33,291	-	135,229
-	-	63,902	71,417
85,339	20,018	-	105,357
-	-	-	32,996,033
<u>7,392,463</u>	<u>2,114,380</u>	<u>-</u>	<u>9,506,843</u>
<u>8,334,454</u>	<u>2,408,171</u>	<u>1,137,983</u>	<u>44,995,341</u>
13,457,844	4,297,685	-	17,755,529
-	-	213,695	243,307
<u>13,457,844</u>	<u>4,297,685</u>	<u>213,695</u>	<u>17,998,836</u>
<u>21,792,298</u>	<u>6,705,856</u>	<u>1,351,678</u>	<u>62,994,177</u>
6,484,667	3,366,931	271,901	10,124,539
3,969,553	209,698	3,602,927	(4,358,309)
<u>\$ 10,454,220</u>	<u>\$ 3,576,629</u>	<u>\$ 3,874,828</u>	<u>\$ 5,766,230</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008**

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
OPERATING REVENUES			
Charges for services - internal	\$ 828,462	\$ 7,754,693	\$ 23,472,544
Other charges	-	866,310	-
Total operating revenues	<u>828,462</u>	<u>8,621,003</u>	<u>23,472,544</u>
OPERATING EXPENSES			
Administration	115,832	766,159	2,044,512
Other facility operating costs	904,597	-	-
Claims	-	3,252,906	19,513,383
Premiums	-	1,170,043	-
Depreciation	1,042	-	-
Other	3,419	-	-
Total operating expenses	<u>1,024,890</u>	<u>5,189,108</u>	<u>21,557,895</u>
Operating income (loss)	<u>(196,428)</u>	<u>3,431,895</u>	<u>1,914,649</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	634,735	167,908
Interest expense	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>634,735</u>	<u>167,908</u>
Income (loss) before transfers	(196,428)	4,066,630	2,082,557
Transfers in	298,886	3,000,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	102,458	7,066,630	2,082,557
Total net assets, beginning of year	<u>(24,953)</u>	<u>(22,292,765)</u>	<u>926,626</u>
Total net assets, end of year	<u>\$ 77,505</u>	<u>\$ (15,226,135)</u>	<u>\$ 3,009,183</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 10,484,096	\$ 2,734,989	\$ 14,300,088	\$ 59,574,872
1,033,202	196,667	11,628	2,107,807
<u>11,517,298</u>	<u>2,931,656</u>	<u>14,311,716</u>	<u>61,682,679</u>
-	-	3,079,644	6,006,147
-	-	10,220,859	11,125,456
-	-	-	22,766,289
-	-	-	1,170,043
7,039,552	2,484,457	30,824	9,555,875
304,164	23,642	-	331,225
<u>7,343,716</u>	<u>2,508,099</u>	<u>13,331,327</u>	<u>50,955,035</u>
<u>4,173,582</u>	<u>423,557</u>	<u>980,389</u>	<u>10,727,644</u>
800,494	178,153	108,562	1,889,852
<u>(1,123,385)</u>	<u>(342,650)</u>	<u>-</u>	<u>(1,466,035)</u>
<u>(322,891)</u>	<u>(164,497)</u>	<u>108,562</u>	<u>423,817</u>
3,850,691	259,060	1,088,951	11,151,461
30,153	222,700	-	3,551,739
<u>(3,295,969)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(4,295,969)</u>
584,875	(518,240)	1,088,951	10,407,231
9,869,345	4,094,869	2,785,877	(4,641,001)
<u>\$ 10,454,220</u>	<u>\$ 3,576,629</u>	<u>\$ 3,874,828</u>	<u>\$ 5,766,230</u>

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

For the Fiscal Year Ended June 30, 2008

	Print Services Fund	Risk Management Fund	Employees' Health Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 829,375	\$ 7,754,693	\$ 23,472,544
Payments to employees	(113,678)	(278,518)	-
Payments to suppliers and service providers	(785,228)	(550,858)	(2,044,512)
Claims paid	-	(6,834,651)	(20,233,883)
Premiums paid	-	(1,170,043)	-
Other receipts/(payments)	-	866,310	-
Net cash provided by (used in) operating activities	<u>(69,531)</u>	<u>(213,067)</u>	<u>1,194,149</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	298,886	3,000,000	-
Operating subsidies and transfers to other funds	-	-	-
Negative cash balance implicitly financed	(103,759)	-	-
Net cash provided by (used in) noncapital financing activities	<u>195,127</u>	<u>3,000,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	529,528	167,908
Net cash provided by investing activities	<u>-</u>	<u>529,528</u>	<u>167,908</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>125,596</u>	<u>3,316,461</u>	<u>1,362,057</u>
Cash and cash equivalents/investments			
Beginning of year	-	11,410,124	4,128,126
End of year	<u>\$ 125,596</u>	<u>\$ 14,726,585</u>	<u>\$ 5,490,183</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (196,428)	\$ 3,431,895	\$ 1,914,649
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	1,042	-	-
Change in assets and liabilities:			
Operating receivables	913	-	-
Sales tax receivable	74,481	1,249	-
Inventories	5,020	-	-
Accounts payable and other accrued liabilities	43,715	(3,642,203)	(720,500)
Earned vacation pay and other payroll liabilities	1,726	(4,008)	-
Total adjustments	<u>126,897</u>	<u>(3,644,962)</u>	<u>(720,500)</u>
Net cash provided by (used in) operating activities	<u>\$ (69,531)</u>	<u>\$ (213,067)</u>	<u>\$ 1,194,149</u>
Noncash investing, capital, and financing activities:			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 10,484,096	\$ 2,734,989	\$ 14,300,088	\$ 59,575,785
-	-	(3,059,079)	(3,451,275)
-	-	(9,887,167)	(13,267,765)
-	-	-	(27,068,534)
-	-	-	(1,170,043)
968,603	199,761	357,594	2,392,268
<u>11,452,699</u>	<u>2,934,750</u>	<u>1,711,436</u>	<u>17,010,436</u>
30,153	222,700	-	3,551,739
(2,000,000)	(1,000,000)	-	(3,000,000)
-	-	-	(103,759)
<u>(1,969,847)</u>	<u>(777,300)</u>	<u>-</u>	<u>447,980</u>
(7,594,698)	(3,245,222)	(71,698)	(10,911,618)
(7,392,358)	(2,114,485)	-	(9,506,843)
(1,173,665)	(354,444)	-	(1,528,109)
<u>(16,160,721)</u>	<u>(5,714,151)</u>	<u>(71,698)</u>	<u>(21,946,570)</u>
735,560	167,745	83,453	1,684,194
<u>735,560</u>	<u>167,745</u>	<u>83,453</u>	<u>1,684,194</u>
(5,942,309)	(3,388,956)	1,723,191	(2,803,960)
13,908,612	5,193,953	2,168,001	36,808,816
<u>\$ 7,966,303</u>	<u>\$ 1,804,997</u>	<u>\$ 3,891,192</u>	<u>\$ 34,004,856</u>
\$ 4,173,582	\$ 423,557	\$ 980,389	\$ 10,727,644
7,039,552	2,484,457	30,824	9,555,875
-	-	-	913
(57,294)	105,410	345,967	469,813
-	-	(34,495)	(29,475)
296,859	(78,674)	368,186	(3,732,617)
-	-	20,565	18,283
<u>7,279,117</u>	<u>2,511,193</u>	<u>731,047</u>	<u>6,282,792</u>
<u>\$ 11,452,699</u>	<u>\$ 2,934,750</u>	<u>\$ 1,711,436</u>	<u>\$ 17,010,436</u>
\$ 302,572	\$ 229,044	\$ -	\$ 531,616



CITY OF RALEIGH

2008

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 and one agency fund which account for activities of the City's general supplemental retirement plan, the law enforcement officers' special separation allowance, other post employment benefits, and the MEAC Tournament Steering Committee.



CITY OF RALEIGH
2008

FIDUCIARY FUNDS

Pension Trust Funds:

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

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

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.

Agency Fund:

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

COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
June 30, 2008

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 24,287,111	\$ 4,004,046	\$ 2,668,701	\$ 30,959,858
Accrued interest receivable	-	32,977	12,123	45,100
Total assets	<u>24,287,111</u>	<u>4,037,023</u>	<u>2,680,824</u>	<u>31,004,958</u>
LIABILITIES				
Claims payable	-	-	376,000	376,000
Total liabilities	<u>-</u>	<u>-</u>	<u>376,000</u>	<u>376,000</u>
NET ASSETS				
Held in trust for employees' retirement and other post- employment benefits	<u>\$ 24,287,111</u>	<u>\$ 4,037,023</u>	<u>\$ 2,304,824</u>	<u>\$ 30,628,958</u>

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS**

For the Fiscal Year Ended June 30, 2008

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	\$ 2,882,323	\$ 1,886,285	\$ 8,639,783	\$ 13,408,391
Retiree contributions	-	-	928,643	928,643
Interest	1,650,321	152,204	34,267	1,836,792
Net increase (decrease) in the fair value of investments	(3,285,690)	10,215	3,755	(3,271,720)
Less investment expense	(35,101)	-	-	(35,101)
Total additions	<u>1,211,853</u>	<u>2,048,704</u>	<u>9,606,448</u>	<u>12,867,005</u>
DEDUCTIONS				
Benefits	887,773	2,212,985	7,301,624	10,402,382
Withdrawals and forfeitures	29,191	-	-	29,191
Total deductions	<u>916,964</u>	<u>2,212,985</u>	<u>7,301,624</u>	<u>10,431,573</u>
Change in net assets restricted for:				
Employees' retirement and other post-employment benefits	294,889	(164,281)	2,304,824	2,435,432
Net assets, beginning of year	23,992,222	4,201,304	-	28,193,526
Net assets, end of year	<u>\$ 24,287,111</u>	<u>\$ 4,037,023</u>	<u>\$ 2,304,824</u>	<u>\$ 30,628,958</u>

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2008

	<u>MEAC Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 11,335</u>
Total assets	<u><u>\$ 11,335</u></u>
Liabilities	
Due to other agencies	<u>\$ 11,335</u>
Total liabilities	<u><u>\$ 11,335</u></u>

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

For the Fiscal Year Ended June 30, 2008

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>MEAC FUND</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 11,707</u>	<u>\$ 69,544</u>	<u>\$ 69,916</u>	<u>\$ 11,335</u>
LIABILITIES				
Due to other agencies	<u>\$ 11,707</u>	<u>\$ 69,544</u>	<u>\$ 69,916</u>	<u>\$ 11,335</u>



CITY OF RALEIGH
2008

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, 2008**

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
2009	\$ 2,150,249	\$ 388,706	\$ -	\$ -	\$ 665,000	\$ 246,300
2010	1,523,057	314,202	-	-	595,000	214,550
2011	1,503,992	248,479	-	-	595,000	186,050
2012	1,364,928	183,620	-	-	570,000	157,550
2013	1,029,051	125,572	-	-	800,000	130,300
2014-2018	2,739,202	170,022	-	-	1,870,000	158,100
2019-2023	-	-	-	-	-	-
2024-2028	-	-	-	-	-	-
Total General Obligation Bonded Debt	10,310,479	1,430,601	-	-	5,095,000	1,092,850
Revenue Bonds:						
2009	5,500,000	24,200,423	-	-	-	-
2010	6,735,000	25,715,767	-	-	-	-
2011	10,865,000	25,442,454	-	-	-	-
2012	11,800,000	24,951,397	-	-	-	-
2013	12,895,000	24,413,427	-	-	-	-
2014-2018	87,890,000	111,552,451	-	-	-	-
2019-2023	111,890,000	88,365,537	-	-	-	-
2024-2028	118,710,000	62,508,217	-	-	-	-
2029-2033	127,265,000	33,155,828	-	-	-	-
2034-2038	66,690,000	5,897,289	-	-	-	-
Total Revenue Bonded Debt	560,240,000	426,202,790	-	-	-	-
Other Long-Term Obligations:						
Installment Financing Agreement:						
2009	5,889,451	1,059,377	-	11,306,050	2,440,000	2,911,894
2010	5,889,451	831,983	-	11,260,410	2,510,000	2,810,431
2011	5,324,451	605,116	-	11,283,230	2,595,000	2,694,472
2012	4,763,051	383,980	-	11,283,230	2,690,000	2,575,888
2013	963,051	203,801	-	11,283,230	2,190,000	2,473,918
2014-2018	4,315,253	537,232	31,505,000	54,432,805	12,045,000	10,823,198
2019-2023	1,080,000	112,620	48,325,000	45,530,801	13,160,000	7,969,198
2024-2028	300,000	11,970	60,715,000	33,966,638	11,435,000	4,882,775
2029-2033	-	-	83,270,000	18,634,449	11,040,000	2,222,024
2034-2038	-	-	19,610,000	1,030,571	3,420,000	232,650
	28,524,708	3,746,079	243,425,000	210,011,414	63,525,000	39,596,448

<u>Other Enterprise</u>		<u>General Governmental</u>		<u>Internal Service</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ -	\$ 13,264,751	\$ 7,224,912	\$ -	\$ -	\$ 16,080,000	\$ 7,859,918
-	-	12,411,943	6,723,880	-	-	14,530,000	7,252,632
-	-	12,616,007	6,208,662	-	-	14,714,999	6,643,191
-	-	12,625,072	5,697,702	-	-	14,560,000	6,038,872
-	-	12,315,949	5,174,514	-	-	14,145,000	5,430,386
-	-	59,210,799	18,267,798	-	-	63,820,001	18,595,920
-	-	46,185,000	5,600,712	-	-	46,185,000	5,600,712
-	-	1,400,000	188,475	-	-	1,400,000	188,475
-	-	170,029,521	55,086,655	-	-	185,435,000	57,610,106
-	-	-	-	-	-	5,500,000	24,200,423
-	-	-	-	-	-	6,735,000	25,715,767
-	-	-	-	-	-	10,865,000	25,442,454
-	-	-	-	-	-	11,800,000	24,951,397
-	-	-	-	-	-	12,895,000	24,413,427
-	-	-	-	-	-	87,890,000	111,552,451
-	-	-	-	-	-	111,890,000	88,365,537
-	-	-	-	-	-	118,710,000	62,508,217
-	-	-	-	-	-	127,265,000	33,155,828
-	-	-	-	-	-	66,690,000	5,897,289
-	-	-	-	-	-	560,240,000	426,202,790
-	-	6,824,548	3,401,195	9,506,843	1,108,132	24,660,842	19,786,648
-	-	6,843,997	3,158,158	9,501,843	703,155	24,745,291	18,764,137
-	-	6,901,740	2,879,470	4,126,843	343,353	18,948,034	17,805,641
-	-	6,962,938	2,598,151	4,126,843	157,370	18,542,832	16,998,619
-	-	7,072,763	2,319,693	-	-	10,225,814	16,280,642
-	-	33,303,152	7,326,274	-	-	81,168,405	73,119,509
-	-	10,210,000	2,744,654	-	-	72,775,000	56,357,273
-	-	5,125,000	558,548	-	-	77,575,000	39,419,931
-	-	-	-	-	-	94,310,000	20,856,473
-	-	-	-	-	-	23,030,000	1,263,221
-	-	83,244,138	24,986,143	27,262,372	2,312,010	445,981,218	280,652,094

Continued

**SCHEDULE OF LONG-TERM OBLIGATION MATURITIES
AND DEBT SERVICE REQUIREMENTS
June 30, 2008**

Maturities on all long-term obligations are:

	Enterprise					
	Water and Sewer		Convention Center		Parking Facilities	
<u>Other Long-Term Obligations:</u>						
<i>Continued:</i>	Principal	Interest	Principal	Interest	Principal	Interest
Other Installment Obligations:						
2009	\$ 199,375	\$ -	\$ -	\$ -	\$ -	\$ -
2010	1,124,375	92,500	-	-	-	-
2011	1,124,375	46,250	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014-2018	-	-	-	-	-	-
	<u>2,448,125</u>	<u>138,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other:						
Reimbursement Contracts (1)	13,796	-	-	-	-	-
Earned Vacation Pay (2)	1,761,758	-	427,891	-	36,015	-
Landfill Postclosure Costs (2)	-	-	-	-	-	-
	<u>1,775,554</u>	<u>-</u>	<u>427,891</u>	<u>-</u>	<u>36,015</u>	<u>-</u>
Total Other Long-Term Obligations	<u>32,748,387</u>	<u>3,884,829</u>	<u>243,852,891</u>	<u>210,011,414</u>	<u>63,561,015</u>	<u>39,596,448</u>
Total Long-Term Obligations	<u>\$ 603,298,866</u>	<u>\$ 431,518,220</u>	<u>\$ 243,852,891</u>	<u>\$ 210,011,414</u>	<u>\$ 68,656,015</u>	<u>\$ 40,689,298</u>

Notes:

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

<u>Other Enterprise</u>		<u>General Governmental</u>		<u>Internal Service</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ -	\$ 48,242	\$ 25,764	\$ -	\$ -	\$ 247,617	\$ 25,764
-	-	39,802	26,807	-	-	1,164,177	119,307
-	-	40,378	26,232	-	-	1,164,753	72,482
-	-	42,764	23,845	-	-	42,764	23,845
-	-	48,844	17,765	-	-	48,844	17,765
-	-	83,935	10,428	-	-	83,935	10,428
-	-	303,965	130,841	-	-	2,752,090	269,591
-	-	-	-	-	-	13,796	-
236,122	-	15,824,114	-	243,307	-	18,529,207	-
-	-	6,273,435	-	-	-	6,273,435	-
236,122	-	22,097,549	-	243,307	-	24,816,438	-
236,122	-	105,645,652	25,116,984	27,505,679	2,312,010	473,549,746	280,921,685
<u>\$ 236,122</u>	<u>\$ -</u>	<u>\$ 275,675,173</u>	<u>\$ 80,203,639</u>	<u>\$ 27,505,679</u>	<u>\$ 2,312,010</u>	<u>\$ 1,219,224,746</u>	<u>\$ 764,734,581</u>

SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2007</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Housing, Series 1994B Taxable	7.90 - 8.00	09/01/94	\$ 1,025,000	\$ -
Housing, Series 1996	5.40 - 5.75	06/01/96	1,035,000	-
Public Improvement Refunding, Series 1997	5.00	10/01/97	4,840,000	-
Housing, Series 1997	6.70	10/01/97	2,570,000	-
G. O. Refunding, Series 1998	4.00 - 4.20	12/01/98	3,055,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/01/98	14,400,000	-
Public Improvement, Series 2002	4.00 - 5.00	06/01/02	8,200,000	-
Public Improvement, Series 2002A	3.25 - 4.50	12/01/02	2,500,000	-
Public Improvement, Series 2002B	3.25 - 4.50	12/01/02	38,100,000	-
Public Improvement Refunding, Series 2002C	4.00	12/01/02	4,985,000	-
Public Improvement, Series 2004	2.00 - 4.00	03/01/04	13,650,000	-
Public Improvement Refunding, Series 2004A	2.00 - 4.00	03/01/04	15,068,892	-
Housing, Series 2004B	3.25 - 4.375	03/01/04	5,905,000	-
Housing Refunding, Series 2004B	3.25 - 4.00	03/01/04	1,500,000	-
Street Improvement, Series 2005A	3.50 - 5.00	08/01/05	10,300,000	-
Public Improvement, Series 2005B	3.50 - 5.00	08/01/05	49,085,000	-
Housing, Series 2007	4.95 - 5.40	03/01/07	7,000,000	-
Total General Obligation Bonded Debt			<u>183,218,892</u>	<u>-</u>
<u>OTHER GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			31,678,944	54,279,000
Other Installment Obligations			350,695	16,887
Earned Vacation Pay			14,989,837	9,975,760
Landfill closure and Postclosure Costs			4,475,846	1,930,410
Total Other General Governmental Long-Term Obligations			<u>51,495,322</u>	<u>66,202,057</u>
Total General Governmental Long-Term Obligations			<u>\$ 234,714,214</u>	<u>\$ 66,202,057</u>

Note:

- (1) The amount of vacation pay to be paid in any fiscal year cannot be determined. The total amount of accrued vacation pay outstanding at any point in time is not expected to materially increase or decrease from the amount shown.

<u>Payments During Fiscal 2007-2008</u>		<u>Principal Balance June 30, 2008</u>	<u>Due Fiscal 2008-2009</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 325,000	\$ 81,350	\$ 700,000	\$ 325,000	\$ 55,675	\$ 380,675
115,000	58,132	920,000	115,000	51,922	166,922
1,915,000	242,000	2,925,000	1,150,000	146,250	1,296,250
150,000	172,190	2,420,000	200,000	162,140	362,140
855,000	123,250	2,200,000	845,000	89,050	934,050
950,000	625,150	13,450,000	1,500,000	584,300	2,084,300
300,000	378,950	7,900,000	300,000	366,950	666,950
100,000	102,500	2,400,000	125,000	99,250	224,250
1,225,000	1,563,688	36,875,000	2,075,000	1,523,875	3,598,875
1,960,000	199,400	3,025,000	1,530,000	121,000	1,651,000
450,000	493,500	13,200,000	450,000	484,500	934,500
1,794,371	487,642	13,274,521	1,749,751	451,755	2,201,506
180,000	238,201	5,725,000	505,000	232,351	737,351
720,000	52,332	780,000	245,000	28,932	273,932
300,000	441,438	10,000,000	300,000	430,938	730,938
1,500,000	2,104,300	47,585,000	1,500,000	2,051,800	3,551,800
350,000	361,550	6,650,000	350,000	344,225	694,225
<u>13,189,371</u>	<u>7,725,573</u>	<u>170,029,521</u>	<u>13,264,751</u>	<u>7,224,913</u>	<u>20,489,664</u>
2,713,806	1,700,491	83,244,138	6,824,548	3,401,195	10,225,743
63,617	24,881	303,965	48,242	25,764	74,006
9,141,483	-	15,824,114	- (1)	-	-
132,821	-	6,273,435	-	-	-
<u>12,051,727</u>	<u>1,725,372</u>	<u>105,645,652</u>	<u>6,872,790</u>	<u>3,426,959</u>	<u>10,299,749</u>
<u>\$ 25,241,098</u>	<u>\$ 9,450,945</u>	<u>\$ 275,675,173</u>	<u>\$ 20,137,541</u>	<u>\$ 10,651,872</u>	<u>\$ 30,789,413</u>

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2007</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Sanitary Sewer Refunding, Series 1997	5.00	10/01/97	\$ 3,545,000	\$ -
Sanitary Sewer Refunding, Series 2002C	4.00	12/01/02	1,025,000	-
Water Refunding, Series 2004A	2.00 - 4.00	03/01/04	5,377,769	-
Sanitary Sewer Refunding, Series 2004A	2.00 - 4.00	03/01/04	3,193,339	-
Total Water and Sewer General Obligation Debt			13,141,108	-
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 1999	4.125 - 4.25	01/01/99	1,475,000	-
Water/Sewer, Series 2001	4.00 - 4.125	01/01/01	2,820,000	-
Water/Sewer, Series 2004	3.00 - 5.00	05/04/04	69,625,000	-
Water/Sewer Refunding, Series 2005	2.50 - 5.00	05/05/05	41,535,000	-
Water/Sewer, Series 2006A	3.50 - 5.00	10/10/06	241,175,000	-
Water/Sewer Refunding, Series 2006B	3.50 - 4.25	10/10/06	58,910,000	-
Water/Sewer, Series 2008A Variable Rate	4.163	06/12/08	-	90,000,000
Water/Sewer, Series 2008B Variable Rate	4.163	06/12/08	-	60,000,000
Total Water and Sewer Revenue Debt			415,540,000	150,000,000
<u>OTHER WATER AND SEWER LONG TERM OBLIGATIONS</u>				
Installment Financing Agreement			34,419,159	-
Other Installment Obligations			797,500	1,850,000
Reimbursement Contracts - Water and Sewer Lines			19,558	-
Earned Vacation Pay			1,717,667	1,307,523
Total Other Water and Sewer Long-Term Obligations			36,953,884	3,157,523
Total Water and Sewer Long-Term Obligations			465,634,992	153,157,523
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding 1997	5.00	10/01/97	705,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/07/97	5,070,000	-
Total Parking Facilities General Obligation Bonded Debt			5,775,000	-
<u>OTHER PARKING FACILITIES LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			50,795,000	14,765,000
Other Installment Obligations			104,066	-
Earned Vacation Pay			37,716	27,070
Total Other Parking Facilities Long-Term Obligations			50,936,782	14,792,070
Total Parking Facilities Long-Term Obligations			56,711,782	14,792,070
<u>CONVENTION CENTER FACILITIES LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreements			243,425,000	-
Earned Vacation Pay			401,855	218,433
Total Convention Center Facilities Long-Term Obligations			243,826,855	218,433
<u>OTHER ENTERPRISE LONG-TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			34,935	20,971
Stormwater Earned Vacation Pay			173,497	159,341
Total Other Enterprise Long-Term Obligations			208,432	180,312
Total Enterprise Long-Term Obligations			\$ 766,382,061	\$ 168,348,338

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.

Payments During Fiscal 2007-2008		Principal Balance June 30, 2008	Due Fiscal 2008-2009		
Principal	Interest		Principal	Interest	Total
\$ 1,410,000	\$ 177,250	\$ 2,135,000	\$ 840,000	\$ 106,750	\$ 946,750
400,000	41,000	625,000	315,000	25,000	340,000
640,373	174,030	4,737,396	624,449	161,222	785,671
380,256	103,339	2,813,083	370,800	95,734	466,534
<u>2,830,629</u>	<u>495,619</u>	<u>10,310,479</u>	<u>2,150,249</u>	<u>388,706</u>	<u>2,538,955</u>
725,000	61,781	750,000	750,000	31,875	781,875
665,000	113,731	2,155,000	690,000	87,131	777,131
2,450,000	3,417,413	67,175,000	2,550,000	3,319,412	5,869,412
1,255,000	2,028,988	40,280,000	1,295,000	1,991,338	3,286,338
-	11,904,200	241,175,000	-	11,904,200	11,904,200
205,000	2,381,073	58,705,000	215,000	2,373,898	2,588,898
-	-	90,000,000	-	2,695,542 (1)	2,695,542
-	-	60,000,000	-	1,797,027 (1)	1,797,027
<u>5,300,000</u>	<u>19,907,186</u>	<u>560,240,000</u>	<u>5,500,000</u>	<u>24,200,423</u>	<u>29,700,423</u>
5,894,451	1,286,840	28,524,708	5,889,451	1,059,377	6,948,828
199,375	-	2,448,125	1,124,375	92,500	1,216,875
5,762	461	13,796	5,762	230	5,992
1,263,432	-	1,761,758	- (2)	-	-
<u>7,363,020</u>	<u>1,287,301</u>	<u>32,748,387</u>	<u>7,019,588</u>	<u>1,152,107</u>	<u>8,171,695</u>
<u>15,493,649</u>	<u>21,690,106</u>	<u>603,298,866</u>	<u>14,669,837</u>	<u>25,741,236</u>	<u>40,411,073</u>
280,000	35,250	425,000	165,000	21,250	186,250
400,000	243,850	4,670,000	500,000	225,050	725,050
<u>680,000</u>	<u>279,100</u>	<u>5,095,000</u>	<u>665,000</u>	<u>246,300</u>	<u>911,300</u>
2,035,000	2,390,728	63,525,000	2,440,000	2,911,894	5,351,894
104,066	5,724	-	-	-	-
28,771	-	36,015	- (2)	-	-
<u>2,167,837</u>	<u>2,396,452</u>	<u>63,561,015</u>	<u>2,440,000</u>	<u>2,911,894</u>	<u>5,351,894</u>
<u>2,847,837</u>	<u>2,675,552</u>	<u>68,656,015</u>	<u>3,105,000</u>	<u>3,158,194</u>	<u>6,263,194</u>
-	9,878,534	243,425,000	-	11,306,050	11,306,050
192,397	-	427,891	- (2)	-	-
<u>192,397</u>	<u>9,878,534</u>	<u>243,852,891</u>	<u>-</u>	<u>11,306,050</u>	<u>11,306,050</u>
21,898	-	34,008	- (2)	-	-
130,724	-	202,114	- (2)	-	-
<u>152,622</u>	<u>-</u>	<u>236,122</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 18,686,505</u>	<u>\$ 34,244,192</u>	<u>\$ 916,043,894</u>	<u>\$ 17,774,837</u>	<u>\$ 40,205,480</u>	<u>\$ 57,980,317</u>

SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2007</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>CERTIFICATES OF PARTICIPATION</u>				
Equipment Acquisition Project, Series 2005C	3.00 - 5.00	10/26/05	\$ 16,135,000	\$ -
Equipment Acquisition Project, Schedule 1A	4.16	06/28/07	16,134,215	-
Equipment Acquisition Project, Schedule 1C	4.16	0628/07	4,500,000	-
Total Certificates of Participation			<u>36,769,215</u>	<u>-</u>
<u>OTHER INTERNAL SERVICE LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			10,914	8,265
Earned Vacation Pay - Risk Management			21,778	14,350
Earned Vacation Pay - Vehicle Fleet Services			207,864	144,803
Total Other Internal Service Long-Term Obligations			<u>240,556</u>	<u>167,418</u>
Total Internal Service Long-Term Obligations			<u>\$ 37,009,771</u>	<u>\$ 167,418</u>

Note:

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

<u>Payments During Fiscal 2007-2008</u>		<u>Principal Balance June 30, 2008</u>	<u>Due Fiscal 2008-2009</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 5,380,000	\$ 669,725	\$ 10,755,000	\$ 5,380,000	\$ 421,425	\$ 5,801,425
3,226,843	671,183	12,907,372	3,226,843	536,947	3,763,790
900,000	187,200	3,600,000	900,000	149,760	1,049,760
<u>9,506,843</u>	<u>1,528,108</u>	<u>27,262,372</u>	<u>9,506,843</u>	<u>1,108,132</u>	<u>10,614,975</u>
6,539	-	12,640	- (1)	-	-
19,156	-	16,972	- (1)	-	-
138,972	-	213,695	- (1)	-	-
<u>164,667</u>	<u>-</u>	<u>243,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,671,510</u>	<u>\$ 1,528,108</u>	<u>\$ 27,505,679</u>	<u>\$ 9,506,843</u>	<u>\$ 1,108,132</u>	<u>\$ 10,614,975</u>



CITY OF RALEIGH
2008



STATISTICAL SECTION



STATISTICAL SECTION

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



CITY OF RALEIGH
2008

STATISTICAL SCHEDULES

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

	Fiscal Year	
	<u>2002</u>	<u>2003</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ 434,696	\$ 449,699
Restricted	44,397	46,376
Unrestricted	143,001	128,885
Total governmental activities net assets	<u>622,094</u>	<u>624,960</u>
Business-type activities		
Invested in capital assets, net of related debt	404,642	417,486
Restricted	-	-
Unrestricted	84,119	88,157
Total business-type activities net assets	<u>488,761</u>	<u>505,643</u>
Total government		
Invested in capital assets, net of related debt	839,338	867,185
Restricted	44,397	46,376
Unrestricted	227,120	217,042
Total government net assets	<u>\$ 1,110,855</u>	<u>\$ 1,130,603</u>

Note:

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

Fiscal Year				
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 463,753	\$ 440,349	\$ 455,991	\$ 462,286	\$ 493,738
65,539	76,234	96,224	120,362	113,337
<u>123,379</u>	<u>131,575</u>	<u>131,896</u>	<u>156,309</u>	<u>163,270</u>
<u>652,671</u>	<u>648,158</u>	<u>684,111</u>	<u>738,957</u>	<u>770,345</u>
435,295	514,326	584,402	662,101	701,221
-	-	-	-	-
<u>68,243</u>	<u>75,199</u>	<u>90,117</u>	<u>79,776</u>	<u>88,288</u>
<u>503,538</u>	<u>589,525</u>	<u>674,519</u>	<u>741,877</u>	<u>789,509</u>
899,048	954,675	1,040,393	1,124,387	1,194,959
65,539	76,234	96,224	120,362	113,337
<u>191,622</u>	<u>206,774</u>	<u>222,013</u>	<u>236,085</u>	<u>251,558</u>
<u>\$ 1,156,209</u>	<u>\$ 1,237,683</u>	<u>\$ 1,358,630</u>	<u>\$ 1,480,834</u>	<u>\$ 1,559,854</u>

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 22,964	\$ 27,607	\$ 32,495	\$ 30,698	\$ 46,666	\$ 37,624	\$ 37,801
Community development services	51,837	53,025	17,110	19,269	33,174	15,084	19,827
Public works (1)	-	-	39,038	43,768	44,786	50,141	53,691
Public safety	86,161	90,291	95,588	104,268	110,965	118,436	130,067
Solid waste services	17,962	19,424	19,394	21,706	17,494	17,996	22,383
Leisure services	39,270	48,567	53,482	36,640	39,645	42,690	45,530
Economic development programs	2,315	3,592	3,265	2,644	4,003	4,456	5,329
Interest on long-term debt	6,751	6,445	7,827	9,354	9,936	10,035	10,772
Total governmental activities expenses	227,260	248,951	268,199	268,347	306,669	296,462	325,400
Business-type activities:							
Water and sewer	60,174	64,825	71,685	75,710	86,099	108,461	124,613
Convention center (2)	-	-	-	22,593	26,337	29,880	20,100
Mass transit	12,132	13,636	14,877	16,621	18,376	19,923	23,895
Parking facilities	2,451	2,771	2,674	4,723	6,395	6,641	7,149
Stormwater (3)	-	2,654	3,032	3,328	4,512	5,359	7,951
Total business-type activities	74,757	83,886	92,268	122,975	141,719	170,264	183,708
Total government expenses	\$ 302,017	\$ 332,837	\$ 360,467	\$ 391,322	\$ 448,388	\$ 466,726	\$ 509,108
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 591	\$ 548	\$ 459	\$ 1,491	\$ 947	\$ 864	\$ 782
Community development services	9,488	9,073	9,469	10,825	22,488	12,805	9,635
Public works	-	-	858	2,045	1,638	663	2,058
Public safety	1,727	1,897	2,225	2,470	2,905	3,081	3,304
Solid waste services	2,357	6,272	9,645	9,705	12,521	13,347	15,868
Leisure services	12,493	13,716	21,384	8,579	7,695	7,732	8,501
Economic development programs	835	1,003	1,131	977	965	1,324	1,041
Operating grants and contributions	15,247	25,221	24,139	25,193	27,593	28,725	33,794
Capital grants and contributions	28,728	21,336	18,618	61,891	40,263	22,666	27,419
Total governmental activities program revenues	71,466	79,066	87,928	123,176	117,015	91,207	102,402
Business-type activities:							
Charges for services:							
Water and sewer	61,791	58,550	66,926	77,877	98,207	106,758	109,384
Convention center	-	-	-	13,555	13,374	20,794	13,518
Mass transit	2,160	2,046	2,115	2,241	2,423	2,787	3,215
Parking facilities	2,167	2,334	2,906	4,029	5,203	6,001	7,961
Stormwater	-	4	3,251	11,516	12,480	13,257	14,268
Operating grants and contributions	3,263	3,449	4,525	4,408	4,501	4,831	5,560
Capital grants and contributions	19,250	16,237	8,798	22,685	67,099	49,740	22,627
Total business-type activities program revenues	88,631	82,620	88,521	136,311	203,287	204,168	176,533
Total government program revenues	\$ 160,097	\$ 161,686	\$ 176,449	\$ 259,487	\$ 320,302	\$ 295,375	\$ 278,935
Net (expense)/revenue							
Governmental activities	\$ (155,793)	\$ (169,885)	\$ (180,271)	\$ (145,171)	\$ (189,654)	\$ (205,255)	\$ (222,998)
Business-type activities	13,874	(1,266)	(3,747)	13,336	61,568	33,904	(7,175)
Total government net expense	\$ (141,919)	\$ (171,151)	\$ (184,018)	\$ (131,835)	\$ (128,086)	\$ (171,351)	\$ (230,173)
General Revenues and Change in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 101,980	\$ 107,540	\$ 113,312	\$ 120,835	\$ 125,131	\$ 144,428	\$ 151,695
Local sales tax	39,865	42,938	52,156	55,954	61,496	67,178	70,313
Franchise tax	7,191	14,967	15,033	15,717	16,747	18,326	19,553
Other taxes	7,262	4,905	5,959	5,929	6,037	6,730	7,502
Privilege license tax	8,325	9,348	9,861	12,151	14,166	14,800	17,585
Unrestricted grants and contributions	994	1,000	986	973	680	680	680
Investment earnings	7,513	4,749	3,855	5,827	10,883	16,131	17,555
Miscellaneous	1,479	1,597	802	1,331	2,243	4,673	1,959
Transfers	(9,280)	(15,985)	(621)	(16,968)	(11,776)	(12,845)	(32,455)
Total governmental activities	165,329	171,059	201,343	201,749	225,607	260,101	254,387

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

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Business-type activities:							
Investment earnings	\$ 4,103	\$ 2,161	\$ 1,021	\$ 7,089	\$ 11,650	\$ 20,609	\$ 17,770
Transfers	9,280	15,986	621	16,968	11,776	12,845	32,455
Special item, loss on capital asset impairment	-	-	-	(12,498)	-	-	-
Total business-type activities	<u>13,383</u>	<u>18,147</u>	<u>1,642</u>	<u>11,559</u>	<u>23,426</u>	<u>33,454</u>	<u>50,225</u>
Total government general revenues	<u>\$ 178,712</u>	<u>\$ 189,206</u>	<u>\$ 202,985</u>	<u>\$ 213,308</u>	<u>\$ 249,033</u>	<u>\$ 293,555</u>	<u>\$ 304,612</u>
Change in Net Assets							
Governmental activities	\$ 9,537	\$ 1,174	\$ 21,072	\$ 56,578	\$ 35,953	\$ 54,846	\$ 31,389
Business-type activities	27,257	16,881	(2,105)	24,895	84,994	67,358	43,051
Total government change in net assets	<u>\$ 36,794</u>	<u>\$ 18,055</u>	<u>\$ 18,967</u>	<u>\$ 81,473</u>	<u>\$ 120,947</u>	<u>\$ 122,204</u>	<u>\$ 74,440</u>

Notes:

The City began to report government-wide accrual information with the implementation of GASB Statement 34 in FY2002.

- (1) The public works function was established during FY 2004. Prior to 2004, the public works divisions were part of the community development services function.
- (2) The City began reporting the convention center operations as an enterprise fund effective FY 2005. Prior to that, the operations were included as part of the City's general fund.
- (3) The City began stormwater operations in FY 2003.

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General fund				
Reserved	\$ 16,157	\$ 16,427	\$ 20,019	\$ 17,839
Unreserved	70,982	72,508	74,930	75,453
Total general fund	<u>\$ 87,139</u>	<u>\$ 88,935</u>	<u>\$ 94,949</u>	<u>\$ 93,292</u>
All other governmental funds				
Reserved	\$ 952	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	33,333	31,010	24,667	19,899
Capital projects funds	112,737	108,476	86,037	69,343
Total all other governmental funds	<u>\$147,022</u>	<u>\$139,486</u>	<u>\$110,704</u>	<u>\$ 89,242</u>

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 23,096	\$ 30,153	\$ 39,246	\$ 35,607	\$ 42,321	\$ 44,293
65,881	76,792	74,379	78,774	84,164	92,797
<u>\$ 88,977</u>	<u>\$106,945</u>	<u>\$113,625</u>	<u>\$114,381</u>	<u>\$ 126,485</u>	<u>\$ 137,090</u>
\$ -	\$ 10,323	\$ 19,001	\$ 29,055	\$ 40,105	\$ 34,559
12,522	14,964	11,491	6,245	9,870	6,281
90,839	125,505	93,354	144,863	137,677	157,982
<u>\$103,361</u>	<u>\$150,792</u>	<u>\$123,846</u>	<u>\$180,163</u>	<u>\$ 187,652</u>	<u>\$ 198,822</u>

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

	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues					
Ad valorem taxes	\$ 83,734	\$ 88,301	\$ 96,360	\$ 102,134	\$ 107,415
Intergovernmental	35,433	47,111	42,861	30,314	46,177
Developer participation	284	2,038	279	650	305
Assessments	-	-	403	371	494
Local sales tax	39,304	40,599	42,522	39,865	42,938
Licenses	6,902	7,188	7,924	8,325	9,347
Interest on investments	11,555	13,292	14,598	6,932	4,417
Inspections	6,465	6,862	7,750	7,114	8,274
Highway maintenance refunds	719	797	748	1,048	627
Facility fees	4,291	4,194	5,717	3,427	3,586
Other fees and charges	16,589	18,318	18,031	18,422	21,866
Rents	257	313	336	344	238
Program income	-	-	-	2,293	2,397
Other revenues	11,319	19,870	9,806	5,125	1,947
Miscellaneous	-	-	-	-	4,639
Total revenues	<u>216,852</u>	<u>248,883</u>	<u>247,335</u>	<u>226,364</u>	<u>254,667</u>
Expenditures					
General government	39,472	24,566	27,199	28,528	30,547
Community development services	26,312	43,927	39,993	37,531	40,791
Public works	-	-	-	-	-
Public safety	51,791	70,353	78,845	84,400	91,498
Solid waste services	13,052	14,824	16,547	17,337	19,852
Leisure services	22,593	27,339	29,339	31,979	41,683
Economic development programs	3,875	2,924	3,130	2,315	3,593
Other expenditures	7,721	1,207	600	186	72
Capital outlay	37,991	48,299	55,889	45,233	37,948
Debt service					
Principal	7,890	11,494	9,996	16,115	10,889
Interest	5,980	6,805	6,275	-	5,680
Capital leases, including interest	2,569	-	-	-	-
Other debt service charges	136	-	59	169	265
Total expenditures	<u>219,382</u>	<u>251,738</u>	<u>267,872</u>	<u>263,793</u>	<u>282,818</u>
Less: Administrative costs charged to water and sewer	<u>(5,260)</u>	<u>(5,580)</u>	<u>(6,414)</u>	<u>(7,060)</u>	<u>(8,902)</u>
Total expenditures	<u>214,122</u>	<u>246,158</u>	<u>261,458</u>	<u>256,733</u>	<u>273,916</u>
Other financing sources (uses)					
Transfers in	25,483	27,145	29,534	29,472	16,102
Transfers out	(31,363)	(35,565)	(38,077)	(34,479)	(32,967)
Proceeds from borrowing	27,323	769	8	9,804	45,919
Proceeds from refunding	6,740	-	-	-	15,380
Payments to escrow agent	(6,740)	-	-	-	(15,380)
Sale of capital assets	-	-	-	2,452	-
Total other financing sources (uses)	<u>21,443</u>	<u>(7,651)</u>	<u>(8,535)</u>	<u>7,249</u>	<u>29,054</u>
Net change in fund balances	<u>\$ 24,173</u>	<u>\$ (4,926)</u>	<u>\$ (22,658)</u>	<u>\$ (23,120)</u>	<u>\$ 9,805</u>
Debt service as a percentage of noncapital expenditures (1)	7.87%	9.25%	7.92%	7.64%	7.00%

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

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

2002-2008 - capital outlay as per reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Ad valorem taxes	\$ 113,563	\$ 120,849	\$ 125,036	\$ 144,015	\$ 151,301
Intergovernmental	44,654	45,819	49,819	55,235	61,500
Developer participation	15	138	1,685	740	127
Assessments	444	726	1,371	831	733
Local sales tax	52,156	55,954	61,496	67,179	70,313
Licenses	9,861	12,152	14,166	14,800	17,585
Interest on investments	3,742	5,599	10,041	15,094	15,982
Inspections	10,123	11,275	12,476	12,109	10,918
Highway maintenance refunds	998	1,548	1,157	1,377	986
Facility fees	4,360	3,733	4,118	5,605	5,638
Other fees and charges	34,397	22,168	25,466	26,629	29,658
Rents	319	312	389	351	310
Program income	3,339	2,688	2,748	4,481	2,881
Other revenues	2,286	3,474	2,491	2,889	3,605
Miscellaneous	2,153	2,235	2,113	1,384	1,076
Total revenues	<u>282,410</u>	<u>288,670</u>	<u>314,572</u>	<u>352,717</u>	<u>372,613</u>
Expenditures					
General government	33,007	35,056	35,584	33,202	37,792
Community development services	19,626	21,644	24,373	25,340	24,828
Public works	19,758	20,302	19,187	21,326	21,572
Public safety	95,662	102,760	110,337	118,848	130,476
Solid waste services	18,280	22,297	17,476	18,860	21,658
Leisure services	45,672	31,716	33,983	36,577	39,572
Economic development programs	3,265	2,643	4,003	4,456	5,329
Other expenditures	12	2	88	-	-
Capital outlay	59,388	26,984	46,277	39,899	65,634
Debt service					
Principal	12,233	13,811	14,674	16,547	15,967
Interest	6,580	7,419	8,288	9,486	9,493
Capital leases, including interest	-	-	-	-	-
Other debt service charges	457	222	665	275	307
Total expenditures	<u>313,940</u>	<u>284,856</u>	<u>314,935</u>	<u>324,816</u>	<u>372,628</u>
Less: Administrative costs charged to water and sewer	(9,416)	(10,663)	-	-	-
Total expenditures	<u>304,524</u>	<u>274,193</u>	<u>314,935</u>	<u>324,816</u>	<u>372,628</u>
Other financing sources (uses)					
Transfers in	27,801	16,380	16,932	22,499	22,730
Transfers out	(25,918)	(32,428)	(30,707)	(37,818)	(55,219)
Proceeds from borrowing	78,849	21,212	71,211	7,011	54,279
Proceeds from refunding	20,226	-	-	-	-
Payments to escrow agent	(20,085)	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>80,873</u>	<u>5,164</u>	<u>57,436</u>	<u>(8,308)</u>	<u>21,790</u>
Net change in fund balances	<u>\$ 58,759</u>	<u>\$ 19,641</u>	<u>\$ 57,073</u>	<u>\$ 19,593</u>	<u>\$ 21,775</u>
Debt service as a percentage of noncapital expenditures	7.44%	8.73%	8.34%	8.96%	8.09%

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

Fiscal Year	Residential Property	Personal Property	Corporate Excess	Total Taxable Assessed Value	Property Tax Rate (Per \$100 Assessed Value)
1999	\$ 12,002,016	\$ 3,638,218	\$ 428,245	\$ 16,068,479	0.5250
2000	12,609,958	3,800,598	597,704	17,008,260	0.5250
2001	20,745,733	4,161,173	722,270	25,629,176 (1)	0.3850
2002	21,697,405	4,257,693	817,312	26,772,410	0.3850
2003	22,961,869	4,441,009	784,993	28,187,871	0.3850
2004	24,076,593	4,544,692	758,867	29,380,152	0.3850
2005	25,196,730	4,741,149	731,621	30,669,500	0.3950
2006	26,376,313	5,145,971	693,840	32,216,124	0.3950
2007	27,737,471	5,161,031	714,511	33,613,013	0.4350
2008	29,059,934	5,442,892	606,352	35,109,178	0.4350

Notes:

(1) Increase due to revaluation of property every eight years.

This schedule does not include valuations on property owned by the State of North Carolina, United States Government, charitable institutions, etc., not subject to taxation.

Assessed valuations are established at 100% of estimated market value for real property and 100% of actual value for personal property.

Source:

Wake County Tax Administrator

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

<u>Fiscal Year</u>	<u>City Rate</u>	<u>Wake County Rate</u>	<u>Total</u>
1999	\$ 0.5250	\$ 0.6300	\$ 1.1550
2000	0.5250	0.7300	1.2550
2001 (1)	0.3850	0.5640	0.9490
2002	0.3850	0.5640	0.9490
2003	0.3850	0.5640	0.9490
2004	0.3850	0.6040	0.9890
2005	0.3950	0.6040	0.9990
2006	0.3950	0.6040	0.9990
2007	0.4350	0.6340	1.0690
2008	0.4350	0.6780	1.1130

Note:

(1) Tax rate decrease due to revaluation.

Source:

Wake County Tax Administrator

Other Tax Data:

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

There is a State statutory tax rated limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax which may be levied for debt service.

The City has no financial responsibility for any part of the public school system. The school budget is approved and funded by the Wake County Board of Commissioners with revenues derived from County, State and Federal governments.

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**
(amounts expressed in thousands)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Progress Energy	\$ 277,301	1	0.79%	\$ 166,188	1	1.03%
Highwoods Realty	175,067	2	0.50%	120,274	3	0.75%
CVM Holdings LLC	172,726	3	0.49%	104,778	4	0.65%
UDRT of NC	125,917	4	0.36%	84,346	5	0.52%
Bellsouth	118,405	5	0.34%	137,718	2	0.86%
First Citizens	109,338	6	0.31%			
Raleigh Portfolio	108,907	7	0.31%			
JG North Raleigh LLC	98,761	8	0.28%			
Prudential Insurance	90,207	9	0.26%			
Summit Properties	81,885	10	0.23%			
100 Block Associates				61,247	6	0.38%
Phoenix Limited Partnership				46,505	7	0.29%
Lead Mine Land Co				38,290	8	0.24%
Public Service Company of North Carolina, Inc				37,607	9	0.23%
News & Observer Publishing				37,150	10	0.23%
Totals	<u>\$ 1,358,514</u>		<u>3.87%</u>	<u>\$ 834,103</u>		<u>5.18%</u>

Note:

Above taxable assessed valuations are as of January 1, 2007 and 1999 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2008 and 1999 respectively.

Source:

Wake County website, Statistics and Reports and 1999 City of Raleigh CAFR.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Original Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
1999	\$ 84,576	\$ 82,600	97.66%	\$ 1,759	\$ 84,359	99.74%
2000	89,412	87,245	97.58%	1,934	89,179	99.74%
2001	98,016	95,868	97.81%	1,944	97,812	99.79%
2002	103,396	101,218	97.89%	1,923	103,141	99.75%
2003	109,099	106,645	97.75%	2,270	108,915	99.83%
2004	113,861	111,949	98.32%	1,821	113,770	99.92%
2005	121,770	119,880	98.45%	1,837	121,717	99.96%
2006	127,767	125,745	98.42%	1,951	127,696	99.94%
2007	146,117	142,895	97.79%	1,917	144,812	99.11%
2008	153,544	150,661	98.12%	-	150,661 (1)	98.12%

Note:

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 150,661
Prior year collections in current year	2,127
Penalties collected	531
Rebates and waived taxes	<u>(2,018)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 151,301</u>

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Business-type Activities			Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Financing Agreements	General Obligation Bonds	Water and Sewer Revenue Bonds	Installment Financing Agreements			
1999	\$ 119,295	\$ 30,493	\$ 56,410	\$ 58,295	\$ 20,860	\$ 285,353	3.18%	\$ 1,018.64
2000	110,695	22,338	50,320	57,410	27,927	268,690	2.88%	936.74
2001	102,135	31,371	44,280	78,605	38,269	294,660	3.03%	999.38
2002	102,690	25,808	38,391	76,640	36,153	279,682	2.78%	899.15
2003	138,880	31,912	34,109	74,495	37,943	317,339	2.98%	1,001.13
2004	150,537	80,963	30,197	185,053	33,594	480,344	4.23%	1,460.55
2005	138,920	40,970	26,151	182,947	315,515	704,503	5.78%	2,058.78
2006	189,327	56,714	22,998	175,380	318,987	763,406	5.80%	2,158.93
2007	183,219	60,272	18,916	415,540	338,067	1,016,014	(2)	2,760.95
2008	170,030	104,398	15,405	560,240	344,335	1,194,408	(2)	3,141.75

Notes:

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

(1) See the Schedule of Demographic and Economic Statistics on page 144 for personal income and population data.

(2) Personal income data unavailable for 2007 and 2008.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

(amounts expressed in thousands, except per capita amounts)

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Net Bonded Debt</u>	<u>Percentage Actual Taxable Value of Property</u>	<u>Per Capita Bonded Debt</u>	
	(1)	(2)	(3)	Gross	Net
1999	\$ 175,705	\$ 161,511	1.09%	\$ 627	\$ 577
2000	161,015	148,659	0.95%	561	518
2001	146,415	135,390	0.57%	497	459
2002	142,040	132,374	0.53%	457	426
2003	173,820	165,324	0.62%	548	522
2004	182,795	174,787	0.62%	556	531
2005	166,890	159,550	0.54%	488	466
2006	212,325	204,883	0.66%	600	579
2007	202,135	194,600	0.60%	549	529
2008	185,435	178,953	0.53%	488	471

Notes:

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

- (1) Total includes all general obligation bonded debt.
- (2) Represents gross bonded debt less allowable statutory deductions.
- (3) See Assessed Value of Taxable Property schedule on page 135 for property value data.
- (4) See Demographic and Economic Statistics schedule on page 144 for population data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**As of June 30, 2008**

(amounts expressed in thousands)

	<u>Bonded Debt</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt - City of Raleigh (1)	\$ 274,427	100.00%	\$ 274,427
Overlapping Debt: (2)			
Wake County Debt (3)	<u>1,434,595</u>	42.24% (4)	<u>605,973</u>
Total Direct and Overlapping Debt	<u>\$ 1,709,022</u>		<u>\$ 880,400</u>

Notes:

- (1) This total includes all governmental activities debt.
- (2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.
- (3) This total includes \$1,313,544,451 of Wake County School Bonds.
- (4) Percentage of direct and overlapping debt is based on June 30, 2008 assessed valuation of the City of Raleigh (\$35,109,178,620) as compared to the June 30, 2008 assessed valuation of Wake County (\$83,122,951,280).

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

Fiscal Year Ended June 30	Debt Limit	Less: Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
1999	\$ 1,285,478	\$ 240,864	\$ 1,044,614	18.74%
2000	1,360,661	226,924	1,133,737	16.68%
2001	2,050,334	308,030	1,742,304	15.02%
2002	2,188,826	297,489	1,891,337	13.59%
2003	2,302,595	294,600	2,007,995	12.79%
2004	2,350,412	374,239	1,976,173	15.92%
2005	2,453,560	600,110	1,853,450	24.46%
2006	2,577,290	695,391	1,881,899	26.98%
2007	2,689,041	700,623	1,988,418	26.05%
2008	2,808,734	823,965	1,984,769	29.34%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 35,109,178
Debt limit (8% of assessed value)	2,808,734
Debt applicable to limit:	
General Obligation bonds	185,435
GO bonds authorized not issued	196,265
Other outstanding debt	448,747
Less: Statutory deductions	
Bonded debt included in gross debt incurred for water	(4,737)
Uncollected special assessments levied for local improvements for which gross debt incurred to the extent to be applied to the payment of such gross debt	(1,745)
Total net debt applicable to limit	<u>823,965</u>
Legal debt margin	<u>\$ 1,984,769</u>

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended (1)	Gross Revenues (2)	15% of PY Unrestricted Net Assets (5)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios		
					Principal	Interest	Total	Net Coverage	With 15% (5)	Required Coverage
Parity Debt Service Coverage (3)										
1999	\$ 51,092,288		\$ 28,833,598	\$ 22,258,690	\$ 1,105,000	\$ 2,113,547	\$ 3,218,547	6.92		1.25
2000	53,442,428		32,760,930	20,681,498	1,135,000	3,232,702	4,367,702	4.74		1.25
2001	57,337,535		36,870,339	20,467,196	1,725,000	3,012,533	4,737,533	4.32		1.25
2002	63,911,622		42,112,440	21,799,182	2,215,000	4,140,667	6,355,667	3.43		1.25
2003	59,832,587		46,909,635	12,922,952	2,395,000	3,874,439	6,269,439	2.06		1.25
2004	67,830,623	9,598,225	51,521,220	16,309,403	2,485,000	3,709,006	6,194,006	2.63	4.18	1.20
2005	79,603,480	8,103,566	52,518,696	27,084,784	2,575,000	3,664,485	6,239,485	4.34	5.64	1.20
2006	101,932,480	5,213,204	61,868,891	40,063,589	3,005,000	8,425,141	11,430,141	3.50	3.96	1.20
2007	114,131,631	11,026,707	72,070,084	42,061,547	5,465,000	12,900,522	18,365,522	2.29	2.89	1.20
2008	114,843,830	10,619,640	83,986,923	30,856,907	5,550,000	8,123,779	13,673,779	2.26	3.03	1.20
All Water and Sewer Debt Service Coverage (4)										
1999	\$ 51,092,288		\$ 28,833,598	\$ 22,258,690	\$ 6,455,000	\$ 4,758,353	\$ 11,213,353	1.99		1.00
2000	53,442,428		32,760,930	20,681,498	6,408,051	5,656,737	12,064,788	1.71		1.00
2001	57,337,535		36,870,339	20,467,196	7,093,051	5,279,894	12,372,945	1.65		1.00
2002	63,911,622		42,112,440	21,799,182	7,378,051	6,364,756	13,742,807	1.59		1.00
2003	59,832,587		46,909,635	12,922,952	7,165,851	5,682,828	12,848,679	1.01		1.00
2004	67,830,623		51,521,220	16,309,403	6,974,451	5,165,065	12,139,516	1.34		1.00
2005	79,603,480		52,518,696	27,084,784	7,139,537	4,968,531	12,108,068	2.24		1.00
2006	101,932,480		61,868,891	40,063,589	7,687,724	9,551,078	17,238,802	2.32		1.00
2007	114,131,631		72,070,084	42,061,547	10,051,834	13,877,155	23,928,989	1.76		1.00
2008	114,843,830		83,986,923	30,856,907	9,655,080	8,935,545	18,590,625	1.66		1.00

Notes:

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999, January 1, 2001, May 4, 2004, October 10, 2006, and June 12, 2008.
- (2) Water and sewer user charges and other utility revenues are pledged revenues; operating expenses are exclusive of depreciation and interest expense.
- (3) Parity debt service includes interest and principal of revenue bonds and certain State loans.
- (4) All water and sewer debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds.
- (5) The City entered into the First Amendatory Trust Agreement dated April 15, 2004. The first amendment provides that 15% of Water and Sewer unrestricted net assets as of the last day of the preceding fiscal year be added to gross revenues in computing the net revenue available for debt service. The required coverage for parity indebtedness was also decreased to 1.20% from 1.25%.

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

Fiscal Year	Population	Personal Income (expressed in thousands)	Per Capita Personal Income	School Enrollment ADM	Unemployment Rate %
	(1)	(2)	(2)	(3)	(4)
1999	280,132	8,979,351	32,054	92,566	1.5
2000	286,834	9,332,718	32,537	94,295	1.6
2001	294,843	9,729,229	32,998	97,348	3.1
2002	311,053	10,044,835	33,293	101,967	5.5
2003	316,979	10,659,053	33,627	107,448	5.2
2004	328,880	11,345,702	34,498	112,158	4.0
2005	342,194	12,190,319	35,624	117,986	4.3
2006	353,604	13,161,494	37,221	120,381	3.5
2007	367,995	Unavailable	Unavailable	124,474	3.9
2008	380,173	Unavailable	Unavailable	133,228	4.8

Sources:

- (1) City of Raleigh Planning Department
- (2) U.S. Department of Commerce, Bureau of Economic Analysis.
Per capita income for the Raleigh-Cary MSA.
Data for 2007 and 2008 are unavailable.
- (3) North Carolina Department of Public Instruction, Statistical Research and Data Center.
ADM = Average daily membership - (final ADM). Includes thirteen charter schools.
- (4) North Carolina Employment Security Commission.
Estimated percentage of unemployment in Wake County.

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of North Carolina	25,458	1	12.97%	23,230	1	14.64%
Wake County Public School System	16,755	2	8.54%	12,500	2	7.88%
North Carolina State University	8,000	3	4.08%	7,787	3	4.91%
Wake Med Health and Hospitals	6,893	4	3.51%	5,000	4	3.15%
Rex Healthcare	4,400	5	2.24%	3,779	5	2.38%
Wake County	3,471	6	1.77%	3,300	7	2.08%
City of Raleigh	3,439	7	1.75%	3,000	8	1.89%
Progress Energy Inc.	3,246	8	1.65%	3,426	6	2.16%
Waste Industries, Inc.	2,000	9	1.02%	2,000	9	1.26%
First Citizens Bancshares Inc.	1,500	10	0.76%			
Dorothea Dix Hospital				1,900	10	1.20%
Total	75,162		38.29%	65,922		41.55%

Note:
Progress Energy - 1999 - Carolina Power & Light Company

Source:
Raleigh Chamber of Commerce.

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

Function	Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Policy & Management Services										
General Government	42	43	43	44	46	54	57	62	70	77
Personnel	20	20	20	20	20	21	21	22	23	25
Administrative Services	16	17	17	17	17	18	17	17	17	19
Finance	80	82	89	92	97	100	103	113	122	129
Information Services	52	55	55	56	61	62	61	63	69	74
Community Development Services										
Central Engineering	79	83	83	86	73	75	67	115	118	122
Transportation	160	161	162	164	166	171	182	142	170	175
Vehicle Fleet Services	55	54	54	54	54	55	58	60	62	62
Stormwater Utility (1)	NA	NA	NA	NA	25	26	35	37	42	46
Planning	34	34	35	38	39	39	41	41	46	47
Inspections	119	140	139	147	139	139	148	154	153	153
Community Services	18	20	19	19	19	19	21	19	19	23
Community Development	21	21	19	20	20	21	21	21	23	23
Public Safety										
Police	711	757	777	789	792	812	835	851	888	902
Fire	431	460	460	493	494	507	522	523	553	568
Emergency Communications	59	63	67	71	74	74	76	78	94	103
Solid Waste Services										
	228	227	239	256	260	260	189	199	240	237
Public Utilities										
	275	283	310	355	366	377	377	438	547	571
Leisure Services										
Convention Center	49	52	63	70	70	71	71	71	72	109
Parks & Recreation	288	295	301	311	313	320	339	355	391	418
Total	<u>2,737</u>	<u>2,867</u>	<u>2,952</u>	<u>3,102</u>	<u>3,145</u>	<u>3,221</u>	<u>3,241</u>	<u>3,381</u>	<u>3,719</u>	<u>3,883</u>

Note:

Numbers presented are authorized positions.

(1) Stormwater operations began in FY2003.

Source:

City of Raleigh Budget Office.

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year			
	1999	2000	2001	2002
Community Development Services				
Inspections:				
Permits issued (all trade types)	41,665	41,068	49,010	60,027
Construction - inspections requested	132,743	143,447	162,855	188,679
Community Development:				
New housing units constructed	-	-	7	11
Homeownership loans provided	33	55	67	60
Rehabilitation loans provided	100	105	21	34
Public Works				
Asphalt failures repaired	4,235	6,017	5,128	5,015
Drainage structures repaired/maintained	347	910	1,796	2,248
Police				
Physical arrests	86,886	82,480	84,373	89,786
Traffic accidents investigated	16,418	16,812	17,169	16,540
Fire				
Emergency responses	9,239	9,542	10,671	12,387
Fire calls answered	11,246	12,278	10,993	9,887
Emergency Communications				
911 calls processed (2)	533,361	566,230	632,700	685,779
Solid Waste				
Refuse collected (tons)	59,534	66,760	71,344	74,617
Recyclables collected (tons)	13,856	14,406	14,003	13,770
Water				
Number of consumers	97,703	102,848	122,793	121,533
Average daily consumption (millions of gallons per day)	41.56	43.10	44.50	47.15
Maximum daily flow (millions of gallons per day)	68.87	64.91	54.59	63.30
Wastewater				
Average daily sewage treatment (millions of gallons per day)	37.05	37.58	36.20	35.61
Maximum daily flow (millions of gallons per day)	54.92	81.61	57.26	57.00
Leisure Services				
Convention center events	232	343	389	426
Event attendance	383,076	515,028	528,883	549,304
Parks and recreation programs	5,802	5,925	5,485	5,666
Registrants	140,061	144,087	153,013	157,000
Attendance at parks & recreation facilities (millions)	2.469	2.698	2.739	2.800

Notes:

(1) Estimates shown for 2008 Data.

(1a) Change in reporting measure.

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

Source:

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

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
59,401	60,027	63,000	47,862	67,493	63,000 (1)
121,034	160,000	162,000	132,539	126,695	135,000 (1)
2	32	17	28	34	69 (1)
8	61	38	51	85	58 (1)
19	42	47	29	45	45 (1)
7,597	7,228	7,222	7,300	4,860	7,000 (1)
740	931	1,000	1,030	Unavailable	1,000 (1)
89,534	99,684	118,098	87,929	134,405	113,408 (1)
16,787	17,344	18,005	18,551	19,257	19,487 (1)
13,500	15,159	17,244	21,249	20,063	21,000 (1a)
10,500	11,383	8,530	1,539	1,582	1,900 (1a)
623,738	497,119	464,728	483,921	502,492	540,871 (1)
73,837	77,301	80,400	83,600	84,538	87,074 (1)
14,069	14,428	15,719	16,872	18,808	20,312 (1)
126,285	131,312	137,330	158,007	169,324	174,517
42.43	54.00	47.69	48.80	50.20	50.70
60.70	67.40	68.00	69.20	72.20	77.00 (1)
45.68	44.01	46.45	45.24	44.80	42.00
73.41	68.00	72.18	98.05	75.00	65.00 (1)
480	518	571	570	634	635 (1)
582,896	593,693	661,968	559,989	654,152	661,306 (1)
7,485	7,195	6,977	8,302	10,334	10,905 (1)
149,205	125,771	134,798	134,850	120,419	127,000 (1)
3.328	3.019	3.127	3.400	3.900	3.900 (1)

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year			
	1999	2000	2001	2002
Public safety				
Police stations	3	3	3	5
Fire stations	21	23	23	24
Highways and streets				
Streets (miles)	969	989	1,028	1,068
Streetlights	23,056	23,654	24,619	29,345
Signalized intersections	461	461	470	473
Leisure services				
Number of major parks	56	59	59	58
Parks acreage	6,778	7,541	7,310	7,437
Aquatic facilities	8	8	8	8
Community centers (staffed and unstaffed)	54	58	59	58
Water				
Water mains (miles)	1,064	1,089	1,102	1,320
Sewers				
Sanitary sewers (miles)	1,349	1,378	1,392	1,424

Note:

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

Source:

Various city departments.

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
7	7	7	7	7	7
26	26	26	27	27	27
1,089	1,118	1,161	1,194	1,235	1,274
29,875	30,628	31,976	32,737	33,600	33,955
485	489	493	499	510	520
66	70	71	72	72	72
7,979	8,010	8,101	8,672	8,818	8,893
8	8	8	8	8	8
66	32	32	34	33	33
1,356	1,380	1,415	2,050	2,050	2,106
1,447	1,468	1,501	2,000	2,000	2,072

**ANALYSIS OF CURRENT TAX LEVY
CITY - WIDE LEVY
For the Fiscal Year Ended June 30, 2008**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 33,701,143,484	\$.4350	\$ 146,673,048	\$ 137,729,616	\$ 8,943,432
Registered motor vehicles taxed at prior year's rate	1,202,926,585	.4350	5,315,861	-	5,315,861
	<u>34,904,070,069</u>		<u>151,988,909</u>	<u>137,729,616</u>	<u>14,259,293</u>
Discoveries:					
Prior years' taxes	205,108,551	(1)	776,815	771,507	5,308
	<u>205,108,551</u>		<u>776,815</u>	<u>771,507</u>	<u>5,308</u>
Total property valuation	<u>\$ 35,109,178,620</u>				
Deferred and waived			450,989	450,989	-
Penalty			327,067	327,067	-
Rebates			(1,251,488)	(999,361)	(252,127)
			<u>450,989</u>	<u>450,989</u>	<u>-</u>
Net levy			152,292,292	138,279,818	14,012,474
Uncollected taxes at June 30, 2008			(2,883,259)	(842,511)	(2,040,748)
			<u>152,292,292</u>	<u>138,279,818</u>	<u>14,012,474</u>
Current year's taxes collected			\$ 149,409,033	\$ 137,437,307	\$ 11,971,726
			<u>\$ 149,409,033</u>	<u>\$ 137,437,307</u>	<u>\$ 11,971,726</u>
Current levy collection percentage			98.11%	99.39%	85.44%
			<u>98.11%</u>	<u>99.39%</u>	<u>85.44%</u>

Note:

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

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2008

Fiscal Year Ended 30-Jun	Taxes Receivable June 30, 2007	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2008
				(1)
1999 & Prior	\$ 1,502,257	\$ -	\$ 7,274	\$ 1,494,983
2000	239,762	-	6,885	232,877
2001	210,403	-	6,345	204,058
2002	263,151	-	8,008	255,143
2003	198,391	-	14,905	183,486
2004	113,835	-	23,309	90,526
2005	88,402	-	35,685	52,717
2006	178,749	-	108,315	70,434
2007	3,222,211	-	1,916,950	1,305,261
2008	-	153,543,780	150,660,521	2,883,259
TOTALS	\$ 6,017,161	\$ 153,543,780	\$ 152,788,197	\$ 6,772,744

(2)

Notes:

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$3,023,820).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 152,788,197
Penalties collected	531,131
Rebates and waived taxes	(2,018,421)
Ad valorem taxes collected per general fund financial statements	<u>\$ 151,300,907</u>



CITY OF RALEIGH

2008



SINGLE AUDIT SECTION



SINGLE AUDIT SECTION

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiency described in the accompanying Schedule of Findings and Questioned costs as item 08-01 to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

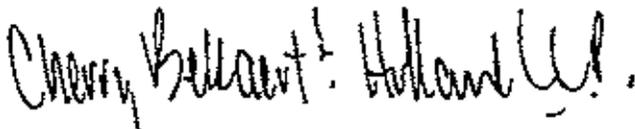
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned costs. We did not audit the City's response and accordingly, we express no opinion on it.

We also noted certain matters that we reported to management of the City in a separate letter dated December 8, 2008.

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

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

A handwritten signature in black ink, appearing to read "Cherry, Bekaert & Holland, L.L.P.", written in a cursive style.

Raleigh, North Carolina
December 8, 2008



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

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

Compliance

We have audited the compliance of the City of Raleigh, North Carolina (the "City"), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

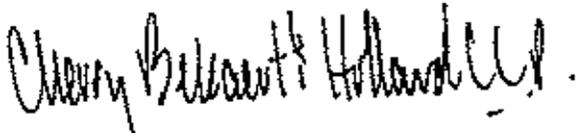
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

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

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

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



Raleigh, North Carolina
December 8, 2008



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

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

Compliance

We have audited the compliance of the City of Raleigh, North Carolina (the "City"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The City's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a

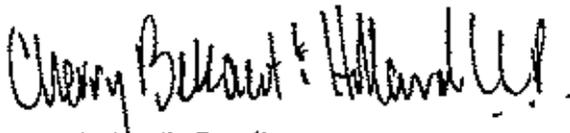
control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies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

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

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

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

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

A handwritten signature in black ink, appearing to read "Cherry Bekaert & Holland LLP", written in a cursive style.

Raleigh, North Carolina
December 8, 2008

SINGLE AUDIT SCHEDULES

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs:						
Federal Transit Administration						
Planning Assistance - Section 9	20.507	NC-90-2319	\$ 69,193	\$ 35,584	\$ -	\$ 35,584
Planning Assistance - Section 9	20.507	NC-90-2393	127,846	114,908	-	114,908
Planning Assistance - Section 9	20.507	NC-90-2427	251,843	-	168,696	168,696
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,439,184	-	2,439,184
Capital Assistance - Section 9	20.507	NC-90-0341	2,402,640	2,004,038	103,063	2,107,101
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	3,149,268	467,070	3,616,338
Capital Assistance - Section 9	20.507	NC-90-0367	2,378,880	2,031,295	93,824	2,125,119
Capital Assistance - Section 9	20.507	NC-90-0393	3,298,570	2,257,426	957,903	3,215,329
Capital Assistance - Section 9	20.507	NC-04-0004	3,404,174	-	3,393,278	3,393,278
Capital Assistance - Section 9	20.507	NC-90-0427	3,518,160	-	1,847,651	1,847,651
Capital Assistance - Section 9	20.507	NC-04-0022	836,000	-	1,362	1,362
Capital Assistance - Section 3	20.507	NC-03-0059	400,000	-	2,860	2,860
Capital Assistance - Section 3	20.507	NC-03-0061	147,339	-	99,825	99,825
Capital Assistance - Section 3	20.507	NC-03-0081	579,145	-	574,006	574,006
Capital Assistance - Section 3	20.507	NC-95-0019	3,575,000	-	-	-
Capital Assistance - Section 3	20.507	NC-04-0025	2,805,600	-	-	-
JARQ Operating Assistance	20.507	NC-37X011	100,780	96,260	-	96,260
			<u>29,951,666</u>	<u>12,127,963</u>	<u>7,709,538</u>	<u>19,837,501</u>
Passed-Through N.C. Department of Transportation:						
Federal Transit Administration						
Planning Assistance - Section 8	20.505	PTD 07-08-009	86,756	86,756	-	86,756
Planning Assistance - Section 8	20.505	PTD 08-08-009	87,248	-	87,248	87,248
			<u>174,004</u>	<u>86,756</u>	<u>87,248</u>	<u>174,004</u>
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	WBS39225.1.4	916,326	815,930	-	815,930
Section 104(f) Technical Assistance	20.205	WBS39225.1.4	1,040,649	-	658,049	658,049
			<u>1,956,975</u>	<u>815,930</u>	<u>658,049</u>	<u>1,473,979</u>
Total U.S. Department of Transportation			<u>32,082,645</u>	<u>13,030,649</u>	<u>8,454,835</u>	<u>21,485,484</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program						
	94.011	05SFSNC006	261,898	261,898	-	261,898
	94.011	05SFSNC007	261,898	-	257,618	257,618
			<u>523,796</u>	<u>261,898</u>	<u>257,618</u>	<u>519,516</u>
Retired Senior Volunteers Program						
	94.002	05SESNC003	58,983	58,983	-	58,983
	94.002	05SESNC004	58,983	-	58,983	58,983
			<u>117,966</u>	<u>58,983</u>	<u>58,983</u>	<u>117,966</u>
Total Corporation for National Service			<u>641,762</u>	<u>320,881</u>	<u>316,601</u>	<u>637,482</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant						
	14.218	B03MC370009	2,814,000	2,606,219	193,263	2,799,482
	14.218	B04MC370009	2,813,000	2,813,000	-	2,813,000
	14.218	B05MC370009	2,684,205	2,054,023	485,372	2,539,395
	14.218	B06MC370009	2,429,249	76,625	1,217,609	1,294,234
	14.218	B07MC370009	2,449,077	-	724,713	724,713
			<u>13,189,531</u>	<u>7,549,867</u>	<u>2,620,957</u>	<u>10,170,824</u>
HOME Grant Program						
	14.239	M04MC370206	1,690,822	985,176	162,969	1,148,145
	14.239	M05MC370206	1,459,705	368,447	656,347	1,024,794
	14.239	M06MC370206	1,338,340	(163,323)	271,190	107,867
	14.239	M07MC370206	1,335,903	-	(55,462)	(55,462)
			<u>5,824,770</u>	<u>1,190,300</u>	<u>1,035,044</u>	<u>2,225,344</u>

Continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)</u>						
EDI Special Project - Fayetteville Street		B04SPNC0572	\$ 173,968	\$ -	\$ 52,056	\$ 52,056
Passed-Through N.C. Housing Finance Agency FAF HUD Funds Job Training		N/A	151,000	76,000	6,968	82,968
Total U.S. Department of Housing and Urban Development			19,339,269	8,816,167	3,715,025	12,531,192
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Direct Programs:						
Cops Secure Our Schools	16.710	05CKWX0571	22,087	-	22,087	22,087
Weed & Seed Program	16.595	01WSQX60061	225,000	142,813	64,785	207,598
Weed & Seed Program	16.595	01WSQX70079	200,000	-	105,222	105,222
			425,000	142,813	170,007	312,820
2007 Bullet Proof Vest Grant		N/A	62,510	-	62,510	62,510
2008 Bullet Proof Vest Grant		N/A	24,982	-	-	-
			87,492	-	62,510	62,510
Total U.S. Department of Justice			534,579	142,813	254,604	397,417
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Direct Programs:						
Brownfields Assessment Grant	66.818	BF964167040	400,000	262,268	71,007	333,275
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	34,093	139,268	173,361
			1,400,000	296,361	210,275	506,636
Passed-Through NCDENR						
Section 319(h) Fletcher Park		EW06010	328,000	-	200,230	200,230
Section 319(h) Bio-retention treatment facility		EW06012	34,000	-	-	-
			362,000	-	200,230	200,230
Total Environmental Protection Agency			1,762,000	296,361	410,505	706,866
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Direct Programs:						
Solid Waste Services WHIP Grant	10.914	72453232162	9,802	7,480	-	7,480
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborwoods"	10.664	ATB2000-16	5,856	-	3,504	3,504
USFS - "Raleigh Neighborwoods"	10.664		10,000	-	-	-
			15,856	-	3,504	3,504
Total U.S. Department of Agriculture			25,658	7,480	3,504	10,984
Total Expenditures of Federal Awards			\$ 54,385,913	\$ 22,614,351	\$ 13,155,074	\$ 35,769,425

Continued

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF STATE AWARDS:						
<u>N. C. DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Planning Assistance		PTD 02-09-007	\$ 24,095	\$ 23,947	\$ -	\$ 23,947
Public Transportation Planning Assistance		PTD 03-09-319	8,649	4,448	-	4,448
Public Transportation Planning Assistance		PTD 04-09-007	21,075	12,357	-	12,357
Public Transportation Planning Assistance		PTD 05-09-007	15,569	6,977	-	6,977
Public Transportation Planning Assistance		PTD 06-09-007	10,189	7,145	-	7,145
Public Transportation Planning Assistance		PTD 07-09-393	15,981	7,749	(3)	7,746
Public Transportation Planning Assistance		PTD 08-09-427	31,480	-	21,087	21,087
Public Transportation Planning Assistance		PTD 06-08-009	10,637	10,637	-	10,637
Public Transportation Planning Assistance		PTD 07-08-009	10,844	10,844	-	10,844
Public Transportation Planning Assistance		PTD 08-08-009	10,906	-	10,906	10,906
Public Transportation Capital Assistance		PTD 98-09-007	146,457	129,628	-	129,628
Public Transportation Capital Assistance		PTD 99-09-004	166,817	166,698	-	166,698
Public Transportation Capital Assistance		PTD 00-09-007	640,829	639,491	-	639,491
Public Transportation Capital Assistance		PTD 01-09-007	69,387	64,154	-	64,154
Public Transportation Capital Assistance		PTD 02-09-007	364,360	316,838	47,522	364,360
Public Transportation Capital Assistance		NC-04-0004	425,589	-	424,160	424,160
Public Transportation Capital Assistance		NC-03-0059	50,000	-	358	358
Public Transportation Capital Assistance		NC-03-0061	18,417	-	12,478	12,478
Public Transportation Capital Assistance		NC-03-0081	72,393	-	71,751	71,751
Public Transportation Capital Assistance			344,578	-	-	-
Public Transportation Capital Assistance			350,700	-	-	-
Public Transportation Maintenance Assistance Program - Operating		08SM013	2,432,043	-	2,432,043	2,432,043
Bicycle Plan Update		WBS37309.1.1	90,000	-	43,206	43,206
Traffic Signal Upgrade		WBS35247.5.6	337,500	337,500	-	337,500
City-wide Traffic Signal Upgrade		C-4923	21,000,000	985,902	914,504	1,900,406
Morgan Street Two Way Traffic		B-2655	110,000	-	-	-
Falls of Neuse Widening		U-4901	13,836,000	-	-	-
Duraleigh Road at U.S. 70		9.8022058	150,000	150,000	-	150,000
House Creek Greenway - Phase I		E-4929	200,000	20,000	-	20,000
House Creek Greenway - Phase 2		E-4979	400,000	-	-	-
Stonybrook Drive Bridge Design		-	443,334	244,533	11,809	256,342
GHSP Research Speed and Traffic		-	94,711	83,975	-	83,975
GHSP Research Speed and Traffic		-	54,595	49,960	3,441	53,401
GHSP School Zone Speed Enforcement		-	35,525	-	34,003	34,003
GHSP School Zone Speed Enforcement		-	18,439	-	18,008	18,008
Neuse River Greenway Grant		E-4829	500,000	296,113	168,036	464,149
Neuse River Greenway Grant		EB-4829	393,571	-	-	-
Powell Bill		WBS32570	10,800,492	-	10,800,492	10,800,492
Total N. C. Department of Transportation			53,705,162	3,568,896	15,013,801	18,582,697
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
Fire Equipment Grant		4702-53692006	192,857	68,481	124,321	192,802
Fire Equipment Grant		-	251,571	-	-	-
USAR Base Equipment		4702-53692010	745,000	290,015	58,579	348,594
USAR Swift Water Rescue		SRT/USAR060	19,800	-	7,450	7,450
800 MGHZ Radio Grant		4702-52692010	2,000,000	-	2,000,000	2,000,000
Gang/Gun Suppression		092-1-06-001-A	71,368	55,715	15,537	71,252
Polic 2 Police Technology		-	72,281	-	68,434	68,434
PSN LE Gang Training		-	17,000	-	17,000	17,000
Total N. C. Department of Crime Control and Public Safety			3,369,877	414,211	2,291,321	2,705,532

Continued

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
NCCWMT Upper Longview Restoration		2007-415	\$ 323,000	\$ -	\$ 26,290	\$ 26,290
NCCWMT Fletcher Park Retention Pond		2007-714	250,000	-	-	-
NCCWMT Pigeon House Branch Stream		2007-714	860,000	-	-	-
NCCWMT Reuse Line Constructions		N/A	919,000	-	-	-
PARTF - Walnut Creek Interpretive Center		2006-487	500,000	-	-	-
Soil Erosion Engineering Program		L04002	2,244	903	-	903
ABC Recycling		000753	10,800	-	2,439	2,439
Total N. C. Department of Environment and Natural Resources			<u>2,865,044</u>	<u>903</u>	<u>28,729</u>	<u>29,632</u>
Total Expenditures of State Awards			<u>\$ 59,940,083</u>	<u>\$ 3,984,010</u>	<u>\$ 17,333,851</u>	<u>\$ 21,317,861</u>
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Open Space Program			\$ 200,000	\$ 138,881	\$ -	\$ 138,881
Transportation - EDTAP			14,000	-	17,999	17,999
Board of Alcohol Control			20,000	14,775	-	14,775
Barwell Road Park Cardio Center			1,600	-	1,600	1,600
JAG - Criminal Nuisance Abatement			150,260	-	150,150	150,150
JAG - Violent Crime Suppression			99,765	24,810	72,640	97,450
			<u>485,625</u>	<u>178,466</u>	<u>242,389</u>	<u>420,855</u>
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Alternate Fuel Grant			<u>21,420</u>	<u>13,503</u>	<u>(6,635)</u>	<u>6,868</u>
Total Expenditures of Other Awards			<u>\$ 507,045</u>	<u>\$ 191,969</u>	<u>\$ 235,754</u>	<u>\$ 427,723</u>
Total Expenditures - All Awards			<u>\$ 114,833,041</u>	<u>\$ 26,790,330</u>	<u>\$ 30,724,679</u>	<u>\$ 57,515,009</u>

Notes:

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

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2008. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. The total unexpended balance on-hand at June 30, 2008 is \$-0-.

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY08.



CITY OF RALEIGH
2008

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

I -- Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major federal programs:

CFDA Numbers

14.218
14.239

Names of Federal Program or Cluster
Community Development Block Grant
HOME Grant Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes no

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Cause:

The formulas in the model used by the independent valuation expert to determine the estimated value of arbitrage liabilities were incorrect.

Recommendation:

We recommend that management obtain a revised independent valuation, and going forward perform a detail review of the independent valuation to ensure the formulas used in the valuation are free from error.

Views of responsible officials and planned corrective actions:

The City obtained a revised report and has decreased the arbitrage liabilities to \$199,653 as of June 30, 2007.

III – Federal Award Findings and Questioned Costs

None.

IV – State Award Findings and Questioned Costs

None

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2008

V – Financial Reporting Findings and Questioned Costs

Finding #: 08-1

Name of Contact Persons: Perry James, Chief Financial Officer
John House, Controller

Corrective Action Plan: The finance department will review the third party specialist's arbitrage calculation for formula errors. Also, the finance department does require bond counsel to review all arbitrage liabilities before any payment is made. Going forward, we will routinely submit annual arbitrage calculations to bond counsel for review.

Proposed Completion Date: Immediate

CREDITS:

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