

City of Jacksonville
North Carolina

**Comprehensive Annual
Financial Report**

For The Fiscal Year Ended June 30, 2005

Prepared by
FINANCE DEPARTMENT

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**City of Jacksonville, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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LETTER OF TRANSMITTAL

Honorable Mayor and Members of the City Council
Jacksonville, North Carolina

October 28, 2005

We are pleased to present the comprehensive annual financial report of City of Jacksonville for the fiscal year ended June 30, 2005. The basic financial statements contained herein have been audited by the independent certified public accounting firm of McGladrey & Pullen, LLP, and their unqualified opinion is included in the financial section. This report has been prepared by the City, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures. We believe the data is accurate in all material respects and is shown in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, the government's organizational chart, and a list of principal officials. The financial section includes the basic financial statements, the combining and individual fund financial statements and schedules, Management's Discussion and Analysis, and the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, much of which is presented on a multi-year basis. Finally, the compliance section presents reports and schedules required by the Federal and State Single Audit Acts.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and US Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards, findings and recommendations, and auditors' reports on the internal control and compliance, are included in the compliance section of this report.

This report includes all funds of the City. The City provides a full range of services. These services include police and fire protection, sanitation, the construction and maintenance of streets, community development, planning and zoning, and parks and recreation. In addition to general governmental activities, the City owns and operates a water and sewer system and separately accounts for solid waste disposal costs; therefore, these latter activities are included in the reporting entity.

PROFILE OF THE GOVERNMENT

The City of Jacksonville, incorporated in 1842, is located along the New River in Onslow County, which is in the southeastern part of the State. It currently occupies 43.71 square miles and serves a population of 73,531, making Jacksonville the tenth largest City in North Carolina. Jacksonville, the county seat, is home of the Marine Corps Base, Camp Lejeune, and the Marine Corps New River Air Station. The City is less than an hour away from two major seaports (Wilmington and Morehead City) where large quantities of raw and finished products are exported and imported. Flight service is provided through Albert J. Ellis Airport. The City is easily accessed by US 258, I-40, NC 24 and US 17, which runs north and south along the Atlantic coast. The City of Jacksonville is empowered to levy a property tax on both real and personal property located within the city limits. It is also empowered by State Statute to extend its corporate limits by annexation, which it has done from time to time.

The City is governed by the Council-Manager form of government and has been since 1953. Policy-making and legislative authority are vested in a governing council (Council) consisting of a Mayor and six Council members. Two Councilmen and the Mayor are elected-at-large and four Councilmen are elected by district for two-year terms. The Mayor and Council make appointments to various boards and commissions. The Council appoints the City Manager and City Attorney. The City Manager serves as Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, planning and budgetary management.

The City of Jacksonville provides a full range of services, including police and fire protection; water, sewer, and sanitation services; the construction and maintenance of highways, streets, and other infrastructure; and cultural and recreational activities.

The Council is required to adopt a final budget by no later than July 1st. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund and function (e.g., public safety). The City Manager is authorized by the budget ordinance to transfer appropriations up to \$5,000; however, any revisions that exceed \$5,000 at the functional level of the General Fund, Non-Major Governmental Fund, Enterprise Funds and the fund level for the Capital Project Funds, or any revisions that alter total expenditures of any fund must be approved by City Council.

LOCAL ECONOMY

The major industries located within the City's boundaries or in close proximity are government (including several military installations), retail, hotel/food services, education, and healthcare. Jobs in the regional economy increased by 2-3 percent in all occupations except natural resources and mining. During the past ten years, the unemployment rate rose from an initial low of 3.1 percent (1997) to a decade high of 6.1 percent (2003), to the June 30, 2005, rate of 6 percent (seasonally adjusted). The 6.0 percent unemployment rate was higher compared to a statewide rate of 5.3 percent and a national average of 5.0 percent. The rise in the unemployment rate from last year's 4.8 percent rate was partially due to the closure of the Tyson Foods, Inc. processing plant in Holly Ridge which had been the third largest industry in the area. Additionally, Marine Corps Community Services aboard Camp Lejeune and the New River Air Station has cut over 600 positions due to the deployment of military units to Iraq.

The City has been fortunate to continue experiencing conservative expansion. Overall the value of new construction was \$78.5 million. The construction of retail stores, restaurants, and office

complexes is consistent with construction in previous years. The construction of apartments and residential developments increased by \$18.9 million from the previous year.

Camp Lejeune and the New River Air Station remain the largest single employers in the area. Military connected payrolls and benefits paid exceed an estimated \$8.3 billion. Both have fared well in the most recent rounds of the Base Realignment and Closing proceedings, and Camp Lejeune officials announced the creation of three new battalions that would be headquartered aboard the base. Similarly, Coast Guard officials recently broke ground on a new training facility aboard Camp Lejeune and indicated that with the new role taken on as a result of the assignment of the Coast Guard to Homeland Security, more training will take place aboard Camp Lejeune.

The New River Air Station is headquarters to the V22 Osprey development, and will provide training for Air Force pilots as well as Marine pilots who will fly the advanced vertical take off and landing aircraft. Military Construction remains strong with \$64.5 million set for Federal Fiscal Year 2005-06.

The City Council has adopted a practice of improving the quality of life in the City in order to improve the economic benefits for the Citizens. Camp Lejeune and the New River Air Station have ranked consistently high on the 'Best Bases to Live' rankings by the Marine Times and Military Relocation Magazine. Contributing to the desire to increase economic diversification, the City has launched a series of initiatives to improve the quality of life of its citizens.

All indications are that economic growth will continue to increase. While having a positive impact, this growth also presents significant challenges for the City. If the present high level of services is to be maintained, the City, in the future, will need to explore new methods of obtaining financial resources.

LONG-TERM FINANCIAL PLANNING

In January 2005, City Council reviewed a Fund Balance Policy for the City which recommended that the City's available fund balance goal be determined as 20 percent of the next year's budget and that the undesignated fund balance goal be determined as 10 percent of the next year's budget or 42 days of expenditures.

The available fund balance in the general fund (22.5 percent of the budget for fiscal year 2006) and the unreserved, undesignated fund balance in the general fund (14.9 percent of the budget for fiscal year 2006) are both above the policy guidelines for budgetary and planning purposes. This level of fund balance enables the City to reduce the amount to be borrowed to finance future construction of planned facilities.

In June 2005, Council reviewed a long-term capital plan to ensure that the citizens of Jacksonville can look forward to continued improvement in the quality of life and can expect the high quality of service provided by City employees to continue. Infrastructure and planning issues are focal points in many of the project for the coming year.

- **New Water Tank** – The City began construction of a new 1.5 MG elevated water storage tank in June 2004. The construction of the new tank is scheduled to be completed by the end of September 2005.

- **New Water Plant** – The City has retained a consultant to design a water treatment facility. This facility will include: 20 wells, land acquisition, transmission mains, waste (by-product) management discharge and an initial 5 million gallons per day (MGD) Membrane Filtration Water Treatment Facility upgradeable in 1 MGD-increment expansions. The new facility will allow water withdrawal from new sources in order to reduce the City’s reliance on water from the Cretaceous Aquifer by 25% by 2008, as mandated in the 2002 Capacity Use Regulations. Two new production wells were completed in June 2005 and a contract for six additional wells was awarded in September 2005. These wells are scheduled to be completed by March 2006. The water plant is presently under design and should be completed in the spring of 2008.
- **Land Treatment Facility Expansion** - The City has retained a consultant to design an expansion of the City’s Land Treatment Facility. This expansion will include: additional treatment and storage lagoons, additional pumps at the Main Pumping and Effluent Pumping Station, new irrigation areas and land acquisition for an additional 3 MGD of capacity. The expansion is mandated by the State due to the present facility having reached its 80% design capacity. The City is in the process of evaluating additional land needed for the expansion as well as designing the expansion. The expansion is scheduled for completion by 2011.
- **Future Recreation and Parks Projects** – Development of Williamsburg Plantation Park and Indoor Facility; development of Carolina Forest Park; Sturgeon City Phase II Boardwalk to Thompson School; continuation of the development of Sturgeon City Park; construct an Indoor Facility in Brynn Marr by processing a conversion document to the LWCF grant; Council Workshop to discuss: Pool versus Spray Park; Renovations to Jack Amyette Facility; Kerr Street Facility; Northwoods Facility; Renovations to Playgrounds; Renovations to Tennis and Basketball Courts; Funding and Fees Programming.
- **Rails to Trails Greenway** – The City continues development on the 5.2-mile, 10-foot-wide bicycle/pedestrian trail which will be located within the abandoned US 17 and Camp Lejeune Railroad rights-of-way. The Trail will begin at the Onslow Drive/US Highway 17 intersection, connect to the existing trail constructed by the City, and terminate at the Main Gate of MCB Camp Lejeune. Staff anticipates letting a construction contract in November 2005 with an anticipated project completion in December 2006.
- **Hargett Street Pedestrian Crossing Improvements** – The Planning Division applied for and received Transportation Enhancement Program funding in the amount of \$112,188 from the NC Department of Transportation. The local match for this grant is \$28,047. The improvements include widening Hargett Street to construct a concrete island in the middle of the street and the installation of an in-pavement lighting system. This project will improve safety for pedestrians utilizing the Rails to Trails Greenway.
- **City Transit System and Transit Implementation Plan** – The Jacksonville Transit Service currently called the “LOOP” began operation in fiscal year 2001 as a demonstration project. Since inception, the average monthly ridership has significantly increased. In 2004, the City contracted with TranSystems to assist in developing an Implementation Plan to expand the system and assist the City with the necessary Federal Transit Administration grantee application to receive FTA Section 5307 monies. The new system will operate 7 days a week, with special Friday and Saturday evening service to the area military installations, utilizing larger 22-passenger vehicles. The City, through the use of federal and state grants, will be able to subsidize the purchase of the new vehicles, passenger shelters and benches. TranSystems has also been working on an

Implementation Plan that will evaluate and provide recommendations on routing, stop locations, marketing and service performance. The City has received a draft copy of the Implementation Plan and is working toward the completion of the final document. The new service is expected to start at the end of fiscal year 2005-2006.

- **Growth Management** – During this fiscal year, the Growth Management Stakeholders Advisory Committee identified a preferred growth scenario for the community and completed the Goals. The Growth Management Element will include specific goals and policies and prioritized growth strategies. These strategies will include a detailed implementation schedule that will serve as a 5-year plan implementation program and supplement community capital improvement plans. The next phase will be to identify specific tools to implement the plan recommendations and consider amendments to City ordinances accordingly.
- **Wireless Hot Spot Network** – The ITS Department released a request for proposal to install a city-wide wireless hot-spot network. This network will extend coverage of our internal network infrastructure to provide wireless access for our mobile city departments such as the Police and Fire Departments, as well as our building inspectors, code enforcement officers and metering personnel.
- **Human Resources Internal Review** – The Human Resources Department will be reviewing its internal structure and processes. Department staff will collect data through internal surveys, reports, and other structural efficiency reviews to ensure optimum department performance.
- **Citizen Police Academy** – The purpose of the Citizen Police Academy is to foster better communication between citizens and police through information and education. The Academy will provide an opportunity for citizens to learn firsthand about operations of the department through a series of lectures, field trips and simulated activities. The Academy benefits the community and the police department because it builds relationships and creates a nucleus of well informed citizens who possess greater insight into police practices and services. The academy is anticipated to begin in Fall 2005.

MAJOR INITIATIVES

FOR THE YEAR. In addition to day-to-day operations and on-going major projects, the City faced some new challenges and initiated or completed several major programs.

- **Forestry Management Plan** – The City has continued to implement the Forestry Management Plan for the City's Land Treatment Site. This 10-year plan provides proper planning of timber management that encourages not only good returns on the City's investment in land and timber, but also enhances the primary purpose of the site and improves wildlife habitat, water quality and aesthetics. The City's forestry consultant is responsible for preparing bid documents for future timber sales and regeneration of harvested stands.
- **Sludge Removal Project** – The City contracted for the removal of sludge from the aerated lagoons at the Land Treatment Facility during 2005. Over 8 million gallons of sludge were removed and the City's contractor was permitted to apply it to local farmland. The project was completed in March 2005 at a cost of \$322,671. The removal of sludge from the aerated lagoons will be required every three years.

- **City Hall Renovation** – The City is in the process of joining the current City Hall with the former First Citizens Bank building next door and renovating the existing structure to create a new City Hall with sufficient space and meeting rooms to provide for the future. The “new building” will serve as an architectural gateway to the downtown area. The City Manager’s Office, City Clerk’s Office, Human Resources, and Finance, to include Water Billing, will move into the First Citizens portion of the building in October 2005.
- **Public Services/Fleet Maintenance Complex** – The new public services/fleet maintenance complex has been completed and divisions are operating out of the new facility.
- **Habitat Protection** – The City has continued the innovative program to protect and restore habitat within the City’s jurisdiction. The Wilson Bay Initiative has been lauded as a model for others to follow (winner of the Coastal Federation Best Local Government Action). For 40 years, the City had discharged its treated wastewater into the Bay, and with other pollutants, it was biologically ‘dead.’ Now the City has launched an effort to restore habitat to Chaney Creek, the most polluted basin in the City.
- **Youth Involvement** – The City continues its efforts to demonstrate to youth that the community cares about them, and wants them to return after completing their education. The Jacksonville Youth Council has launched its 8th year of operation and the Sturgeon City Institutes have graduated more than 700 students with this message of caring and career development.
- **Wellness Program Success and Health Costs Containment** –In this fiscal year, the City of Jacksonville’s Wellness Program was recognized as one of excellence by Fit Together, (www.fittogethernc.org), a statewide overweight/obesity prevention campaign funded by the NC Health and Wellness Trust Fund and Blue Cross/Blue Shield of NC. Fit Together asked that the City send photos of our monthly programs in action so that they could highlight the programs on their website and in their brochures. Participation in the program has increased by 33% since last year, and 38% (163 of 421) of the employees participated in the Healthy Living Screenings last October. The average participation in most programs is about 18-20%, so we have almost twice the participation in our program compared to many entities in the nation.

Under the leadership of the Human Resources Department's Risk Management and Benefits Administration functions, we have continued to focus on employee wellness initiatives aimed at containing or reducing health care benefits costs. Data provided by our health care medical management group indicates health care savings of approximately \$1,026 per employee per year for employees who participate in the City’s Wellness Program. The report also indicates that the program is costing the City about \$46,623 per year, but there is a savings of \$149,513, which equates to a return on investment of 3:1.

It is the goal of the Risk Management function to continue the downward trend of costs and to increase the savings by focusing on cost effective disease prevention.

- **Employee Training and Development Strategic Planning** – The Human Resources Department led a City-wide initiative that resulted in the development and implementation of a standard training curriculum. The department has established a relationship with Coastal Carolina Community College for training delivery. The Human Resources Department will be exploring the development of a succession planning tool.

- **Onslow Inn Structural Collapse and Terrorism Exercise** – The North Carolina Department of Insurance Office of State Fire Marshal, along with NC Emergency Management and the Jacksonville Fire Department, staged what proved to be the largest terrorism exercise of its kind in state history. The full scale exercise took place June 3-5 and incorporated local, state, federal, multi-state and private sector organizations. Its purpose was to simulate a terrorist attack, allowing law enforcement, emergency medical and rescue squads, hospital staff, fire departments, and other specialty agencies from around the State to practice responding to such a disaster.

The exercise was a two and a half day Structural Collapse Terrorism Exercise with approximately 200 personnel working the day shift and 75 working the night shift. With more than 380 registered participants, the exercise was a huge success.

The Onslow Inn Complex demolition is near completion in preparation for use in the development of the Civic Complex.

- **City's Fire Insurance Rating Improved** – Thanks to hard work by the Fire Department, Public Services Department, and Jacksonville Police Department, the City of Jacksonville's Fire Insurance rating improved from a **class 4 to a class 3**. For the community, this means that "collectively, our commercial property owners will save over \$1 million a year in insurance payments," said Fire Chief Rick McIntyre. The inspection covered various aspects of the fire department, fire alarm and communication system, and the City's water supply system. This inspection is done about every 10 years with the last inspection taking place in 1993.

- **Residential Sprinkler Systems** – The Fire Prevention Division of the Jacksonville Fire Department became active this year in the area of Residential Sprinkler Systems. Chief McIntyre and Fire Marshal John Reed made a trip to Pinehurst, NC, to participate in hands-on installation of a residential sprinkler system in a H.U.D. home located in one of the surrounding neighborhoods. This hands-on experience, along with class time and contact information has set the groundwork for a promising future for additional Residential Sprinkler Systems to be installed in our own neighborhoods, at no cost to the resident. The Fire Prevention Division is working with our Community Development Division to see how we can implement this program for the City of Jacksonville residents to add to the safety of our local residents, as well as save lives.

- **National Incident Management System (NIMS) Training** – All Jacksonville Fire Department members completed three levels of NIMS training in the year 2004-2005. IS-100, IS-200, and IS-700 are courses developed by the Department of Homeland Security. These courses will enable all levels of government and private organizations to work together for preparation, response, and recovery from any emergency.

Beginning in FY 2006, federal funding for state, local, and tribal preparedness grants will be tied to compliance with the NIMS System.

- **Specialty Certifications Incentive Supplement Program** – A Specialty Certifications Incentive Supplement Program has been established, which will encourage and reward firefighters who have prepared themselves to better provide lifesaving services to the City.

The three specialty teams established by the department are Structural Collapse Rescue Response Team, Swift Water Rescue Response Team, and Hazardous Materials Technician Response Team.

Those firefighters who have received the required training and have been approved for participation will receive up to a 4% supplemental pay incentive, as long as they maintain the qualification status. The in-house certifications based on nationally accepted standards are subject to review on an annual basis.

To date, 32 fire personnel have been designated for Specialty Team status, while nine have completed the required training to qualify for the pay incentive.

- **Certificate of Safety Achievement** – The NC Department of Labor awarded a Certificate of Safety Achievement to the City of Jacksonville Fire Department. The award recognizes the department for a substantial reduction of injuries and illnesses and the promotion of safer working conditions during the previous year.
- **Honor Guard and Chaplain Program** – The Jacksonville Fire Department has established an Honor Guard Program to represent and pay respect on behalf of the department, the City of Jacksonville, and the fire service profession at various functions throughout our City and State. The most prestigious duty of the Honor Guard is to show support and brotherhood to the family, department, and community of a fallen firefighter.

A Fire Department Chaplain Program has also been established to serve the brave men and women who have dedicated their lives to protecting our community. The duties of the Chaplain are to honor the fallen firefighter and care for those left behind.

- **Annual Accreditation Compliance Report** – As part of the requirements to retain International Accredited Agency status, the Department must keep Commission on Fire Accreditation International staff informed of any significant changes or developments in activities, direction, or programming. This was accomplished by the preparation and submission of an annual compliance report that was submitted July 29, 2005

The Department is currently awaiting the letter from the Commission approving the Statement of Findings by our Annual Compliance Report.

- **Georgetown Emergency Service Training Ground** – The training tower was erected at no cost to the City thanks to Jimmy Davis Construction Company and his crew who poured and finished the concrete for the steel tower to be erected, and Morton Construction Company who donated their time, personnel and equipment to erect the steel tower. Captain Swindell Taylor expressed that the camaraderie of working with the two construction companies and their crews was very welcoming and made the work at the training ground go very smoothly.

Phase 2, the burn room, is now on site and ready for construction. Phase three, the total enclosure of the building, is on order and due to arrive around November 16, 2005.

- **Click-2-Gov** – The Information Technology Services (ITS) Department, in conjunction with the Finance Department's Accounting Division, has implemented the Click-2-Gov module for Purchasing. This program provides vendors with access to the end-to-end procurement cycle. Click-2-Gov for Purchasing allows businesses to register as potential vendors. Once registered, businesses can edit their vendor information through a secure sign on, review the status of invoices submitted for payment, and review invoice history.

Other E-Government solutions that are in the process of being implemented are Click-2-Gov for Planning and Zoning, Citizen Request Tracking, and Citizen Survey.

- **Website Content Management System** – The Content Management System is now in production and is working beautifully. This program allows the ITS Department to build and manage the City's website while the departments, who are the experts in their individual areas, control and update their own content.
- **Performance Impact System** – The Human Resources Department, in conjunction with the ITS Department, has implemented a new employee performance appraisal system. This new system guides managers through a year-round cycle of effective performance management. This system has been designed to run on an Intranet and utilizes a web server/browser based client model. Performance Impact includes a centralized administrator and forms design function, employee log capabilities, current and future goal setting features, administrative reporting functions and extensive security and confidentiality protection. Employees have access to their own appraisals at any point during the appraisal year. All employees will be trained on the new system during the coming year.
- **UNC Chapel Hill School of Government's Chief Information Officers (CIO) Certification Program 2005** – IT Director Earl Bunting and IT Manager Charles Stallings are attending the Chief Information Officers Certification Program 2005. This program is a ten-month course that lays the foundation for assessing and addressing some of the most critical issues facing IT leadership in local government. The purpose of this program is to equip leaders with the requisite tools to manage and improve their organizational technology assets. During the course of the program, major topics that have been addressed include IT governance, project management, and risk assessment and management. Each broad topic examines specific local government issues and draws on participant experience to provide both theoretical and practical applied knowledge to the challenges.
- **Online Learning Video Solution** – The ITS Department is in the process of deploying a business video service that will enable the City of Jacksonville to take advantage of our existing Wide Area Network for training, education and communications.
- **Field Incident and Accident Reporting and MDT's** – The ITS Department finalized the installation of the Field Incident and Accident Reporting software for the Police Department. This software allows officers and supervisors to create, edit, verify and submit incident and accident reports using Mobile Data Terminals installed in their patrol cars. This use of hardware and software cuts down on the amount of hand written reports, mistakes made writing these reports, and the amount of time required to submit the reports.
- **Solid Waste and Recycling Educational Program** – Public Services/Sanitation staff visited 13 Before and After School programs during fiscal year 2005, teaching 369 children about the importance of recycling and the need to reduce the amount of solid waste going into the landfill.
- **Reorganization of the Police Department** – In October 2004, Mike Yaniero was hired as the new Chief of Police. After careful review, a plan was developed to reorganize the department. This plan addressed span of control as well as assigning more responsibilities to the patrol Lieutenant and Captains of the organization. The Police Department divided the City into six patrol zones which were assigned to the five patrol Captains and one patrol Lieutenant. They each selected a Community Officer to address any problems that may occur in their respective areas. This effort will bring the department

closer to the community and make each of these supervisors accountable for handling problems in their zone.

- **Police Services Officer (PSO) Program** – This program continues to move forward and began to receive a facelift in March 2005. The Police Department continues to recognize the need for increased civilianization and is still focused on that need. In the past, a more mature generation of civilians has been a part of the PSO Program; however, lately there have been inquiries, applications and participation by a younger population. Training for PSO's is anticipated for Fall 2005.
- **Boys and Girls Club Summer D.A.R.E. Program** – The Summer of 2005 (July 11 thru August 5) marked the first ever Summer D.A.R.E. Program in Onslow County. The program was a joint effort of the Jacksonville Police Department and the Onslow County Sheriff's Office. The program consisted of D.A.R.E. classes taught by certified instructors, Vince and Larry, Bicycle Safety, Deputy Do-Right, Child I.D., Stranger Danger, McGruff Safety Tips and Eddie Eagle Gun Safety. The children participated in and enjoyed such games as Frisbee Toss into a hula hoop, Whiffle Ball Toss into a hula hoop, Skate Board Race using a plunger and Balloon Balance Race. Each camp was supplied with materials for each child to participate in a Poster Contest by age group. There were twelve winners—three from each camp (Sandridge, Richlands Elementary, Richlands Primary and Clyde Erwin Elementary). Each winner of the Poster Contest received a brand new bicycle and helmet. We expect the Summer D.A.R.E. Program to continue.
- **Police Department Cold Case Squad** – The Police Department Cold Case Squad is now in the process of investigating a third case involving a murder that happened in the New River Apartment Complex in October of 1999. The case has been restructured with up to date formats for investigating cold case homicides. Witnesses and several new and old suspects have been interviewed. New leads have further assisted in this ongoing investigation. A new procedure for collecting evidence from firearms has been established as a result of this investigation that can further assist us in investigating similar cases. The case is still ongoing.

The case involving the set of skeletal remains recovered in 1995 continues to be looked at by investigators. The facial reconstruction photos continue to be distributed in hopes of putting a name to the remains. A letter was written to America's Most Wanted requesting that the photos be broadcast on their show.

- **Jacksonville Commons Phase II** – The City of Jacksonville received a grant from the Parks and Recreation Trust Fund (PARTF) for Jacksonville Commons Phase II. The City has three years to complete the project. The playground unit and the picnic shelter have been installed at Richard Ray Park, and the outdoor basketball court has been constructed. Other elements of Phase II will consist of concession/rest room facility, paved parking lot, maintenance facility, two lighted softball fields, eight lighted tennis courts, lights for the skateboard park, landscaping, detention pond, and planning costs.
- **Sturgeon City Municipal Park** – Phase One of the Sturgeon City Municipal Park project was completed. Phase One included installation of walkways, three shelters, park benches, trash receptacles, lighting for the parking lot, water fountain, and marsh grasses. Sod was also installed in the playground area and the parking lot was paved. The North Carolina Public Beach Access grant provided funding for a boardwalk to be constructed.

- **Long-Range Transportation Plan** – The Jacksonville Urban Area Metropolitan Planning Organization completed the update of the LRTP in March 2005. All municipalities with a population of greater than 50,000 are required in accordance with federal transportation legislation to have a long-range plan which identifies the metropolitan areas transportation needs for a minimum 20-year period and contains a reasonable financial plan.
- **Jacksonville Traffic Count Program** – In March 2004, City staff began collecting traffic count data for the bi-annual update. This program was initiated in 2002 with traffic data being collected at sixty-two station locations located on urban collector streets and other designated primary streets within the Jacksonville Urban Area. Similar to the NCDOT traffic data collection program, the City collects data at these stations every two years to monitor and analyze changes in traffic movement. Staff completed the data collection in December 2004.
- **Inflow/Infiltration Program** - The City implemented an Inflow/Infiltration (I/I) Program which will identify and remediate sources of rainwater and groundwater that flow into the City’s wastewater collection system. This additional flow is pumped and then treated at the City’s Land Treatment Facility and uses up capacity. The State mandated that the City identify and repair sources of I/I before plans to expand the City’s Land Treatment Facility would be approved. Temporary flow monitoring was performed on 20 collection drainage areas throughout the City and sanitary sewer evaluation surveys (SSE’s) were conducted on four of the worst areas. The SSE’s recommended repairs to these four areas that would eliminate over 550,000 gallons per day of I/I. The contract for these repairs should be bid by early 2006 and completed by the end of 2006. The City installed 8 permanent flow monitors in strategic areas throughout to collection system to monitor the I/I entering the City’s sewer system.

DEPARTMENT FOCUS

Each year the City selects a department to highlight for its efforts and accomplishments. For 2005, the Public Services Department has been selected for review.

The mission of the Public Services Department is “**to provide water, sewer, sanitation, street maintenance and clean waterways and creeks as well as to maintain greenways for the citizens of the City of Jacksonville.**” These tasks are accomplished by ten separate divisions (a total of 142 employees) who coordinate with City staff and City Council to establish the priorities and focus needed. Following is a breakdown of the divisions, a brief synopsis of their accomplishments in fiscal year 2005, and a quick look at what they are planning for fiscal year 2006.

Administration: The Administrative Division provides clerical and budgeting support for the Director and Senior Civil Engineer, as well as the Engineering Division and the other divisions as needed.

The Water and Sewer Advisory Board advises the City Council on the condition, capacity and needs of the City’s water and sewer system. The Board is made up of 11 members and a Council Liaison, along with public utilities staff. The Board examines the water supply, water distribution, sewage collections facilities, wastewater treatment, and financing of major changes in the water and sewer systems.

Engineering: The Engineering Division is responsible for insuring that all new infrastructure improvements throughout the City are designed and constructed in accordance with applicable State and Federal regulations and in compliance with City specifications. To accomplish this goal, the Division is divided into two sections, the Engineering Section, which manages technical services (design, contract administration, plan review, etc.) and the Construction Section, which inspects and manages construction of both City and privately developed projects.

More specifically, the Engineering Section is responsible for the design, project management, contract administration, and construction of all major City infrastructure projects in addition to reviewing all site plans, construction drawings and specifications for privately developed projects. The section is also responsible for the City's flood plain management program, erosion and sedimentation control, and financial sureties tracking.

The Construction Section provides inspections and on-site management of all City and privately funded infrastructure projects to ensure compliance with Federal, State and City specifications.

The Division completed the installation of over six miles of gravity sewer and the reconstruction of the roads within the Country Club Acres annexation area in addition to several water, sewer and roadway rehabilitation projects.

When bids for a FEMA grant project to replace a double box culvert at Forest Grove Avenue came in significantly more than all estimates, the Construction Division decided that they had the personnel and skills to perform the construction themselves. They completed the job in less than 50 days, saving the City \$155,000.

Metering: The efficient and timely reading of City water meters is the goal of the Metering Division. This division consists of a superintendent, a meter mechanic and five meter readers. Currently there are 7,850 residential Automatic Meter Read (AMR) meters installed throughout the City. This leaves approximately 5,900 residential and 454 commercial meters yet to be changed to the new AMR meters. The metering staff is continuing to change out broken plastic meter boxes throughout the City and replacing them with cast iron boxes. Since July, staff has also begun to change out large meters (1.5" and larger) for the AMR project.

In the future, the Metering Division will continue to perform meter change outs to have the entire City metered by AMR meters. This work will be performed with the help of temporary staff. A new meter testing program will begin within the next two years, as the first of the AMR meters that were set will be due for testing and maintenance.

Utilities Maintenance: The mission of this division is to maintain and repair (and install when necessary) water and sewer lines in the City in a timely manner. The division consists of two sections, Lines Maintenance and Plants Maintenance. Utilities Maintenance is made up of a Superintendent, two Supervisors, an Administrative Assistant and 14 staff.

The Lines Maintenance section is responsible for the maintenance, repair, construction and installation of water and sewer lines within the City. At this time there are approximately 208 miles of water lines with 1,763 fire hydrants, and approximately 205 miles of sewer lines with 4,358 manholes.

An additional task of this division is the identification and repair of inflow and infiltration (I/I) problems. Below are some major repairs made last year:

- Near the Barrus Pump Station staff located and repaired a manhole next to the creek. The grouting material that seals the ring and cover assembly to the cone of the manhole had been completely washed away. Whenever heavy rains caused the creek to leave its bounds, a significant portion of this rain and creek water was introduced into the collection system via the unsealed ring/cover assembly.
- Another manhole was identified as a source of inflow in this same drainage basin. Again, the grout sealing the manhole ring/cover assembly was missing. In this case, the manhole was next to a stormwater run-off in a low lying area, thus making it subject to inflow from rain events. Staff repaired the manhole immediately.
- Approximately ten sewer service clean-outs were identified as contributing factors to the inflow problem in this drainage basin. These clean-outs acted as drains for a large surface area and were directly in the lowest point of a stormwater drainage swale. Each was missing the necessary cap that seals and prevents inflow. Staff repaired these clean-outs immediately after finding them. Throughout the entire City, approximately 350 sewer service clean-outs have been repaired as a result of the City's I/I abatement efforts.
- The City contracted with ADS to install eight permanent flow monitors within the City's waste water collection system to aid us in finding other sources of I/I.

City staff continues to look for and identify sources of I/I and correct them in the most expeditious way possible. Furthermore, as a part of the State's Collection System Permit, this division systematically clears the City's utility easements, and has implemented an annual project to keep them accessible from this point forward. Over the last year the following easements were cleared:

- 1) White Street to Brynn Marr Road Collector, approximately 15,000 linear feet
- 2) Mill Creek Interceptor Main, approximately 10,425 linear feet
- 3) Hammonds Creek Interceptor, approximately 6,857 linear feet

In the upcoming year, the Dotey's Branch Outfall Sewer Main easement will be cleared. It contains approximately 5,317 linear feet and is anticipated to be completed by October 2005. We are also preparing to survey and clear the Sandy Run Outfall Main and the 36 inch Force Main easements. These outfalls must be cleared and made accessible by April 1, 2006, as mandated by the State.

The Plants Maintenance section of the Utilities Maintenance Division maintains and repairs the 40 pump stations, 17 wells and 8 overhead water storage tanks. Two of the most recent projects to be completed by this division were:

- SCADA System Upgrade – The City recently completed an upgrade to our Supervisory Control and Data Acquisition (SCADA) system. The system monitors all wastewater lift and pump stations as well as the monitoring and control of the wells, tanks and other equipment in the water distribution system.
- Electrical Upgrade Ellis – The Ellis lift station went through an extensive electrical upgrade. This station was built in the 1970's and the main controls for this station were outdated and beyond repair. The lighting was poor and some equipment did not work. The upgrade included a new generator, main control center, lighting and other equipment to make this station safer and more reliable.

The Plants Maintenance section is looking forward to completing the following items next year:

- Parkwood Pump Station – We are replacing the pumps and control panel for this station. The pumps at this station were completely worn out. The control panel was old and did not meet current state standards for warning alarms.
- Electrical Upgrade Brynn Marr Station – The Brynn Marr station is next in line for the same upgrade as the Ellis station. This station is a safety concern for the mechanics and is in need of updated controls, lighting and equipment. The station has a new generator on site so the cost for this upgrade will be lower than Ellis.
- Biofilters – In order to control odors, maintain a safe working environment for our employees, and prolong the life of the equipment at Ellis and Brynn Marr Stations, we are installing biofilters that will allow us to achieve H₂S and odor removal, while also treating moisture problems within the station.

Plants (Water Supply/Wastewater): The Plants Division is responsible for providing a safe and sufficient supply of drinking water that meets Water Quality Standards as required by the US Environmental Protection Agency, and for ensuring that wastewater is adequately treated and disposed of at the City's Land Treatment Facility, as required by the City's Non-Discharge Permit and the NC Department of Environment and Natural Resources.

To accomplish this goal, the Division is divided into two sections—the Water Supply Section, which is responsible for the operation of the water supply wells and elevated storage tanks, and the Wastewater Section, which is responsible for the operation and maintenance of the City's Land Treatment Facility. The Plants Division also has a certified Laboratory that performs water and wastewater analyses as required by the City's water and wastewater permits, and produces an annual water quality report that is distributed to the citizens.

Sanitation: This division is made up of a Superintendent, a Field Supervisor, an Administrative Assistant, 10 Crew Leaders and 28 Sanitation Workers (a total of 41) when fully staffed.

During FY 2005, the Division was the subject of an efficiency study conducted by an outside consultant. As a result of the study's recommendations, in the upcoming year staff plans to implement the following:

- Once-a-week Curbside Refuse Collection – The City will implement a conversion plan to go from twice-a-week backyard garbage collection to once-a-week curbside garbage collection. Specifications for trash containers (96 gallons) and additional cart lifts for the refuse collection trucks are in the process of being developed and sent out for bids.

Changing the garbage collection process will involve the distribution of information to our residential and small business customers concerning the implementation of this system; the revision of collection routes, collection policies, and procedures; and distribution of approximately 11,500 trash containers (96 gallon) to those customers that will be affected. The proposed effective date to implement this plan is July 1, 2006.

- Curbside Recycling Collection – The City is also making preparations to assume the responsibility of collecting the curbside recycling material in 2006. Presently this program is being operated by an independent contractor. The cost analysis of the curbside recycling system completed by the outside consulting firm indicated the program could be operated cheaper if done in-house.

Streets: The Streets Division’s mission is to provide the necessary maintenance to keep our City streets and sidewalks safe for vehicles and pedestrians.

Streets staff performed maintenance on approximately 140 miles of City streets and provided street sweeping for 32 miles of State DOT-owned roads that run within the City limits.

Within various areas of maintenance, the Streets Division completed 1,692 work orders. In addition to work order completions, Streets Division work included the following areas:

<u>Asphalt Repairs</u>		
Pothole Repairs	1,235	260 Square yards
Skim Patching	18	133 Square yards
Edge of pavement	2	19 Square yards
Utility Cuts	143	<u>2,436 Square yards</u>
	Total	2,848 Square Yards
Concrete Projects	140	Cubic Yards of Concrete
Street Sweeping	4,145	Miles
Street Sweeping DOT	1,485	Miles
Grass Mowing	99	Acres

The Streets Division maintained a Mosquito Control Program through the execution of a larvacide program and active chemical spraying program. Also, many special projects such as parades, ceremonies and special events were supported, to include holiday parades, Riverwalk Festival, community events, National Night Out, Red Cross blood drives, United Way, and cancer awareness.

Building and Grounds: This division serves a multitude of functions, some of which are maintaining the City’s landscaped areas, maintaining and repairing all City buildings, hanging flags on the highways and bridges, woodworking, and assisting other departments in moving when necessary. One of the major projects for this year was the renovation of the Police Department offices. These renovations included the supervisors’ offices, squad room, and Special Operations Division office, and involved installing new walls, framing, electrical, ceilings, sheet rock, insulation, plumbing, and running data cables. This project was completed in addition to the regular daily work, and the Division also participated in the first phase of moving departments from the old City Hall building to temporary offices across the street in the City Hall Annex. In the coming year, the Division will assist several departments in their move into their new offices in the renovated City Hall.

Water Quality: The Water Quality Division continually monitors Wilson Bay and other waters inside the city limits of Jacksonville, performing finfish assessments, testing water quality parameters, measuring oyster growth, benthic (bottom) sampling, monitoring the effects of rain events on stormwater, etc. The division assists the Sturgeon City projects in collecting seeds for the propagation of wetland plants, continuously conducting field trips for students (over 650 students last year) and educators, making presentations to civic clubs and City, County, and State boards and in the school system. The division has mentored students and actively raised volunteer groups of students such as the Wilson Bay Keepers who assist staff throughout the year. This division actively participates in the annual Sturgeon City Student Leadership Development Institute and various Science Institutes that are conducted at Wilson Bay.

As the Stormwater activities come online, the personnel of this division will be participating in the educational phases and in detecting and eliminating illicit connections to the stormwater system. They continuously seek educational opportunities to “spread the word” to the community and schools of what the future will hold environmentally.

FINANCIAL INFORMATION

The financial statements and notes included in this report present the financial position and operations of governmental activities, business-type activities and fiduciary activity of the City. The accompanying Management’s Discussion and Analysis provides a narrative overview of the City’s financial performance for the fiscal year ended June 30, 2005. During the year, the City continued its sound current and long-range policies for financial management.

Internal Control Structure. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system is evaluated periodically by management and the Finance Department staff to achieve these objectives.

As a part of the City's single audit, tests are made to determine the adequacy of internal control, including that portion related to federal and state award programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2005, provided no instances of material weakness in internal control and no material instances of noncompliance with applicable laws and regulations.

Independent Audit. General Statute 159-34 requires an annual audit by a certified public accountant. The independent certified public accounting firm of McGladrey & Pullen, LLP, was selected by the City Council to provide this service. In addition to meeting statutory requirements, the audit also complies with the Single Audit Act, the US Office of Management and Budget Circular A-133, and North Carolina General Statute 159-34 (Single Audit Implementation Act). The auditors’ report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditors’ reports on internal controls and compliance with applicable laws and regulations are included in the Compliance Section.

Investment Management. Effective forecasting of cash requirements and aggressive investment of cash balances, including daily investment of bank balances, has allowed the maximum use of all available cash resources. The rate of return on the City’s investment performance mirrors the

average yield rates of 2.47 percent for US Treasury bills in 2005. For the year ended June 30, 2005, the City realized investment earnings of \$872,112, for an average yield of 2.52 percent.

The City's investment policy, guided by General Statute 159-30, minimizes credit and market risks while maintaining a competitive yield on its portfolio. For additional information on cash and investments, see the notes to the financial statements.

Risk Management. The primary objectives of the Risk Management Program are to:

- Identify potential exposures to loss,
- Evaluate the frequency and severity of losses,
- Reduce or eliminate risks or losses through established procedures and practices, and
- Determine the most efficient use of financial resources to satisfy losses.

For additional information on the City's risk management program, see the notes to the financial statements.

OTHER INFORMATION

Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jacksonville for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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 GFOA to determine its eligibility for another Certificate.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department, various department heads and employees who assisted and contributed to its preparation, and our independent auditors, McGladrey & Pullen, LLP. Each of them has our sincere thanks.

In closing, without the resources and support furnished by the Mayor and City Council, preparation of this report would not have been possible.

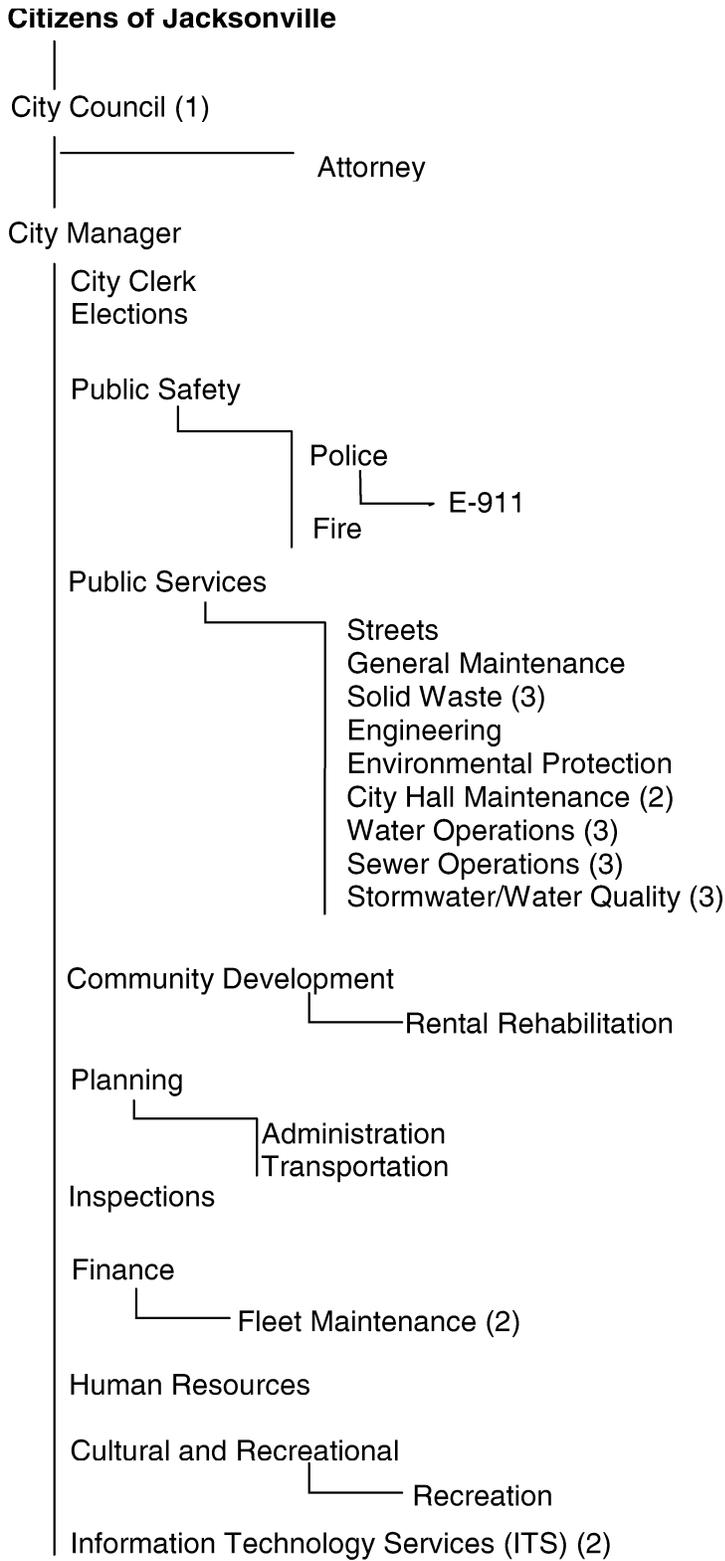
Sincerely,

Ken Hagan
City Manager

Debra H. Mack
Finance Director
Special Projects Administrator

(Certificate of Achievement)

City of Jacksonville Organizational Chart



Legend:
 (1) Elected Officials
 (2) Internal Service Fund
 (3) Enterprise Fund

**City of Jacksonville
List of Principal Officials
June 30, 2005**

<u>Title</u>	<u>Name</u>
Mayor	Jan B. Slagle
Mayor, Pro-tem	Jerry Bittner
Council Member	George Mainor
Council Member	Turner G. Blount
Council Member	Nancy Cleveland
Council Member	Fannie Coleman
Council Member	Horace Mann
City Manager	Ken Hagan
Attorney	John T. Carter
City Clerk	Carmen K. Miracle
Finance Director/Special Projects Administrator	Debra H. Mack
Fire Chief	Richard McIntyre
Human Resources Director	(vacant)
Information Technology Services	Earl Bunting
Police Chief	Mike Yaneiro
Public Services Director	Grant Sparks
Recreation Director	Michael Carter

FINANCIAL SECTION

- * Report of Independent Auditors
- * Management's Discussion and Analysis
- * Basic Financial Statements
- * Notes to the Financial Statements
- * Required Supplemental Financial Data
- * Combining and Individual Fund and Account Group - Statements and Schedules
- * Additional Financial Data

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council,
City of Jacksonville, 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 City of Jacksonville, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise City of Jacksonville's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of City of Jacksonville'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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jacksonville, North Carolina, as of June 30, 2005, and respective changes in financial position and cash flows, where applicable, 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 August 29, 2005 on our consideration of City of Jacksonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and the Law Enforcement Officer's Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 24 through 38 and 86 through 87 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jacksonville's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section, as well as the Schedule of Expenditures of Federal and State Awards (in the compliance section) 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 the purposes of additional analysis and are not a required part of the basic financial statements of City of Jacksonville, North Carolina. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
August 29, 2005

**City of Jacksonville, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Jacksonville's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

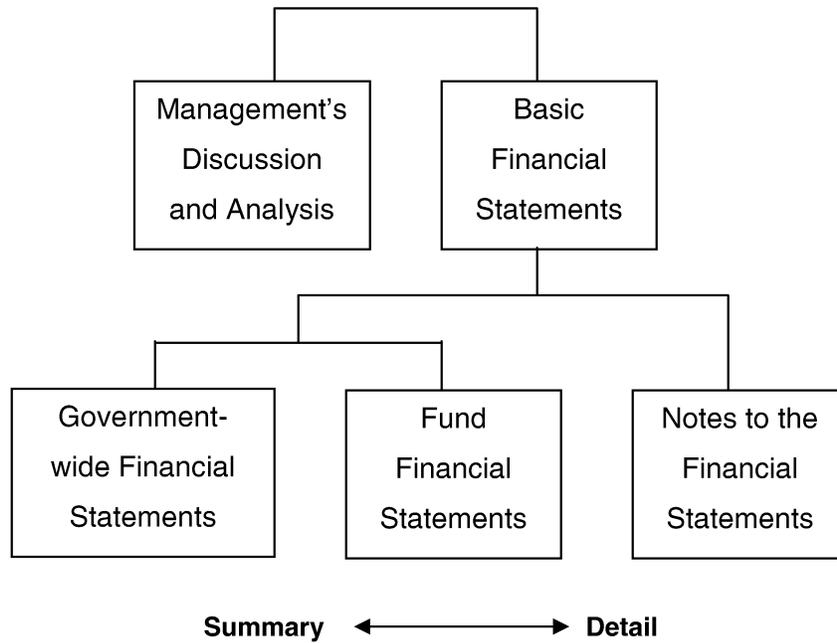
- The overall financial position of the City improved in 2005 as evidenced by an increase in total net assets of \$5.7 million. This increase was from both governmental (\$3.7 million) and business-type (\$2.0 million) activities.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$99.2 million (net assets). Of this amount, \$31.9 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25.8 million, a decrease of \$3.5 million in comparison with the prior year. Approximately 19.4 percent of this total amount or \$5 million is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$5.4 million, or 14.9 percent, of the budget for fiscal year 2006. This exceeded the City Council's goal of 10 percent by the end of fiscal year 2005.
- The City's total long-term debt decreased by \$1.8 million (4.2%) during the current fiscal year.
- The City's sound financial condition is evidenced by the continuation of its A2 bond rating from Moody's Investors Service and A+ rating from Standard & Poor's Ratings Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the City's financial condition. The diagram on the following page shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report



Basic Financial Statements

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 the activities of the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- Proprietary funds statements offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.
- The Fiduciary fund statements reflect the financial relationship with the Special Separation Allowance Pension Trust Fund, which provides benefits exclusively for City law enforcement employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data, and are followed by the required supplemental financial data on the Law Enforcement Officers' Special Separation Allowance. In addition to these required elements, a section is included with combining statements that provide details about non-major governmental funds, non-major proprietary funds and internal service funds, each of which are totaled and presented in a single column in the basic financial statements. This section also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

Government-wide Financial Statements

The government-wide statements report short and long-term information about the City as a whole using accounting methods similar to those used by private-sector companies.

The statement of net assets includes all of the government's assets and liabilities except fiduciary funds. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are one indicator of whether financial health is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads must be considered to assess the overall health of the City.

The City's government-wide financial statements are divided into two categories:

- **Governmental activities** - Most of the City's basic services are included here, such as public safety, community planning and development, and streets and environmental protection. Property taxes, other taxes, and grants and contributions finance most of these activities.
- **Business-type activities** - The City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system, solid waste system and storm water/water quality system are included here.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources that are restricted or designated for specific purposes.

The City has three kinds of funds:

- **Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial

resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. Governmental funds financial statements are on Exhibits C, D and E of this report.

The City adopts an annual budget for the General Fund, as required by State Statutes. A budgetary comparison statement is presented for the General Fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, and (d) the variance between the final budget and actual resources. Because the City's budgetary basis of accounting does not differ from the modified accrual basis used in the funds statements, reconciliation is not necessary at the end of the statement.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the Government-wide Statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. These internal service activities predominately benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements. Proprietary funds financial statements are on Exhibits F, G and H of this report.
- Fiduciary fund - The City is the trustee, or fiduciary, for the Law Enforcement Officers' Special Separation Allowance Pension Trust Fund. It is responsible for ensuring that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary fund financial statements are on Exhibits I and J 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 begin on page 54 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide benefits under the Law Enforcement Officers' Special Separation Allowance. Required supplementary information can be found on Exhibits K and L.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$99.2 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2005 and 2004 is presented below:

The City of Jacksonville's Net Assets (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 31.98	\$ 35.37	\$ 14.61	\$ 16.99	\$ 46.59	\$ 52.36
Capital assets	31.69	26.07	69.80	65.65	101.49	91.72
Total assets	63.67	61.44	84.41	82.64	148.08	144.08
Current and other liabilities	3.97	4.02	2.15	2.00	6.12	6.02
Noncurrent liabilities	10.78	12.19	31.94	32.33	42.72	44.52
Total liabilities	14.75	16.21	34.09	34.33	48.84	50.54
Net assets:						
Invested in capital assets, net of related debt	23.21	19.70	41.91	39.69	65.12	59.39
Restricted	2.27	2.50	-	-	2.27	2.50
Unrestricted	23.44	23.03	8.41	8.62	31.85	31.65
Total net assets	\$ 48.92	\$ 45.23	\$ 50.32	\$ 48.31	\$ 99.24	\$ 93.54

Government-wide net assets increased by \$5.7 million for the fiscal year ended June 30, 2005. The largest portion (65.6%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets (2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$31.9 million (32.1%) is unrestricted net assets and may be used to support operations and provide for payment of long-term debt.

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

Net assets of the governmental activities increased \$3.7 million, or 8.2 percent, to \$48.9 million. However, \$25.5 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). Unrestricted net assets of \$23.4 million increased \$.4 million from the previous year. The increase resulted from increases of ongoing revenues that exceed the increases in ongoing expenses.

The net assets of the business-type activities increased by \$2.0 million, or 4.2 percent, to \$50.3 million. These net assets will be used to finance the operations and expansion of the water, sewer, solid waste and storm water/water quality operations.

Changes in net assets. The following table presents the City's changes in net assets for the fiscal years ended June 30, 2005 and 2004:

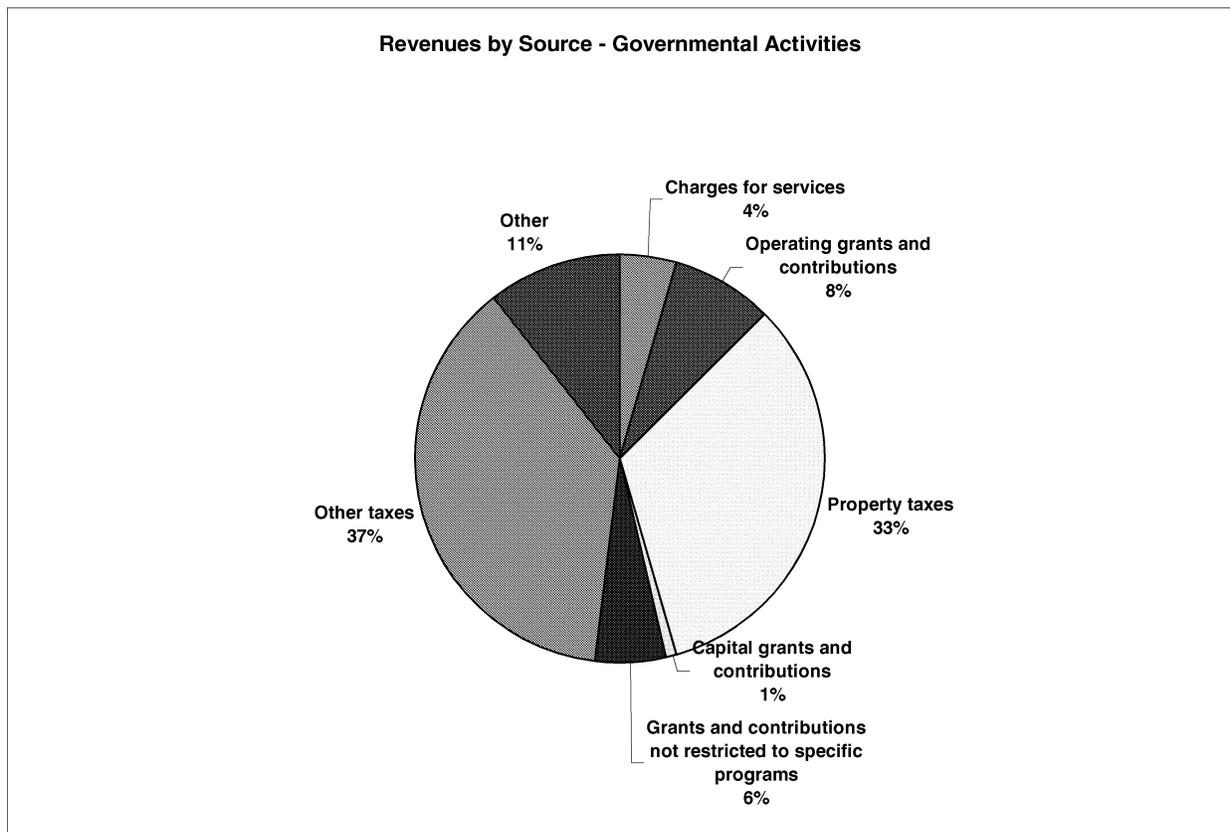
City of Jacksonville's Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1.54	\$ 1.37	\$ 13.50	\$ 10.97	\$ 15.04	\$ 12.34
Operating grants and contributions	2.79	3.70	-	-	2.79	3.70
Capital grants and contributions	0.28	-	0.84	2.61	1.12	2.61
General revenues:						
Property taxes	11.56	11.04	-	-	11.56	11.04
Other taxes	13.12	11.76	-	-	13.12	11.76
Grants and contributions not restricted to specific programs	1.92	2.02	-	-	1.92	2.02
Other	3.68	1.87	0.39	0.16	4.07	2.03
Total revenues	34.89	31.76	14.73	13.74	49.62	45.50
Expenses:						
General government	6.04	5.60	-	-	6.04	5.60
Public works	5.11	4.84	-	-	5.11	4.84
Public safety	13.27	12.43	-	-	13.27	12.43
Economic and physical development	0.51	0.84	-	-	0.51	0.84
Environmental protection	1.89	2.35	-	-	1.89	2.35
Cultural and recreational	2.71	2.46	-	-	2.71	2.46
Interest on long-term debt	0.35	0.45	-	-	0.35	0.45
Water and sewer	-	-	11.63	10.23	11.63	10.23
Solid waste	-	-	2.18	1.50	2.18	1.50
Stormwater/Water Quality	-	-	0.23	0.10	0.23	0.10
Total expenses	29.88	28.97	14.04	11.83	43.92	40.80
Increase in net assets before transfers	5.01	2.79	0.69	1.91	5.70	4.70
Transfers	(1.32)	(0.11)	1.32	0.11	-	-
Change in net assets	3.69	2.68	2.01	2.02	5.70	4.70
Net assets, July 1	45.23	42.55	48.31	46.29	93.54	88.84
Net assets, June 30	\$ 48.92	\$ 45.23	\$ 50.32	\$ 48.31	\$ 99.24	\$ 93.54

Total government-wide revenues of \$49.6 million were primarily derived from charges for services (30%), other taxes (26%) and property taxes (23%). These sources of revenues increased 13.1 percent from the prior year. All other revenue categories in the aggregate decreased 4.6 percent from the prior year mainly due to the decrease in capital grants and contributions.

The total expenses of all programs were \$43.9 million. The expenses cover a range of services with the two largest being public safety (fire and police) and water and sewer, which account for 30% and 26% of total expenses, respectively. Both programs increased expenses over the prior year due to increased activities with the City, such as homeland security and the maintenance and repair of water and sewer infrastructure.

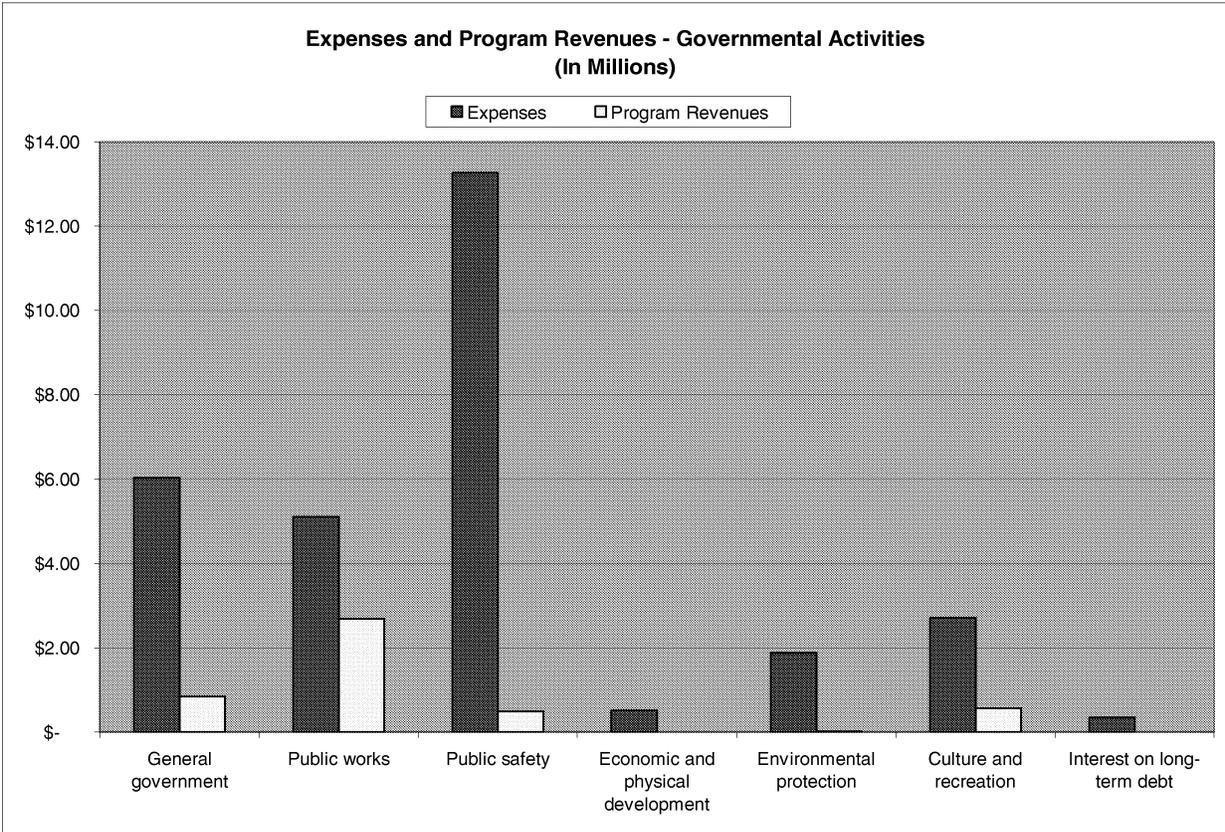
Governmental Activities



Property and other taxes (71%) continue to be the major source of revenues for governmental activities. Even though the property tax rate remained unchanged, property tax revenues increased \$.5 million or 4.7 percent.

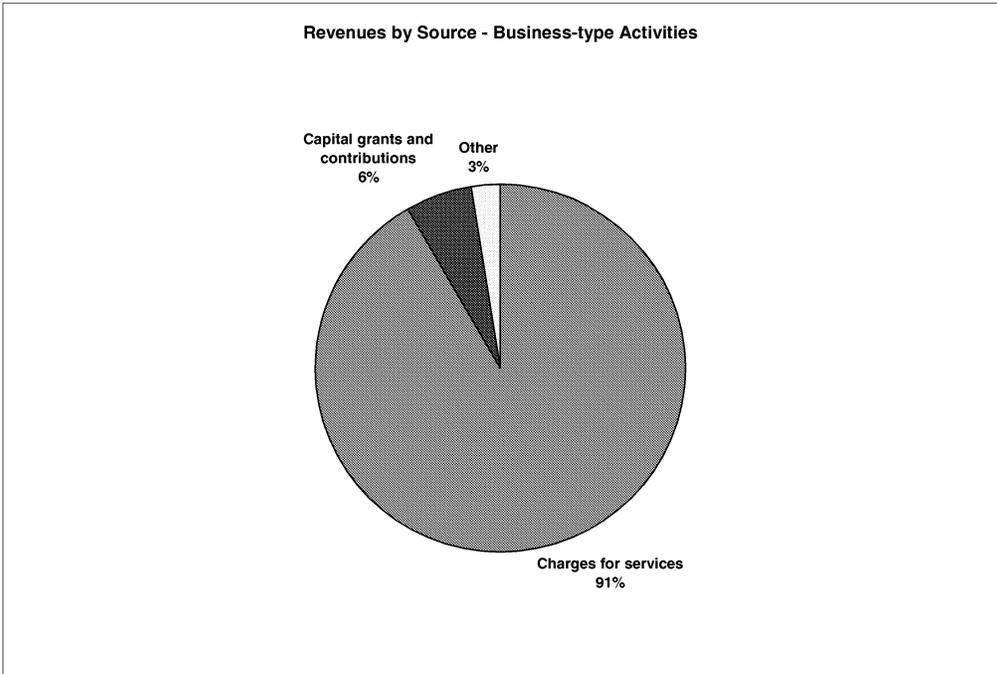
Governmental expenses of \$29.9 million cover a range of services with the largest continuing to be public safety for 44% in the current year. Public safety expenses increased 6.8% over the prior year due mainly to increases in employee compensation and benefits.

The chart on the next page highlights the net cost (total cost less fees generated by the activities and operating grants and contributions) of the City's governmental programs mainly public safety, general government and public works. The net cost shows the financial support provided by taxes and other general revenue sources not restricted to specific programs.



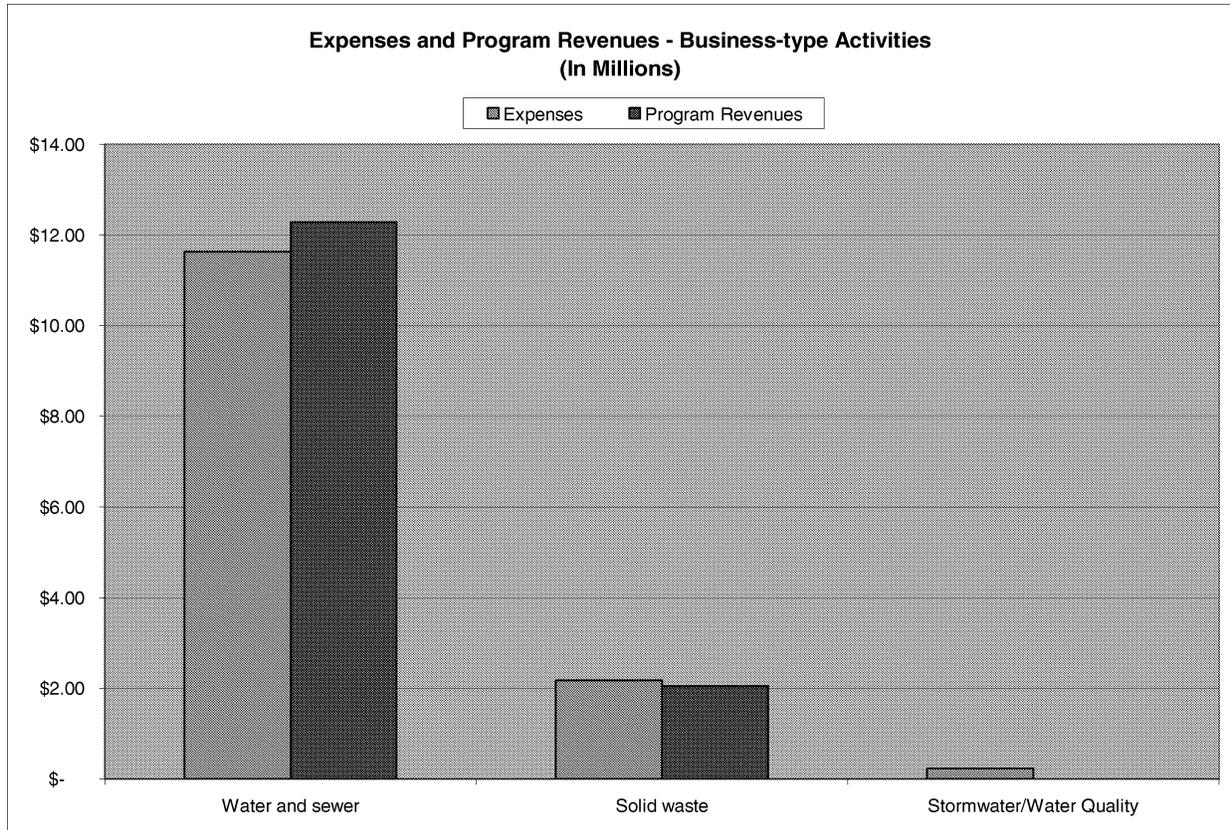
The total cost of governmental services of \$29.9 million was supported by \$1.5 million in fees, fines and charges from those who directly benefited from the programs. The increase in fees, fines and charges of 12.6% from the prior year related mainly to increased enforcement for privilege licenses. Another \$2.8 million was provided by other governments and organizations for specific programs. This decreased 24.6% due to the Community Development Program not drawing down any federal grant funds but rather using program income.

Business-type Activities



Revenues from the business-type activities were \$14.7 million, an increase of 7.2% from the prior year. The largest increase (23%) was in charges for services and resulted mainly from an increase in the sewer user fees to fund the expansion of the land application wastewater treatment plant.

The chart below highlights the net cost of the City’s business-type programs.



The Solidwaste Fund had a loss of \$101,377 which was covered by unrestricted net assets. This loss was the result of additional yard waste generated by residents and contractors. The City underwent an efficiency study of our entire sanitation, yard waste and white goods services which had recommendations for new user rates and fees. A discussion of how new user fees will be implemented in the future is discussed in the “Economic Factors and Next Year’s Budgets and Rates” section of the MD&A.

For all business-type activities except Storm Water/Water Quality, user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. Due to the numerous lawsuits across the United States challenging the legality of storm water fees, the City had not established a user fee to cover this mandated service at the close of the most recent fiscal year. A discussion of how a user fee will be implemented in the future is discussed in the “Economic Factors and Next Year’s Budgets and Rates” section of the MD&A.

The largest increase in expenses came from water and sewer (13.7%). This was mainly due to the increased costs for the maintenance and repair and general operational costs of the water and sewer system.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City 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. At June 30, 2005, the governmental funds reported a combined fund balance of \$ 25.8 million, a decrease of \$3.5 million or 12.1% under last year. This amount consists of the following:

(a) \$ 3.8 million reserved, designated, or unreserved for major capital projects

Major Capital Projects	\$ 3,750,093 [includes unreserved, undesignated (\$54,876)]
------------------------	---

(b) \$ 8.6 million reserved or designated for specific programs,

Non-major governmental:

Special Revenue	\$ 608,727
Capital Projects – Streets	5,015
Capital Reserve	4,854,928
Grantor	339,454
Drug Enforcement	422,885
Powell Bill	1,940,285 (less major capital included above)
Installment purchase	201,255
Compensating balance	150,000
U.S. Agencies	107,924
Reserved inventories	6,950
Reserved for prepaids	<u>3,512</u>
	<u>\$ 8,640,935</u>

(c) \$ 8.3 million reserved primarily for encumbrances and State Statutes, and

State Statute General Fund	\$ 4,362,687
Designated Subsequent Year's	
Expenditure General Fund	2,704,053
Encumbrances General Fund	338,746
Encumbrances non-major governmental:	
Special Revenue	<u>940,904</u>
	<u>\$ 8,346,390</u>

(d) \$ 5.1 million unreserved, undesignated.

General Fund	\$ 5,383,661
Non-major Special Revenue Fund	<u>(282,893)</u>
	<u>\$ 5,100,768</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$5.4million, while total fund balance reached \$14.1 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 for next fiscal year - 2006. Unreserved, undesignated fund balance represents 14.9 percent of

2006 total general fund expenditures, while total fund balance represents 38.8 percent of that same amount.

The fund balance of the general fund increased by \$.8 million during the current fiscal year. The key factor in this growth was an increase in additional sales tax distribution of \$1.3 million.

The major capital projects fund has a total fund balance of \$3.8 million, all of which is reserved for future capital projects. The net decrease of \$2.3 million came from expenditures utilizing available fund balance.

The non-major funds have a total fund balance of \$8 million, all of which is reserved for specific programs and streets-related capital projects. The net increase of \$5.6 million came from the Capital Reserve Fund no longer meeting the criteria of a Major Fund within the governmental funds.

Proprietary funds. Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amount to \$7.4 million in the Water and Sewer fund and \$1.0 million in the non-major enterprise funds (\$640,842 in the Solid Waste fund and \$342,423 in the Storm water/Water Quality fund). The total change in net assets for the funds was \$1.8 million, (\$.1 million) and \$.3 million, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services. There was a \$.4 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- General Government increases of \$.4 million resulted mainly from the encumbrance rollover budget from the prior year for the Growth Management Plan and a Long Range Transportation Plan.
- Public Works increases of \$.3 million resulted mainly from the encumbrance rollover budget from the prior year for outstanding purchases in the Streets Division, professional services for outside contracted engineering work and for the distribution of one-time payments for employees authorized by City Council originally budgeted in general government and after approval of the budget is then distributed to the other functions in the general fund.

- Public Safety increases of \$.1 million resulted mainly from the distribution of one-time payments for employees authorized by City Council originally budgeted in general government and after approval of the budget is then distributed to the other functions in the general fund.
- Environmental protection increases of \$.3 million resulted mainly from the encumbrance rollover budget from the prior year for the purchase of a Refuse Truck.
- Debt service decrease (\$.6 million) between the original budget and final budgeted amounts was the result of not issuing debt in 2005 for all anticipated governmental projects.

Additionally, the City Council approved several budget amendments that affected the other financing sources (uses) categorization.

- Transfers (out) occur mainly for the costs associated with obtaining grants (City match), a total of (\$.2 million) was transferred out for three new grants that required a City match. Additionally, in 2005, the federal and state drug funds were transferred out of the general fund and into a separate special revenue fund (\$.4 million); the Stormwater/Water Quality Fund received (\$.5 million) from the general fund to establish the utility until the user rate study is completed in 2006; and (\$.2 million) was transferred out to cover the costs of Hurricane Charley. All the additional funds transferred out were funded from appropriated fund balance.

General Fund Revenues exceeded budget amounts by 6% while the City's total expenditures for the year were 10% less than the budget. General Fund revenues and other sources were more than expenditures and other uses by \$.8 million contributing to an increase in fund balance. The \$1.6 million additional revenue above the final budgeted amount was mainly due to:

- Property tax collections, sales tax (other taxes and licenses), inspections fees (permits and fees) and investment earnings were \$.2 million, \$1.6 million, \$.2 million and \$.2 million greater than expected, respectively.
- Utility franchise tax (unrestricted intergovernmental revenues) and federal – 104F transportation grant (restricted intergovernmental revenues) were \$.3 million and \$.3 million less than expected, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the City had \$101.49 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings and infrastructure. This amount represents a net increase of \$9.8 million, or 10.65%, over last year. The summary of capital assets at June 30, 2005 and 2004 is presented on the following page:

**City of Jacksonville Capital Assets
(net of depreciation)
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 2.02	\$ 1.96	\$ 0.17	\$ 0.17	\$ 2.19	\$ 2.13
Buildings	9.13	4.65	42.94	43.02	52.07	47.67
Improvements other than buildings	2.93	3.07	22.34	20.69	25.27	23.76
Equipment	1.62	1.60	1.71	0.54	3.33	2.14
Heavy equipment	0.05	0.05	0.08	0.12	0.13	0.17
Vehicles	1.67	1.78	0.26	0.23	1.93	2.01
Infrastructure	11.32	8.89	-		11.32	8.89
Construction in progress	2.95	4.07	2.30	0.88	5.25	4.95
Total	\$ 31.69	\$ 26.07	\$ 69.80	\$ 65.65	\$ 101.49	\$ 91.72

This year's major capital asset additions included:

- Donated water and sewer systems - \$.8 million
- Donated streets - \$1.6 million
- Water distribution systems - \$3 million
- Construction in progress – Water Distribution - \$.8 million
- Wastewater treatment and sewage collection - \$3.2 million
- Construction in progress – Sewer collection - \$.8 million
- Governmental building and infrastructure - \$3.6 million

At June 30, 2005, authorized and unexpended capital projects totaled \$65.15 million. The City plans to issue additional debt to finance these projects in addition to using resources currently available. The authorized and unexpended capital projects are as follows:

- Governmental \$ 22.60 million
- Water and Sewer \$ 42.51 million
- Internal Service (ITS) \$.04 million

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2005, the City had \$41.57 million of debt outstanding in installment purchases and revolving loans to the State of North Carolina. This was a decrease of \$1.81 million, or 4.2 %, over last year. Details by type of debt are presented on the following page:

City of Jacksonville
Outstanding Debt
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Installment Purchases	\$ 9.75	\$ 11.16	\$ 16.26	\$ 16.09	\$ 26.01	\$ 27.25
Loans	-	-	15.56	16.13	15.56	16.13
Total	\$ 9.75	\$ 11.16	\$ 31.82	\$ 32.22	\$ 41.57	\$ 43.38

New debt for 2005 resulted from installment purchases and loans for:

Major Capital Projects	\$ 193,116
Country Club Sewer Loan	890,408
Water/Sewer Lines	864,690
Vehicles & Equipment	
General Fund	1,188,136
Stormwater/Water Quality	121,799
Water/Sewer	886,307
Fleet equipment	51,500
ITS equipment	90,200
	<u>\$ 4,286,156</u>

As indicated in the financial highlights, the City's sound financial condition is evidenced by the continuation of its A2 bond rating from Moody's Investors Service and A+ rating from Standard & Poor's Ratings Services. This is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2005, was \$145.1 million.

More detailed information about the City's long-term obligations is presented in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic indicators impact the City's budget outlook:

- During fiscal year 2005, 25 nonresidential and 404 residential units were constructed with a value of \$78.5 million compared to \$58.1 million for 2004.
- Retail sales during 2005 were \$1.13 billion compared to \$1.08 billion for 2004, a 4 percent increase.
- The June 2005 unemployment rate was 6.0 percent compared to 5.3 percent for the state and 5.0 percent for the nation.

Property tax receipts remain stable despite the City's property tax rate being two cents lower than it was in 1990. Although the City has experienced additional growth due to new construction over this time period, the cost of providing services to support this has grown as well. Additionally, the increased costs for unfunded mandates, such as homeland security and storm water management, are placing pressures on the City's existing revenue base.

During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$5.4 million. This \$5.4 million is the balance remaining after the \$2.7 million the City appropriated for spending in the 2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2006 fiscal year.

The General Fund initial budget for 2006 increased 2% from \$35.1 million to \$35.9 million. The projected increase in revenues is \$.8 million in sales tax.

The following are highlights for the 2006 budgets for the business-type activities:

- The average residential water rate will increase 17 percent. This translates into the average water customer paying \$11.37 per month versus \$9.70.
- As mentioned previously, the City has implemented a storm water fund in reaction to the mandated National Pollutant Discharge Elimination System (NPDES) rules. The City will be moving toward an impervious area fee to fund this mandate in 2006, thereby reducing the reliance on the general fund's fund balance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Jacksonville's Finance Department, 815 New Bridge Street, P.O. Box 128, Jacksonville, NC 28541-0128.

BASIC FINANCIAL STATEMENTS

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

City of Jacksonville, North Carolina

Exhibit A

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 21,083,256	\$ 8,417,850	\$ 29,501,106
Restricted cash and cash equivalents	4,259,825	3,861,848	8,121,673
Receivables:			
Taxes (net)	934,542	-	934,542
Accrued interest on taxes	146,079	-	146,079
Accounts receivable (net)	4,353,535	1,577,316	5,930,851
Notes receivable	1,141,405	-	1,141,405
Inventories	57,829	761,650	819,479
Prepaid items	3,512	-	3,512
Internal balances	5,639	(5,639)	-
Capital Assets:			
Land	2,022,088	170,725	2,192,813
Buildings and other structures	15,655,320	69,798,739	85,454,059
Improvements other than buildings	3,655,995	46,367,640	50,023,635
Equipment	7,447,869	2,472,419	9,920,288
Heavy Equipment	602,568	437,901	1,040,469
Vehicles	8,720,529	799,550	9,520,079
Infrastructure	19,319,120	-	19,319,120
Construction in progress	2,952,611	2,297,822	5,250,433
Less accumulated depreciation	(28,687,386)	(52,548,628)	(81,236,014)
Total Assets	<u>63,674,336</u>	<u>84,409,193</u>	<u>148,083,529</u>
Liabilities			
Accounts payable and accrued liabilities	3,544,869	1,628,312	5,173,181
Due to Fiduciary Fund	15	-	15
Customer deposits	124,977	396,583	521,560
Unearned revenue	301,816	126,484	428,300
Noncurrent Liabilities:			
Due within one year	2,744,091	3,364,358	6,108,449
Due in more than one year	8,036,396	28,576,259	36,612,655
Total Liabilities	<u>14,752,164</u>	<u>34,091,996</u>	<u>48,844,160</u>
Net Assets			
Invested in capital assets, net of related debt	23,213,667	41,903,685	65,117,352
Restricted:			
Public Works	2,042,767	-	2,042,767
Public Safety	231,003	-	231,003
Unrestricted	23,434,735	8,413,512	31,848,247
Total Net Assets	<u>\$ 48,922,172</u>	<u>\$ 50,317,197</u>	<u>\$ 99,239,369</u>

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 6,035,971	\$ 558,842	\$ 285,879	\$ -
Public works	5,113,799	645,046	2,040,999	-
Public safety	13,273,334	62,684	418,462	13,733
Economic and physical development	511,075	-	1,000	-
Environmental protection	1,886,369	-	17,246	-
Cultural and recreational	2,708,993	269,760	25,891	270,549
Interest on long-term debt	348,277	-	-	-
Total governmental activities	<u>29,877,818</u>	<u>1,536,332</u>	<u>2,789,477</u>	<u>284,282</u>
Business-type Activities:				
Water and Sewer	11,631,347	11,441,475	-	843,689
Solid Waste	2,179,578	2,054,850	-	-
Stormwater/Water Quality	227,645	-	-	-
Total business-type activities	<u>14,038,570</u>	<u>13,496,325</u>	<u>-</u>	<u>843,689</u>
Total primary government	<u>\$ 43,916,388</u>	<u>\$ 15,032,657</u>	<u>\$ 2,789,477</u>	<u>\$ 1,127,971</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes:

Sales tax

E-911 surcharge

Franchise tax

Gross receipts tax on short term vehicle leases

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets-beginning

Net assets-ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental	Business-type	
Activities	Activities	Total
\$ (5,191,250)	\$ -	\$ (5,191,250)
(2,427,754)	-	(2,427,754)
(12,778,455)	-	(12,778,455)
(510,075)	-	(510,075)
(1,869,123)	-	(1,869,123)
(2,142,793)	-	(2,142,793)
(348,277)	-	(348,277)
<u>(25,267,727)</u>	<u>-</u>	<u>(25,267,727)</u>
-	653,817	653,817
-	(124,728)	(124,728)
-	(227,645)	(227,645)
-	301,444	301,444
<u>(25,267,727)</u>	<u>301,444</u>	<u>(24,966,283)</u>
11,558,873	-	11,558,873
12,355,252	-	12,355,252
380,125	-	380,125
298,129	-	298,129
78,488	-	78,488
1,923,562	-	1,923,562
594,463	234,690	829,153
3,079,850	150,805	3,230,655
(1,316,668)	1,316,668	-
<u>28,952,074</u>	<u>1,702,163</u>	<u>30,654,237</u>
3,684,347	2,003,607	5,687,954
45,237,825	48,313,590	93,551,415
<u>\$ 48,922,172</u>	<u>\$ 50,317,197</u>	<u>\$ 99,239,369</u>

City of Jacksonville, North Carolina
Balance Sheet - Governmental Funds

Exhibit C

June 30, 2005

	<u>Major</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Total Non- Major Funds</u>	
Assets				
Cash and cash equivalents	\$ 11,330,475	\$ 3,071,536	\$ 5,985,218	\$ 20,387,229
Restricted cash and cash equivalents	1,341,232	1,077,524	1,841,069	4,259,825
Taxes receivable (net)	934,542	-	-	934,542
Accounts receivable (net)	4,142,019	128,597	81,728	4,352,344
Interfund receivable	220,734	-	-	220,734
Inventories	6,950	-	-	6,950
Prepaid items	3,512	-	-	3,512
Notes receivable	-	-	1,141,405	1,141,405
Total assets	\$ 17,979,464	\$ 4,277,657	\$ 9,049,420	\$ 31,306,541
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,140,162	\$ 365,602	\$ 976,538	\$ 3,482,302
Interfund payable	238,029	161,962	48,747	448,738
Compensated absences payable	77,727	-	-	77,727
Customer deposits	124,977	-	-	124,977
Deferred revenues	1,021,061	-	11,734	1,032,795
Unearned revenues	301,816	-	-	301,816
Total liabilities	3,903,772	527,564	1,037,019	5,468,355
Fund balances:				
Reserved by state statute	4,362,687	-	-	4,362,687
Reserved by grantor	-	-	339,454	339,454
Reserved for compensating balance	150,000	-	-	150,000
Reserved for encumbrances	338,746	1,784,070	940,904	3,063,720
Reserved for inventories	6,950	-	-	6,950
Reserved for installment purchase	201,255	-	-	201,255
Reserved for Powell Bill	856,241	3,491	1,084,044	1,943,776
Reserved for prepaid items	3,512	-	-	3,512
Reserved for drug enforcement	4,593	-	418,292	422,885
Reserved for US agencies	63,994	-	43,930	107,924
Unreserved:				
Designated for subsequent year's expenditures:				
General Fund	2,704,053	-	-	2,704,053
Special Revenue	-	-	608,727	608,727
Capital Projects - Streets	-	-	5,015	5,015
Capital Projects	-	2,017,408	4,854,928	6,872,336
Unreserved, undesignated reported in:				
General Fund	5,383,661	-	-	5,383,661
Capital Projects (deficit)	-	(54,876)	-	(54,876)
Special Revenue funds (deficit)	-	-	(282,893)	(282,893)
Total fund balances	14,075,692	3,750,093	8,012,401	25,838,186
Total liabilities and fund balances	\$ 17,979,464	\$ 4,277,657	\$ 9,049,420	\$ 31,306,541

The accompanying notes are an integral part of the financial statements.

Continued on next page.

City of Jacksonville, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005

Exhibit C,
continued.

Total fund balances for governmental funds	\$ 25,838,186
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	31,688,713
Adjustment for assets attributable to internal service funds	(850,183)
Other long-term assets are not available to pay for current-period expenditures and therefore are:	
Deferred Revenue	1,032,795
Accrued interest on Property Taxes - Statement of Net Assets	146,079
Internal service funds are used to charge the costs of Technology, Janitorial and Fleet Maintenance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	1,092,559
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(10,780,487)
Adjustment for internal service funds installment purchases and noncurrent portion of vacation pay	676,783
Adjustment for current portion of vacation pay	77,727
	\$ 48,922,172

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Exhibit D

For the Fiscal Year Ended June 30, 2005

	<u>Major</u>		<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	
Revenues:				
Ad valorem taxes	\$ 11,436,903	\$ -	\$ -	\$ 11,436,903
Other taxes and licenses	13,285,661	-	-	13,285,661
Unrestricted intergovernmental revenues	1,925,113	-	-	1,925,113
Restricted intergovernmental revenues	2,161,997	212,110	899,098	3,273,205
Permits and fees	674,892	-	-	674,892
Sales and services	328,873	-	-	328,873
Investment earnings	350,328	72,438	180,594	603,360
Miscellaneous	154,852	17,350	649,990	822,192
Total revenues	<u>30,318,619</u>	<u>301,898</u>	<u>1,729,682</u>	<u>32,350,199</u>
Expenditures:				
Current:				
General government	5,758,657	-	-	5,758,657
Public works	4,132,652	120,023	1,310,976	5,563,651
Public safety	12,232,694	499	848,183	13,081,376
Environmental protection	1,860,165	-	-	1,860,165
Cultural and recreational	2,096,123	68,139	-	2,164,262
Economic and physical development	-	-	506,973	506,973
Capital outlay	-	4,193,020	-	4,193,020
Debt service:				
Principal retirement	2,405,390	-	128,574	2,533,964
Interest and fees	306,768	-	41,509	348,277
Total expenditures	<u>28,792,449</u>	<u>4,381,681</u>	<u>2,836,215</u>	<u>36,010,345</u>
Revenues over (under) expenditures	<u>1,526,170</u>	<u>(4,079,783)</u>	<u>(1,106,533)</u>	<u>(3,660,146)</u>
Other financing sources (uses):				
Debt issued	1,188,136	193,116	-	1,381,252
Sales of capital assets	54,722	-	-	54,722
Transfers in	1,140,748	1,639,511	2,919,337	5,699,596
Transfers (out)	<u>(3,090,766)</u>	<u>(115,688)</u>	<u>(3,808,213)</u>	<u>(7,014,667)</u>
Total other financing sources (uses)	<u>(707,160)</u>	<u>1,716,939</u>	<u>(888,876)</u>	<u>120,903</u>
Net change in fund balances	819,010	(2,362,844)	(1,995,409)	(3,539,243)
Fund balances:				
Beginning of year, July 1	<u>13,256,682</u>	<u>6,112,937</u>	<u>10,007,810</u>	<u>29,377,429</u>
End of year, June 30	<u>\$ 14,075,692</u>	<u>\$ 3,750,093</u>	<u>\$ 8,012,401</u>	<u>\$ 25,838,186</u>

The accompanying notes are an integral part of the financial statements.

Continued on next page.

City of Jacksonville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Exhibit D,
continued.

Net change in fund balances - total governmental funds \$ (3,539,243)

The changes in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Increase in purchased Capital Assets net of decrease in construction in progress	9,051,900
Adjustment for increases attributable to Internal Service Funds	(249,780)
Depreciation Expense	(3,436,669)
Adjustment for expense attributable to Internal Service Funds	498,673

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets:

Gain on the Sale of Capital Assets	54,722
Proceeds from the Sale of Capital Assets	(54,722)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

(Decrease) in Beer & Wine Tax	(1,551)
Increase in Deferred Property Tax revenue	107,404
Increase in Accrued Interest on Taxes	14,565
Increase in Investment Interest	17,616

The issuance of long-term liabilities (e.g., installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets in the government-wide statements. This amount is the net effect of these differences in the treatment of long-term liabilities:

Additions to Long-Term Liabilities	(1,522,952)
Adjustment for additions attributable to Internal Service Funds	141,700
Retirements of Long-Term Liabilities	2,934,397
Adjustment for retirements attributable to Internal Service Funds	(400,433)

Internal service funds are used to charge the costs of technology, janitorial, and fleet maintenance costs to individual funds. The net revenue of certain activities of the internal service funds are reported with the governmental activities

68,720

Changes in net assets of governmental activities \$ 3,684,347

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
General Fund Annually Budgeted Major Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2005

Exhibit E

	Budget - Original	Budget - Final	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 11,220,260	\$ 11,220,260	\$ 11,436,903	\$ 216,643
Other taxes and licenses	11,728,132	11,728,132	13,285,661	1,557,529
Unrestricted intergovernmental revenues	2,175,723	2,175,723	1,925,113	(250,610)
Restricted intergovernmental revenues	2,170,703	2,463,393	2,161,997	(301,396)
Permits and fees	520,900	520,900	674,892	153,992
Sales and services	293,302	313,302	328,873	15,571
Investment earnings	180,000	180,000	350,328	170,328
Miscellaneous	131,620	128,570	154,852	26,282
Total revenues	28,420,640	28,730,280	30,318,619	1,588,339
Expenditures:				
Current:				
General government	6,100,925	6,382,959	5,758,657	624,302
Public works	4,705,069	4,974,157	4,132,652	841,505
Public safety	12,746,961	12,864,060	12,232,694	631,366
Environmental protection	1,626,114	1,908,500	1,860,165	48,335
Cultural and recreational	2,178,886	2,214,099	2,096,123	117,976
Debt service:				
Principal retirement	3,376,112	2,944,180	2,405,390	538,790
Interest and fees	868,039	739,676	306,768	432,908
Total expenditures	31,602,106	32,027,631	28,792,449	3,235,182
Revenues over (under) expenditures	(3,181,466)	(3,297,351)	1,526,170	4,823,521
Other financing sources (uses):				
Appropriated fund balance	1,394,665	3,129,711	-	(3,129,711)
Debt issued	1,340,243	1,188,136	1,188,136	-
Sales of general capital assets	130,000	135,200	54,722	(80,478)
Transfers in	2,083,968	1,935,072	1,140,748	(794,324)
Transfers (out)	(1,767,410)	(3,090,768)	(3,090,766)	2
Total other financing sources (uses)	3,181,466	3,297,351	(707,160)	(4,004,511)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	819,010	\$ 819,010
Fund balances:				
Beginning of year, July 1			13,256,682	
End of year, June 30			\$ 14,075,692	

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Proprietary Funds
Statement of Net Assets
June 30, 2005

Exhibit F

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Non-Major Enterprise Funds	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 7,294,670	\$ 1,123,180	\$ 8,417,850	\$ 696,027
Accounts receivable (net)	1,404,169	173,148	1,577,317	1,191
Interfund receivables	28,388	1,889	30,277	249,073
Inventories	761,650	-	761,650	50,879
Total Current Assets	9,488,877	1,298,217	10,787,094	997,170
Noncurrent Assets:				
Restricted cash and cash equivalents	3,861,848	-	3,861,848	-
Land and other non-depreciable assets	2,468,546	-	2,468,546	-
Other capital assets, net of depreciation	67,298,163	29,459	67,327,622	850,183
Total Noncurrent Assets	73,628,557	29,459	73,658,016	850,183
Total Assets	83,117,434	1,327,676	84,445,110	1,847,353
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	1,383,237	245,075	1,628,312	62,566
Compensated absences payable - current	16,969	-	16,969	-
Interfund payable	34,925	992	35,917	15,445
Installment purchases payable - current	1,843,924	40,216	1,884,140	363,542
Loans payable - current	1,463,249	-	1,463,249	-
Total Current Liabilities	4,742,304	286,283	5,028,587	441,553
Noncurrent Liabilities:				
Compensated absences payable - noncurrent	100,432	3,087	103,519	59,856
Unearned revenue	126,484	-	126,484	-
Customer deposits	396,583	-	396,583	-
Installment purchases payable - noncurrent	14,324,337	55,041	14,379,378	253,385
Loans payable - noncurrent	14,093,362	-	14,093,362	-
Total Noncurrent Liabilities	29,041,198	58,128	29,099,326	313,241
Total Liabilities	33,783,502	344,411	34,127,913	754,794
Net Assets				
Invested in capital assets, net of related debt	41,903,685	-	41,903,685	233,256
Unrestricted	7,430,247	983,265	8,413,512	859,303
Total Net Assets	\$ 49,333,932	\$ 983,265	\$ 50,317,197	\$ 1,092,559

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Proprietary Funds

Exhibit G

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Non-Major Enterprise Funds	Total	
Operating revenues:				
Charges for services	\$ 11,441,475	\$ 2,054,850	\$ 13,496,325	\$ 3,059,256
Miscellaneous	-	243	243	3,853
Total operating revenues	<u>11,441,475</u>	<u>2,055,093</u>	<u>13,496,568</u>	<u>3,063,109</u>
Operating expenses:				
Solid Waste Fund	-	2,179,578	2,179,578	-
Water Quality	-	221,160	221,160	-
Water/Sewer Operations	3,419,113	-	3,419,113	-
Water Supply	703,219	-	703,219	-
Wastewater Treatment	1,405,637	-	1,405,637	-
Fleet Maintenance Operations	-	-	-	1,066,417
City Hall Maintenance Operations	-	-	-	86,341
Information Technology Services Operations	-	-	-	1,355,628
Depreciation	4,835,775	5,021	4,840,796	498,673
Total operating expenses	<u>10,363,744</u>	<u>2,405,759</u>	<u>12,769,503</u>	<u>3,007,059</u>
Operating income (loss)	<u>1,077,731</u>	<u>(350,666)</u>	<u>727,065</u>	<u>56,050</u>
Nonoperating revenues (expenses):				
Investment earnings	211,339	23,351	234,690	24,491
Assessments collected	919	-	919	-
Interest collected on assessments	157	-	157	-
Gain on sale of capital assets	20,873	-	20,873	9,895
Interest on long-term debt	(1,267,603)	(1,464)	(1,269,067)	(20,120)
Refunds	128,613	-	128,613	-
Total nonoperating revenues (expenses)	<u>(905,702)</u>	<u>21,887</u>	<u>(883,815)</u>	<u>14,266</u>
Income (loss) before capital contributions and transfers	<u>172,029</u>	<u>(328,779)</u>	<u>(156,750)</u>	<u>70,316</u>
Capital contributions:				
State Clean Water Revolving grant	68,715	-	68,715	-
Developer contributions	774,974	-	774,974	-
Total capital contributions	<u>843,689</u>	<u>-</u>	<u>843,689</u>	<u>-</u>
Income (loss) before transfers	<u>1,015,718</u>	<u>(328,779)</u>	<u>686,939</u>	<u>70,316</u>
Transfers:				
Transfers in	771,344	572,748	1,344,092	-
Transfers (out)	(13,319)	(14,105)	(27,424)	(1,596)
Total transfers	<u>758,025</u>	<u>558,643</u>	<u>1,316,668</u>	<u>(1,596)</u>
Change in Net Assets	1,773,743	229,864	2,003,607	68,720
Net Assets:				
Beginning of year, July 1	<u>47,560,189</u>	<u>753,401</u>	<u>48,313,590</u>	<u>1,023,839</u>
End of year, June 30	<u>\$ 49,333,932</u>	<u>\$ 983,265</u>	<u>\$ 50,317,197</u>	<u>\$ 1,092,559</u>

The accompanying notes are an integral part of the financial statements.

**City of Jacksonville, North Carolina
Combined Statement of Cash Flows**

Exhibit H

All Proprietary Fund Types

For the Fiscal Year Ended June 30, 2005

	Enterprise Funds			
	Water and Sewer Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 11,310,728	\$ 1,981,433	\$ 13,292,161	\$ -
Cash receipts from quasi-external operating transactions	-	-	-	3,063,109
Cash payments for quasi-external operating transactions	-	-	-	(2,850,243)
Cash paid for goods and services	(3,409,689)	(2,121,054)	(5,530,743)	-
Cash paid to employees	(2,895,037)	(135,368)	(3,030,405)	-
Customer deposits	14,027	-	14,027	-
Net cash provided (used) by operating activities	5,020,029	(274,989)	4,745,040	212,866
Cash flows from noncapital financing activities:				
Transfers in	758,025	558,643	1,316,668	-
Net cash provided by noncapital related financing activities	758,025	558,643	1,316,668	-
Cash flows from capital and related financing activities:				
Contributions	68,715	-	68,715	-
Principal paid on long-term debt	(3,131,331)	(26,542)	(3,157,873)	(400,433)
Interest paid on long-term debt	(1,267,603)	(1,465)	(1,269,068)	(20,120)
Debt issued	2,641,405	121,799	2,763,204	141,700
Purchase of capital assets	(8,181,750)	(34,480)	(8,216,230)	(251,376)
Proceeds from sale of capital assets	26,674	-	26,674	9,895
Assessments collected	919	-	919	-
Interest collected on assessments	157	-	157	-
Refunds	128,613	-	128,613	-
Net cash provided (used) by capital and related financing activities	(9,714,201)	59,312	(9,654,889)	(520,334)
Cash flows from investing activities:				
Interest earned on investment	211,339	23,351	234,690	24,491
Net cash provided by investing activities	211,339	23,351	234,690	24,491
Net increase (decrease) in cash and cash equivalents	(3,724,808)	366,317	(3,358,491)	(282,977)
Cash and cash equivalents, July 1	14,881,326	756,863	15,638,189	979,004
Cash and cash equivalents, June 30	\$ 11,156,518	\$ 1,123,180	\$ 12,279,698	\$ 696,027

Reconciliation to Exhibit F—	Enterprise Funds	Internal Service Fund
Cash and cash equivalents	\$ 8,417,850	\$ 696,027
Restricted cash and cash equivalents	3,861,848	-
	\$ 12,279,698	\$ 696,027

Continued on next page.

City of Jacksonville, North Carolina
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2005

Exhibit H,
continued.

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 1,077,731	\$ (350,666)	\$ 727,065	\$ 56,050
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,835,775	5,021	4,840,796	498,673
Bad debt expense	39,778	1,484	41,262	-
Change in assets and liabilities:				
Increase (decrease) in accrued vacation pay/payroll	9,589	803	10,392	16,484
(Increase) decrease in prepaid expenses	250	142,930	143,180	2,390
Increase (decrease) in accounts payable	(9,106)	896	(8,210)	(76,636)
Increase (decrease) in interfund payables	(316,557)	-	-	(30,575)
(Increase) decrease in accounts receivable	(117,980)	(74,096)	(192,076)	-
(Increase) decrease in interfund receivables	(13,705)	(1,361)	(15,066)	(245,062)
(Increase) decrease in inventories	(500,711)	-	(500,711)	(8,458)
Increase (decrease) in deferred revenues	938	-	938	-
Increase (decrease) in customer deposits	14,027	-	14,027	-
Total adjustments	<u>3,942,298</u>	<u>75,677</u>	<u>4,017,975</u>	<u>156,816</u>
Net cash provided (used) by operating activities	<u>\$ 5,020,029</u>	<u>\$ (274,989)</u>	<u>\$ 4,745,040</u>	<u>\$ 212,866</u>
Noncash investing, capital, and financing activities:				
Capital contributed by developers	<u>\$ 774,974</u>	<u>\$ -</u>	<u>\$ 774,974</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Fund
 June 30, 2005

Exhibit I

	Special Separation Allowance Pension Trust
Assets	
Cash	\$ 54,695
Investments at face value -	
Commercial paper	365,000
Interfund receivable	15
Total Assets	419,710
Liabilities	
Accounts payable	8,593
Total Liabilities	8,593
Net Assets	
Assets held in trust for pension benefits	411,117
Total Net Assets	\$ 411,117

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

Exhibit J

	Special Separation Allowance Pension Trust Fund
Additions:	
Employer contributions	\$ 136,127
Interest	9,571
Total additions	145,698
 Deductions:	
Benefits	148,200
Total deductions	148,200
Net decrease	(2,502)
 Net assets reserved for employees' pension benefit:	
Beginning of year	413,619
End of year	\$ 411,117

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

The financial statements of City of Jacksonville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Jacksonville is a municipal corporation governed by an elected Mayor and a six-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

B. Basis of Presentation

Government-wide and Fund Financial 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate Fund 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 proprietary funds are reported in separate columns in the Fund Financial Statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements and summarized below by fund types: governmental, proprietary, and fiduciary.

Governmental Funds are used to account for the City's general governmental activities. The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, sanitation, parks and recreation, streets and highways, and general government services.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or fiduciary funds). The City has 29 Capital Projects within the Major Capital Projects Fund: Rails to Trails, City Hall Expansion, Sturgeon City, Citywide Landscaping, Sturgeon City Park, Police Remodeling, NC24 Culvert Trail, Marine Corps Museum, Wilson Bay Initiative, Downtown Redevelopment, Smithfield Grant/Wilson Bay, Vietnam Veterans Memorial, Youth Center, Fire Training Facility, Traffic Signal Preemption, Demolition, Country Club Park, Richard Ray All America Park, Civic Facility, Jacksonville Commons Phase II, Sturgeon City Boardwalk II, Woodlands Park, Northeast Creek Park Phase II, Wilson Bay Park Phase I, Reserve Ladder Truck Replacement, Country Club Road Widening, West Gum Branch Fire Station, Indoor Facility Brynn Marr, and Fire Training Equipment.

Proprietary Funds include the following major fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the water and sewer activities of the City. The Water Capital Projects Fund, the Sewer Capital Projects Fund and the Water/Sewer Capital Reserve Fund are consolidated with the Water and Sewer Fund (the operating fund) for financial reporting purposes.

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City of Jacksonville has three Internal Service Funds: the Fleet Maintenance Fund, the City Hall Maintenance Fund and the Information Technology Services Fund. The Information Technology Services Capital Project Fund is consolidated with the Information Technology Services Fund for financial reporting purposes. The Internal Service Funds are accounted for in the governmental activities in the government-wide financial statements and individual fund data is provided in the Internal Service Funds Section of the report.

Fiduciary Funds account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary Funds include the following fund:

Pension Trust Fund - Fiduciary fund types are custodial in nature and do not involve measurement of the City's operations. The City has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except property taxes for which a 60-day criteria is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Compensated absences and principal and interest on long-term debt are recorded as fund liabilities: 1) when due, and 2) for payments made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Depreciation of capital assets is not recognized as an expenditure.

The City generally considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as

a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, the net receivable amount is offset by a deferred revenue. Onslow County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county. For those motor vehicles registered under the staggered system, property taxes are 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. Therefore, taxes for vehicles registered in Onslow County from March, 2004 through February, 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. Those taxes for vehicles registered from March 1, 2005, through the fiscal year-end apply to the fiscal year 2005-2006 and are not shown as receivables at June 30, 2005. For those motor vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which the interest begins to accrue both were prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the City's operations during the 2005-2006 fiscal year.

Those revenues susceptible to accrual are sales taxes collected and held by the State at year-end on behalf of the City, sales and services and investment earnings. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Other intergovernmental revenues are not susceptible to accrual because generally they are not measurable and available until received in cash.

Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs in accordance with grant guidelines which vary by funding source.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

The City reports deferred revenue on its balance sheet for governmental funds. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgetary Data

The City's budgets are adopted as required by North Carolina General Statute. An annual budget ordinance is adopted for the General Fund and operating Enterprise Funds. All annual appropriations lapse at fiscal year-end. Grant project ordinances are adopted for the Non-Major Governmental Funds and project ordinances are adopted for the Capital Reserve Fund and Capital Project Funds. The City's Internal Service Funds operate under an approved financial plan and not a budget ordinance. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting method used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund, Non-Major Governmental Funds, Enterprise Funds, and at the fund level for the Capital Reserve Fund and Capital Project Funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety. The balances in the Capital Reserve Capital Project Fund will be appropriated and transferred to another Capital Project Fund in accordance with the project ordinance adopted for the reserve fund. The City Manager is authorized by the budget ordinance to transfer appropriations up to \$5,000; however, any revisions that exceed the \$5,000 at the functional level of the General Fund, Non-Major Governmental Fund, Enterprise Funds and the fund level for the Capital Project Funds or revisions that alter total expenditures of any fund must be approved by the City Council. During the year, several amendments to the original budget became necessary, the effects of which were not material.

A budget calendar is included in State law that prescribes the last day on which certain steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 Each department head will transmit to the budget officer the departmental budget requests and revenue estimates for the budget year.
- June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 The budget ordinance shall be adopted by the governing board.

As required by State law, the City's Internal Service Funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board.

E. Deposits and Investments

All deposits of the City are made in council-designated official depositories and are secured as required by G.S. 159-31. The City may designate as an official depository any bank or savings and loan 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, an SEC registered (2a-7) money market mutual fund.

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 NCCMT cash portfolio's securities 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 and non-participating interest earnings and investment contracts are reported at amortized cost.

F. Cash and Cash Equivalents

The City pools moneys from several funds, except the Pension Trust Fund, 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.

G. Restricted Assets

The unexpended Powell Bill and E-911 revenue are classified as restricted assets in governmental funds because the use is completely restricted by State law. Also, State and Federal Drug Enforcement assets are recorded as restricted assets since their use is restricted by law.

The unexpended debt proceeds in any fund are classified as restricted assets because their use is completely restricted to the purpose for which the notes were originally issued.

Also included in restricted assets are a Certificate of Deposit held, as a compensating balance, by our primary banking institution and sureties held for developers who have not completed infrastructure improvements in subdivisions that are under construction.

The detail of these balances is as follows:

Governmental Activities:

Powell Bill	\$ 2,041,566
E-911 Revenue	226,410
Drug Enforcement Assets	437,418
Unexpended Debt Proceeds	1,275,288
Compensating Balance	150,000
Customer Deposits	124,977
Other	4,166
	<u>\$ 4,259,825</u>

Business-Type Activities:

Unexpended Debt Proceeds	<u>\$ 3,861,848</u>
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H. Ad Valorem Taxes Receivable and Unearned/Deferred Revenues

In accordance with State law [G.S. 105-347 and 159-13(a)], the City levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September 1, the lien date; however, no interest or penalties are assessed until the following January 6. The current year's tax levy is based on the assessed values as of January 1, 2004.

Privilege licenses collected prior to the fiscal year to which they apply are recorded as unearned revenues.

I. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

J. Inventory

The inventories of the City's General Fund are valued at cost, using the average cost method. The inventory of the General Fund consists of fuel held for consumption. The cost is recorded as an expenditure when the inventory is consumed. The General Fund inventory reported on the Governmental Funds Balance Sheet is offset by a fund balance reserve that indicates it does not constitute a resource available for appropriation even though it is a component of net current assets.

The inventory of the Enterprise Funds and Internal Service Funds are valued at the lower of cost, using the first-in, first-out method, or market. The inventory consists of materials and supplies held for consumption. The cost is recorded as an expense when the inventory is consumed.

K. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements and in the proprietary fund types in the Fund Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of one year. 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 cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

Buildings and Other Structures	10 to 40 years
Improvements Other Than	
Buildings	10 to 40 years
Equipment	3 to 10 years
Heavy Equipment	5 to 10 years
Vehicles	2 to 10 years
Infrastructure	10 to 40 years

L. 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 either “due to/from other funds” (short-term interfund loans) or “advances to/from other funds” (long-term 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.”

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

M. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers (out)" in the General Fund and "Transfers in" in the receiving fund in the Fund Financial Statements.

N. 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, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts and 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, discounts, and issuance costs, during the current period. The face amount of 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 service expenditures.

O. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

Since the City has no obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

P. Net Assets/Fund Balances

In the Governmental Fund Financial Statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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.

The Governmental Funds classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for prepaids and inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of the receivable balances that are not offset by deferred revenues.

Reserved by grantor - portion of total fund balance reserved to pay for grant eligible activities.

Reserved for compensating balance - portion of fund balance not available for appropriation because it is part of an agreement for banking services in lieu of fees.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders and contracts that remained unperformed at year-end.

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable available resources.

Reserved for installment purchase - portion of fund balance available for appropriation that has been reserved for installment purchases not completed at year-end.

Reserved for Powell Bill - portion of total fund balance reserved to pay for street improvements.

Reserved for prepaid items - portion of total fund balance that indicates that prepaid items do not represent expendable available financial resources even though they are a component of net current assets.

Reserved for drug enforcement - portion of total fund balance available for appropriation that has been reserved for drug enforcement.

Reserved for US agencies - portion of fund balance not available for appropriation

because it represents the difference between market value and the carrying amount at year-end, for agencies that will be held to maturity.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

Note 2. Deposits and Investments

Deposits

All the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured 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 agents in the City's name. The amount of the pledged collateral is based on an approved averaging method for noninterest-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 with 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 depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2005, the City's deposits had a carrying amount of \$2,162,347, which includes a \$150,000 compensating balance, and a bank balance of \$3,299,732. Of the bank balance, \$350,000 was covered by federal depository insurance, and \$2,949,732 in interest-bearing deposits was covered by collateral held under the Pooling Method (State Treasurer).

Investments

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

Investment Type	Carrying	Fair Value	Less Than		
	Value		6 Months	6-12 Months	Over 1 Year
US Government Agencies	\$ 15,619,089	\$ 15,455,099	\$ 1,489,298	\$ 11,485,876	\$ 2,479,925
Commercial Paper	6,656,190	6,686,000	6,686,000	-	-
NC Capital Management Trust- Cash Portfolio	13,597,278	13,597,278	N/A	N/A	N/A
Total	<u>\$ 35,872,557</u>	<u>\$ 35,738,377</u>	<u>\$ 8,175,298</u>	<u>\$ 11,485,876</u>	<u>\$ 2,479,925</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 the maturities of investments in Treasuries, Agencies and Instrumentalities not to exceed five years from settlement date. All other investments will have final maturities of no more than three years, except for specific reserve or project approved by City Council.

Credit Risk. The City's investment policy follows State law (North Carolina General Statutes 159-30) for allowable investment types. The commercial paper bears the highest rating of at least one nationally recognized rating service, and does not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation. The City's commercial paper carries a credit rating of A1 & P1 by Standard and Poor's. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The investments in Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and the Government National Mortgage Association are rated AAA by Standard and Poor's.

Concentration of Credit Risk. The City's investment policy limits that, with the exception of US Treasuries and the NC Capital Management Trust, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. More than 5% of the City's investment is in Genworth Financial Commercial Paper, Manhattan Asset Funding Commercial Paper, and Federal Home Loan Bank Securities. These investments are 7.5%, 11.3% and 37.7%, respectively, of the City's total investments.

Note 3. Receivables

Receivables are presented net of allowance for uncollectibles in the accompanying financial statements. The receivables and applicable allowances for uncollectibles are as follows:

Activities	Gross Receivables	Allowance	Net Receivables
Governmental			
General			
Taxes receivable	\$ 1,092,086	\$ 157,544	\$ 934,542
Accrued interest on taxes	146,079	-	146,079
Accounts receivable	4,807,686	665,667	4,142,019
Capital Reserve	17,346	-	17,346
Major Capital Projects	128,597	-	128,597
Special Revenue	64,382	-	64,382
Internal Service Fund	1,191	-	1,191
Total Governmental Activities	6,257,367	823,211	5,434,156
Business-Type			
Water/Sewer	1,655,483	251,314	1,404,169
Non-Major	199,000	25,853	173,147
Total Business-Type Activities	1,854,483	277,167	1,577,316
	\$ 8,111,850	\$ 1,100,378	\$ 7,011,472

The allowance for doubtful accounts in the General Fund accounts receivable arises from the probable uncollectibility of a claim against a former employee. The statute of limitations expired and the City filed a judgment; however, the perpetrator claims to own no property and have a limited income. Therefore, the probability of recovering any of the funds is remote.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,965,019	\$ 57,069	\$ -	\$ 2,022,088
Construction in progress	4,072,151	2,062,538	(3,182,078)	2,952,611
Total capital assets not being depreciated	<u>6,037,170</u>	<u>2,119,607</u>	<u>(3,182,078)</u>	<u>4,974,699</u>
Capital assets being depreciated:				
Buildings	10,637,910	5,017,410	-	15,655,320
Improvements other than buildings	3,615,791	40,204	-	3,655,995
Equipment	6,860,100	867,144	(279,375)	7,447,869
Heavy Equipment	644,132	18,167	(59,731)	602,568
Vehicles	8,468,482	976,765	(724,718)	8,720,529
Infrastructure	16,124,439	3,194,681	-	19,319,120
Total capital assets being depreciated	<u>46,350,854</u>	<u>10,114,371</u>	<u>(1,063,824)</u>	<u>55,401,401</u>
Less accumulated depreciation for:				
Buildings	(5,986,413)	(541,108)	-	(6,527,521)
Improvements other than buildings	(540,211)	(189,960)	-	(730,171)
Equipment	(5,263,016)	(845,320)	279,375	(5,828,961)
Heavy Equipment	(593,536)	(19,679)	59,731	(553,484)
Vehicles	(6,692,863)	(1,083,147)	724,718	(7,051,292)
Infrastructure	(7,238,502)	(757,455)	-	(7,995,957)
Total accumulated depreciation	<u>(26,314,541)</u>	<u>(3,436,669)</u>	<u>1,063,824</u>	<u>(28,687,386)</u>
Total capital assets being depreciated, net	<u>20,036,313</u>	<u>6,677,702</u>	<u>-</u>	<u>26,714,015</u>
Governmental activity capital assets, net	<u>\$ 26,073,483</u>	<u>\$ 8,797,309</u>	<u>\$ (3,182,078)</u>	<u>\$ 31,688,714</u>

Reconciliation of Governmental Activities Increases:

Total capital assets not being depreciated	\$ 2,119,607
Total capital assets being depreciated	10,114,371
	<u>\$ 12,233,978</u>
General Fund	\$ 2,079,018
Non-Major Governmental	246,020
Major Capital	4,869,204
Internal Service	249,780
Donated infrastructure	1,607,878
Construction in progress completed	3,182,078
	<u>\$ 12,233,978</u>

(Continued on next page)

Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 170,725	\$ -	\$ -	\$ 170,725
Construction in progress	884,976	1,635,557	(222,711)	2,297,822
Total capital assets not being depreciated	<u>1,055,701</u>	<u>1,635,557</u>	<u>(222,711)</u>	<u>2,468,547</u>
Capital assets being depreciated:				
Buildings	66,800,749	2,997,990	-	69,798,739
Improvements other than buildings	43,340,727	3,026,913	-	46,367,640
Equipment	1,037,922	1,434,497	-	2,472,419
Heavy Equipment	393,362	59,731	(15,192)	437,901
Vehicles	749,513	178,745	(128,708)	799,550
Total capital assets being depreciated	<u>112,322,273</u>	<u>7,697,876</u>	<u>(143,900)</u>	<u>119,876,249</u>
Less accumulated depreciation for:				
Buildings	(23,777,102)	(3,085,784)	-	(26,862,886)
Improvements other than buildings	(22,652,745)	(1,376,972)	-	(24,029,717)
Equipment	(499,818)	(261,564)	-	(761,382)
Heavy Equipment	(275,073)	(94,020)	15,192	(353,901)
Vehicles	(521,675)	(130,475)	111,408	(540,742)
Total accumulated depreciation	<u>(47,726,413)</u>	<u>(4,948,815)</u>	<u>126,600</u>	<u>(52,548,628)</u>
Total capital assets being depreciated, net	<u>64,595,860</u>	<u>2,749,061</u>	<u>(17,300)</u>	<u>67,327,621</u>
Business-type activities capital assets, net	<u>\$ 65,651,561</u>	<u>\$ 4,384,618</u>	<u>\$ (240,011)</u>	<u>\$ 69,796,168</u>

Reconciliation of Business-Type Activities Increases:

Total capital assets not being depreciated	\$ 1,635,557
Total capital assets being depreciated	7,697,876
	<u>\$ 9,333,433</u>
Water and Sewer Fund	\$ 299,177
Water Capital Projects	3,880,588
Sewer Capital Projects	4,121,503
Stormwater/Water Quality Fund	34,480
Donated infrastructure	774,974
Construction in progress completed:	
Water Distribution	222,711
	<u>\$ 9,333,433</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 681,454
Public Works	940,679
Public Safety	1,100,521
Environmental Protection	130,917
Cultural and Recreational	578,996
Economic Development	4,102
Total depreciation expense - governmental activities	<u>\$ 3,436,669</u>
Business-type activities:	
Water and Sewer Fund	4,835,775
Non-Major Enterprise Funds	5,021
Total depreciation expense - business-type activities	<u>\$ 4,840,796</u>

Construction Commitments

As of June 30, 2005, the City has active construction projects. The City's commitments with contractors at June 30, 2005, are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water and Sewer Improvements	\$ 2,339,034	\$ 536,284
City Hall Renovation/Youth Center	3,327,234	1,467,587
Public Services Facility	4,107,490	25,898
Total	<u>\$ 9,773,758</u>	<u>\$ 2,029,769</u>

Note 5. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. City of Jacksonville contributes to the statewide Local Governmental 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 Governmental 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 Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or on the Internet at www.ncosc.net.

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. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Jacksonville are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS

for the years ended June 30, 2005, 2004, and 2003 were \$712,890, \$689,753, and \$639,660, respectively. The contributions made by the City equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

Plan Description.

City of Jacksonville 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 and no stand-alone financial report is issued.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	14
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>107</u>
Total	<u>121</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. The administrative costs are financed by the General Fund.

Method Used to Value Investments. Investments are reported at 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 \$136,127, or 3.5% 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.

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% 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 determined using the market value of investments. 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, 2004 was 27 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 136,112
Interest on net pension obligation	67
Adjustment to annual required contribution	<u>(52)</u>
Annual pension cost	136,127
Contributions made	<u>(136,127)</u>
Increase in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	<u><u>\$ -</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 116,555	100%	\$ -
6/30/04	\$ 120,551	100%	\$ -
6/30/05	\$ 136,127	100%	\$ -

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a 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 (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2005 were \$263,285, which consisted of \$194,369 from the City and \$68,916 from the law enforcement officers.

Note 6. Other Post-Employment Benefits

At retirement, all employees have the option to purchase basic medical insurance at the City's group rate. The entire cost of this insurance is borne by the employees. The City has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a State administered plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but no less than \$25,000 or more than \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the City made contributions to the State for death benefits of \$17,639. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .14% and .11% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Note 7. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in (e.g., transfers risk to) two insurance pools administered by the North Carolina League of Municipalities. One pool (IRFFNC) provides coverage for property damage and general liability (including auto and law enforcement officers). Major policies and their limits of coverage include: public officials (\$3 million) and law enforcement liability (\$3 million), vehicle liability (\$2 million), public employee scheduled and blanket bonds (\$400,000), boiler and machinery (\$5 million), general liability (\$2 million), builder's risk (\$71,000), municipal equipment (\$1.5 million), computer equipment (\$2 million), and property (\$57.4 million). The other pool (NCRIMA) provides workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 for general liability and property damage, and single occurrence losses of \$500,000 for workers' compensation.

The City has established a risk management program to account for and finance its uninsured risks of loss for health insurance. Under this program, the risk management program provides coverage up to a maximum of \$100,000 for each individual claim.

The City purchases commercial insurance for individual claims in excess of \$100,000 and aggregate claims in excess of the greater of (a) the minimum annual aggregate deductible or (b) 90% of the first monthly aggregate deductible amount multiplied by twelve (12). Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

The City participates in the program and makes payments to the risk management program based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. Amounts withheld from employees and the City's general funds are available to pay claims, claim reserves and administrative costs for the program.

The claims liability of \$179,045 reported in the General Fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires 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 loss can be reasonably estimated.

Changes in the reported liability since July 1, 1995 were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
1995-1996	\$ 13,712	\$ 771,447	\$ 785,159	\$ -
1996-1997	-	1,215,353	1,142,493	72,860
1997-1998	72,860	1,038,077	1,041,786	69,151
1998-1999	69,151	1,043,337	1,079,565	32,923
1999-2000	32,923	1,277,966	1,107,989	202,900
2000-2001	202,900	1,461,322	1,435,202	229,020
2001-2002	229,020	1,381,641	1,547,044	63,617
2002-2003	63,617	1,402,910	1,281,596	184,931
2003-2004	184,931	1,868,524	1,861,108	192,347
2004-2005	192,347	2,229,998	2,243,300	179,045

The City carries commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

Note 8. Claims and Judgments

At June 30, 2005, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Note 9. 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, business-type activities, or proprietary fund type statement of net assets. As of June 30, 2005, the City had a legal debt margin of \$145,107,680.

A. Installment Purchases

The City finances various property acquisitions under installment purchase agreements. Under these agreements, the assets acquired collateralize the debt. The financing

contracts require principal payments with interest rates ranging from 2.18% to 5.34%.

The installment purchase contracts payable at June 30, 2005, are comprised of the following individual contracts:

Serviced by the General Fund:

	<u>Principal Balance June 30, 2005</u>
\$690,168 installment agreement – for vehicles with BB&T dated November 27, 2000; remaining balance payable in 3 monthly payments of \$13,173 including interest at 5.03%.	\$ 39,190
\$2,433,581 installment agreement – for vehicles and equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable in 15 monthly payments of \$12,050 including interest at 3.16%.	176,962
\$2,066,000 installment agreement – for park projects with BB&T dated December 12, 2001; remaining balance payable in 17 monthly payments of \$34,433 principal plus interest at 3.59%.	585,367
\$914,743 installment agreement – for the refinancing of the multi-purpose community recreation center with Bank of America dated December 28, 2001; remaining balance payable in 57 monthly payments of principal of \$9,240 plus interest at 4.41%.	526,670
\$1,065,493 installment agreement – for the refinancing of a fire station with Bank of America dated December 28, 2001; remaining balance payable in 45 monthly payments of \$12,247 principal plus interest at 4.41%.	551,117
\$5,000,000 installment agreement – for City Hall Expansion with Bank of America dated December 9, 2002; remaining balance payable in 149 equal principal payments of \$27,778 not including interest at 3.95%.	4,138,889
\$1,228,263 installment agreement – for vehicles and equipment with SunTrust Leasing dated December 27, 2002; remaining balance payable in 5 monthly payments of \$30,519 and then 23 monthly payments of \$8,070 including interest at 2.49%.	330,626
\$823,890 installment agreement – for vehicles and equipment with Wachovia dated December 2, 2003; remaining balance payable in 40 monthly payments of \$14,817 including interest at 2.48%.	568,268

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Serviced by the General Fund (continued):

	<u>Principal Balance June 30, 2005</u>
\$655,614 installment agreement – for vehicles and equipment with SunTrust Leasing dated December 12, 2003; remaining balance payable in 17 monthly payments of \$23,267 including interest at 2.18%.	\$ 314,373
\$146,808 installment agreement – for improvements for the youth center with RBC Centura dated August 12, 2004; remaining balance payable in 49 equal principal payments of \$2,447 not including interest at 3.15%.	119,893
\$904,044 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 28 monthly payments of \$25,941 including interest at 2.24%.	707,038
\$330,400 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 51 monthly payments of \$5,956 including interest at 2.58%.	287,398
Total	<u>\$ 8,345,791</u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$1,225,897 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,167,571	\$ 262,850	\$ 2,430,421
2007	1,558,317	201,149	1,759,466
2008	998,165	160,304	1,158,469
2009	712,787	128,638	841,425
2010	436,729	106,410	543,139
2011-2015	1,666,666	326,684	1,993,350
2016-2019	805,556	39,862	845,418
Total	<u>\$ 8,345,791</u>	<u>\$ 1,225,897</u>	<u>\$ 9,571,688</u>

Serviced by the Water and Sewer Fund:

	<u>Principal Balance June 30, 2005</u>
\$5,823,000 installment agreement – for construction of sewer lines with Bank of America dated December 8, 2000, and amended December 28, 2001; remaining balance payable in 138 monthly payments of \$43,193 including interest at 4.6%.	\$ 4,621,235
\$88,282 installment agreement – for vehicles and equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable in 15 monthly payments of \$1,351 including interest at 3.16%.	19,841

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Serviced by the Water and Sewer Fund (continued):

	<u>Principal Balance</u> <u>June 30, 2005</u>
\$5,461,956 installment agreement – for refinancing of the waste water treatment facilities with Bank of America dated December 28, 2001; remaining balance payable in 71 monthly payments of \$59,196 including interest at 4.50%.	\$ 3,683,552
\$188,800 installment agreement – for vehicles and equipment with SunTrust Leasing dated December 27, 2002; remaining balance payable in 5 monthly payments of \$3,504 and 23 monthly payments of \$3,236 including interest at 2.49%.	89,175
\$600,000 installment agreement – for renovation of sewer headworks and upgrades for automatic meter reading with RBC Centura dated May 1, 2003; remaining balance payable in 33 monthly payments of \$10,734 including interest at 2.28%.	343,135
\$4,290,806 installment agreement – for the Public Services/Fleet Complex with Bank of America dated August 12, 2003; remaining balance payable in 158 monthly payments of \$23,838 not including interest at 3.235%.	3,766,366
\$683,500 installment agreement – for vehicles and equipment with Wachovia dated December 2, 2003; remaining balance payable in 40 monthly payments of \$12,292 including interest at 2.48%.	471,436
\$19,050 installment agreement – for equipment with SunTrust Leasing dated December 12, 2003; remaining balance payable in 17 monthly payments of \$546 including interest at 2.18%.	9,135
\$1,660,132 installment agreement – for an elevated water storage tank with RBC Centura dated May 14, 2004; remaining balance payable in 166 monthly payments of \$9,223 not including interest at 3.27%.	1,531,011
\$864,690 installment agreement – for water and sewer line replacements with RBC Centura dated August 12, 2004; remaining balance payable in 109 equal principal payments of \$7,206 not including interest at 3.44%.	785,427
\$13,300 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 28 monthly payments of \$382 including interest at 2.24%.	10,402
\$174,599 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 51 monthly payments of \$3,147 including interest at 2.58%.	151,874
\$698,408 installment agreement – for automated meter reading and pump monitoring equipment with RBC Centura dated June 8, 2005; remaining balance payable in 58 monthly payments of \$12,736 including interest at 3.07%.	<u>685,672</u>
Total	<u><u>\$ 16,168,261</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$3,235,234 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,843,924	\$ 594,048	\$ 2,437,972
2007	1,879,657	525,118	2,404,775
2008	1,865,535	455,757	2,321,292
2009	1,710,104	385,658	2,095,762
2010	1,658,663	318,247	1,976,910
2011-2015	5,130,502	853,848	5,984,350
2016-2020	2,079,876	102,558	2,182,434
Total	<u>\$ 16,168,261</u>	<u>\$ 3,235,234</u>	<u>\$ 19,403,495</u>

Serviced by the Fleet Maintenance Fund:

	<u>Principal Balance June 30, 2005</u>
\$7,850 installment agreement – for equipment with Wachovia dated December 2, 2003; remaining balance payable in 40 monthly payments of \$141 including interest at 2.48%.	\$ 5,414
\$6,100 installment agreement – for equipment with SunTrust Leasing dated December 12, 2003; remaining balance payable in 17 monthly payments of \$175 including interest at 2.18%.	2,925
\$6,500 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 28 monthly payments of \$187 including interest at 2.24%.	5,084
\$45,000 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 51 monthly payments of \$812 including interest at 2.58%.	<u>39,143</u>
Total	<u>\$ 52,566</u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$2,646 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 14,607	\$ 1,158	\$ 15,765
2007	13,740	800	14,540
2008	11,696	479	12,175
2009	10,100	199	10,299
2010	2,423	10	2,433
Total	<u>\$ 52,566</u>	<u>\$ 2,646</u>	<u>\$ 55,212</u>

Serviced by the Information Technology Services Fund:

	<u>Principal Balance</u> <u>June 30, 2005</u>
\$1,023,845 installment agreement – for equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable 15 monthly payments of \$17,509 including interest at 3.16%.	\$ 257,126
\$258,820 installment agreement – for equipment with SunTrust Leasing dated December 27, 2002; remaining balance payable in 5 monthly payments of \$7,405 and 23 monthly payments of \$63 including interest at 2.49%.	38,204
\$220,000 installment agreement – for equipment with Wachovia dated December 2, 2003; remaining balance payable in 40 monthly payments of \$3,956 including interest at 2.48%.	151,742
\$97,485 installment agreement – for equipment with SunTrust Leasing dated December 12, 2003; remaining balance payable in 17 monthly payments of \$2,795 including interest at 2.18%.	46,745
\$90,200 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 28 monthly payments of \$2,588 including interest at 2.24%.	<u>70,544</u>
Total	<u><u>\$ 564,361</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$14,984 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 348,935	\$ 10,709	\$ 359,644
2007	142,666	3,127	145,793
2008	57,016	1,066	58,082
2009	15,744	82	15,826
Total	<u><u>\$ 564,361</u></u>	<u><u>\$ 14,984</u></u>	<u><u>\$ 579,345</u></u>

Serviced by the E-911 Fund:

	<u>Principal Balance June 30, 2005</u>
\$1,254,792 installment agreement – for 800 MHz communication equipment with Bank of America dated December 8, 2000; remaining balance payable in 66 monthly payments of \$13,520 including interest at 5.34%.	\$ 771,647
\$33,300 installment agreement – for equipment with SunTrust Leasing dated December 12, 2003; remaining balance payable in 17 monthly payments of \$955 including interest at 2.18%.	<u>15,968</u>
Total	<u>\$ 787,615</u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$128,022 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 135,251	\$ 38,443	\$ 173,694
2007	135,567	31,445	167,012
2008	137,915	24,322	162,237
2009	145,526	16,712	162,238
2010	153,490	15,847	169,337
2011-2015	79,866	1,253	81,119
Total	<u>\$ 787,615</u>	<u>\$ 128,022</u>	<u>\$ 915,637</u>

Serviced by the Stormwater/Water Quality Fund:

	<u>Principal Balance June 30, 2005</u>
\$121,799 installment agreement – for vehicles and equipment with RBC Centura dated November 22, 2004; remaining balance payable in 28 monthly payments of \$3,495 including interest at 2.24%.	\$ 95,257
	<u>\$ 95,257</u>

The future minimum payments of the installment purchases payable as of June 30, 2005, including \$2,600 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 40,216	\$ 1,723	\$ 41,939
2007	41,126	812	41,938
2008	13,915	65	13,980
Total	<u>\$ 95,257</u>	<u>\$ 2,600</u>	<u>\$ 97,857</u>

B. Loans Payable

Water and Sewer Fund:

	<u>Principal Balance June 30, 2005</u>
\$15,000,000 State Revolving Fund Loan dated June 30, 1996, due in 11 annual installments of \$750,000 each; interest at 3.57%.	\$ 8,250,000
\$5,000,000 State Bond Loan dated April 1, 1996, due in 11 annual installments of \$250,000 each; interest at 4.4563%.	2,750,000
\$2,836,415 Sanitary Sewer Revolving Loan dated February 11, 1998, due in 12 annual installments of \$141,820 each; interest at 3.035%.	1,701,849
\$3,000,000 Sanitary Sewer Revolving Loan dated February 11, 1998, due in 12 annual installments of \$150,000 each; interest at 3.035%.	1,800,000
\$500,000 Jones-Onslow EMC loan – for development and infrastructure facilities dated March 5, 1999; remaining balance payable in 26 monthly payments of \$5,952 with no interest.	154,762
\$1,000,000 State Revolving Loan dated February 10, 2004 due in 9 annual installments of \$100,000 each; interest at 2.82%.	900,000
Total	<u>\$ 15,556,611</u>

The future minimum payments of the loans payable as of June 30, 2005, including \$3,427,947 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,463,249	\$ 575,741	\$ 2,038,990
2007	1,463,249	522,844	1,986,093
2008	1,403,725	470,076	1,873,801
2009	1,391,821	416,810	1,808,631
2010	1,391,821	363,439	1,755,260
2011-2015	6,859,104	1,022,254	7,881,358
2016-2020	1,583,642	56,783	1,640,425
Total	<u>\$ 15,556,611</u>	<u>\$ 3,427,947</u>	<u>\$ 18,984,558</u>

C. Changes in General Long-Term Liabilities – Governmental Activities

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

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Installment purchases	\$ 11,161,778	\$ 1,522,952	\$ 2,934,397	\$ 9,750,333	\$ 2,666,364
*Vacation pay	1,031,632	437,111	438,589	1,030,154	77,727
Total	\$ 12,193,410	\$ 1,960,063	\$ 3,372,986	\$ 10,780,487	\$ 2,744,091

By purpose	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
General government	\$ 4,472,222	\$ 236,000	\$ 361,219	\$ 4,347,003	\$ 375,422
Fire equipment	956,784	34,800	269,527	722,057	224,924
Police equipment	1,928,704	834,694	868,985	1,894,413	758,722
Recreation	1,831,980	141,758	604,768	1,368,970	611,787
Streets	436,729	134,000	185,371	385,358	148,411
Sanitation equipment	659,699	-	244,094	415,605	183,556
Fleet Maintenance	13,637	51,500	12,571	52,566	14,607
Information Technology					
Services	862,023	90,200	387,862	564,361	348,935
*Vacation pay	1,031,632	437,111	438,589	1,030,154	77,727
Total	\$ 12,193,410	\$ 1,960,063	\$ 3,372,986	\$ 10,780,487	\$ 2,744,091

*The General Fund is used to liquidate the liability for compensated absences for governmental activities.

D. Changes in General Long-Term Liabilities – Business-Type Activities

Long-term liability activity for Business-Type Activities for the year ended June 30, 2005, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Loans	\$ 16,129,452	\$ 890,408	\$ 1,463,249	\$ 15,556,611	\$ 1,463,249
Installment purchases	16,085,346	1,872,796	1,694,624	16,263,518	1,884,140
*Vacation pay	110,615	67,985	58,112	120,488	16,969
Total	\$ 32,325,413	\$ 2,831,189	\$ 3,215,985	\$ 31,940,617	\$ 3,364,358

By purpose	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Water Supply	\$ 1,664,274	\$ 350,000	\$ 147,759	\$ 1,866,515	\$ 150,800
Metering	280,354	349,157	70,352	559,159	130,703
Utilities Maintenance	4,371,428	164,300	394,436	4,141,292	402,797
Sewer	25,898,742	1,777,948	2,518,784	25,157,906	2,622,873
Stormwater/Water Quality	-	121,799	26,542	95,257	40,216
*Vacation pay	110,615	67,985	58,112	120,488	16,969
Total	\$ 32,325,413	\$ 2,831,189	\$ 3,215,985	\$ 31,940,617	\$ 3,364,358

*The Water/Sewer Fund and the Stormwater/Water Quality Fund are used to liquidate the liability for compensated absences for business-type activities.

Note 10. Interfund Receivables and Payables

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

Due to/from other funds:			Reconciliation to Exhibit A	
Receivable Fund	Payable Fund	Amount	Governmental	Business-Type
General	Non-Major Governmental	\$ 43,370	\$ -	\$ -
	Fleet Maintenance*	15,402	-	-
	Major Capital Project	161,962	-	-
Water and Sewer	General	28,388	-	28,388
Non-Major Enterprise	Water and Sewer	710	-	-
	General	1,180	-	1,180
Fleet Maintenance*	General	208,446	-	-
	Water and Sewer	34,215	34,215	-
	Non-Major Enterprise	992	992	-
	Non-Major Governmental	5,377	-	-
	Information Technology Services*	43	-	-
Special Separation Allowance Trust Fund	General	15	-	-
		<u>\$ 500,100</u>	<u>35,207</u>	<u>29,568</u>
*Internal Service Funds			<u>\$ 5,639</u>	<u>\$ (5,639)</u>

The outstanding balances between funds result mainly from the time lag 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. Some examples of those are: additional funding requirements based on actuarial information, sanitation services provided, and health and life insurance premium refunds.

Note 11. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
General Fund		
Prepaid taxes not yet earned	\$ -	\$ 104,264
Taxes receivable	934,542	-
Sturgeon City	-	80
Youth Council	-	459
Hall of Fame	-	3,668
Recreation fees not yet earned	-	1,517
National Night Out	-	15,376
Police Department Venture Crew petty cash	-	50
Police Donations/Grants	-	492
Included in restricted assets (see Note 1G - Other):		
Police Department Venture Crew donations not yet earned, included in restricted assets	-	818
Tree fund donations not yet earned, included in restricted assets	-	1,305
Beirut memorial donations not yet earned, included in restricted assets	-	2,043
Privilege licenses for next year	-	171,744
Beer and wine tax receivable	80,639	-
Investment interest receivable	5,880	-
Total	<u>\$ 1,021,061</u>	<u>\$ 301,816</u>
Proprietary Fund		
Scientific Study Deposit	\$ -	\$ 7,000
PILOT revenues not yet earned	-	11,691
Special assessments receivable	-	107,793
Total	<u>\$ -</u>	<u>\$ 126,484</u>
Capital Reserve Fund		
Investment interest receivable	\$ 11,734	\$ -
Total	<u>\$ 11,734</u>	<u>\$ -</u>

Note 12. Intergovernmental Assistance Programs

The City of Jacksonville is an entitlement City for Community Development Block Grant funds. The City is required to administer the program and provide staff necessary to ensure compliance with Grant stipulations.

Note 13. Interfund Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers, and are reported as other financing sources (uses) in the Governmental funds and transfers in the Proprietary funds. Transfers within fund types have been eliminated.

Interfund transfers for the year ended June 30, 2005 are as follows:

	Transfers in:							Total
	Major General	Non-Major Capital Reserve	Non-Major Special Revenue & Streets Capital Projects	Major Capital Projects	Non-Major Enterprise	Major Water and Sewer		
Transfers out:								
Major General Fund	\$ -	\$740,441	\$ 1,562,077	\$ 215,500	\$572,748	\$ -		\$3,090,766
Non-Major Capital Reserve	876,729	-	600,000	1,409,906	-	764,389		3,651,024
Major Water and Sewer	-	-	13,319	-	-	-		13,319
Non-Major Enterprise Fund	-	-	-	14,105	-	-		14,105
Non-Major Special Revenue	93,692	-	-	-	-	6,955		100,647
Major Capital Projects	112,188	3,500	-	-	-	-		115,688
Non-Major Streets Capital Projects	56,543	-	-	-	-	-		56,543
ITS Projects	1,596	-	-	-	-	-		1,596
Total transfers out	<u>\$1,140,748</u>	<u>\$743,941</u>	<u>\$ 2,175,396</u>	<u>\$1,639,511</u>	<u>\$572,748</u>	<u>\$771,344</u>		<u>\$7,043,688</u>

Transfers consist primarily of the following:

\$ 876,729	From Capital Reserve to General Fund for debt retirement.
\$ 764,389	From Capital Reserve to Water Sewer Fund for debt retirement.
\$ 600,000	From Capital Reserve to Country Club Road Widening Project
\$ 1,117,700	From Capital Reserve to Civic Center Capital Project
\$ 740,441	From General Fund to Capital Reserve for Council Initiatives
\$ 492,551	From General Fund to Street Improvements Capital Project

Note 14. Jointly Governed Organizations

The City, in conjunction with Camp Lejeune Marine Corps Base, Onslow County, and the other five municipalities within the county, established the Onslow Water and Sewer Authority (ONWASA). The ONWASA mission is to provide sewer availability to all Onslow County residents. The ONWASA's board is comprised of two members from the City, two members from the County and one member from each of the five municipalities. The City has elected to be a wholesale member and not a full service member of ONWASA.

The City, in conjunction with Onslow County, established the Jacksonville-Onslow Sports Commission. The purpose of the Commission is to coordinate all sporting events and tournaments in the County, striving to reduce scheduling major events on the same weekend. The City and County each fund one-half of the cost for this organization. The City's funding for FY2004-2005 was \$60,000.

The City, in conjunction with Onslow County and Y.O.U. Inc., dba Committee of One Hundred, established an Economic Development Program. The purpose of this organization is to guide the growth in all of Onslow County by encouraging the expansion of local industry and the development of new jobs. The City and County each fund one-half of the cost for this organization. The City's funding for FY2004-2005 was \$46,200.

Note 15. Summary Disclosure of Significant Contingencies

Audits of Federal and State Grants

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Federal and State financial assistance audits could result in the refund of grant money to the grantor agencies. Management believes that any required refunds from audit of other federal and State financial assistance will be immaterial. No provision has been made in the accompanying financial statements for the possible refund of grant money.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City of Jacksonville.

- GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."
- GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

- GASB Statement Number 46, “Net Assets Restricted by Enabling Legislation.”
- GASB Statement Number 47, “Accounting for Termination Benefits.”

Additionally, the GASB issued Statement Number 44, “Economic Condition Reporting: The Statistical Section” which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a CAFR.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

City of Jacksonville, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Exhibit K

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/95	\$ 234,628	\$ 446,733	\$ 212,105	52.52 %	\$ 2,446,787	8.67 %
12/31/96	264,687	519,331	254,644	50.97	2,527,502	10.07
12/31/97	288,909	674,134	385,225	42.86	2,872,507	13.41
12/31/98	322,942	730,303	407,361	44.22	2,880,521	14.14
12/31/99	351,546	767,213	415,667	45.82	3,211,861	12.94
12/31/00	325,298	1,151,766	826,468	28.24	3,447,476	23.97
12/31/01	328,295	1,290,178	961,883	25.45	3,290,310	29.23
12/31/02	393,883	1,317,283	923,400	29.90	3,413,422	27.05
12/31/03	350,683	1,428,537	1,077,854	24.55	3,581,940	30.09
12/31/04	468,237	1,653,136	1,184,899	28.32	3,803,022	31.16

City of Jacksonville, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

Exhibit L

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1994	\$ 32,620	98 %
1995	36,489	112
1996	47,468	130
1997	47,468	111
1998	52,850	129
1999	68,184	107
2000	72,776	33
2001	79,185	100
2002	108,525	100
2003	116,555	100
2004	120,551	101
2005	136,127	100

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	12/31/2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	Ranging from 5.9% to 9.8%
* Includes inflation at	3.75%
Cost-of-living adjustments	None

Major Funds

- General Fund
- Capital Projects Fund
- Water and Sewer Fund

General Fund

The General Fund accounts for resources traditionally associated with government that are not required to be accounted for in other funds.

City of Jacksonville, North Carolina

Statement 1

General Fund

Comparative Balance Sheets

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 11,330,475	\$ 9,119,941
Restricted cash and cash equivalents	1,341,232	2,530,921
Taxes receivable (net)	934,542	827,138
Accounts receivable (net)	4,142,019	3,764,850
Interfund receivables	220,734	554,874
Inventories	6,950	4,733
Prepaid items	3,512	4,313
Total Assets	<u>\$ 17,979,464</u>	<u>\$ 16,806,770</u>
Liabilities and Fund Balances		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 2,140,162	\$ 1,776,390
Due to other funds	-	927
Interfund payable	238,029	17,074
Compensated absences payable	77,727	72,880
Total Current Liabilities	<u>2,455,918</u>	<u>1,867,271</u>
Noncurrent Liabilities:		
Customer deposits	124,977	436,372
Deferred revenue	1,021,061	915,434
Unearned revenue	301,816	331,011
Total Noncurrent Liabilities	<u>1,447,854</u>	<u>1,682,817</u>
Total Liabilities	<u>3,903,772</u>	<u>3,550,088</u>
Fund Balances:		
Fund Balance - Reserved:		
Reserved by state statute	4,362,687	4,318,852
Reserved for compensating balance	150,000	150,000
Reserved for encumbrances	338,746	771,855
Reserved for inventories	6,950	4,733
Reserved for installment purchase	201,255	898,835
Reserved for Powell Bill	856,241	628,186
Reserved for prepaid items	3,512	4,313
Reserved for drug enforcement	4,593	411,177
Reserved for US agencies	63,994	62,379
Total Reserved	<u>5,987,978</u>	<u>7,250,330</u>
Fund Balance - Unreserved/Designated:		
Designated for subsequent year's expenditures	2,704,053	1,260,666
Undesignated	5,383,661	4,745,686
Total Fund Balances	<u>14,075,692</u>	<u>13,256,682</u>
Total Liabilities and Fund Balances	<u>\$ 17,979,464</u>	<u>\$ 16,806,770</u>

**City of Jacksonville, North Carolina
General Fund**

**Statement 2
Page 1 of 7**

**Statement of Revenues, Expenses and
Changes in Fund Balances - Budget and Actual**

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year (net of discounts)	\$ 10,921,510	\$ 11,091,584	\$ 170,074	\$ 10,657,774
Prior years	245,550	278,830	33,280	256,440
Penalties and interest	53,200	66,489	13,289	61,417
Total	11,220,260	11,436,903	216,643	10,975,631
Other taxes and licenses:				
CATV franchise tax	345,403	380,125	34,722	351,933
Privilege licenses	459,380	471,796	12,416	441,964
Local option sales tax	3,953,212	5,120,255	1,167,043	4,157,233
One-half cent sales tax (2003)	1,931,194	2,288,236	357,042	2,047,382
One-half cent sales tax (1983)	2,490,092	2,483,087	(7,005)	2,449,500
One-half cent sales tax (1986)	2,470,851	2,463,674	(7,177)	2,425,666
Gross receipt on short term vehicle tax	78,000	78,488	488	83,085
Total	11,728,132	13,285,661	1,557,529	11,956,763
Unrestricted intergovernmental revenues:				
Utility franchise tax	1,798,365	1,551,036	(247,329)	1,920,203
Beer and wine tax	328,761	322,557	(6,204)	293,571
Payment in lieu of taxes (PILOT)	4,045	3,308	(737)	3,967
State Owned Buildings Fire Protection	967	967	-	967
ABC revenue	43,585	47,245	3,660	42,474
Total	2,175,723	1,925,113	(250,610)	2,261,182
Restricted intergovernmental revenues:				
Federal – 104F transportation grant	493,297	213,102	(280,195)	92,812
Federal – Section 5305 grant	20,000	171	(19,829)	-
State – street-aid allocation	1,939,496	1,939,495	(1)	1,663,988
State – Wellness Incentive grant	3,000	3,000	-	3,000
State – 5305 grant funds	2,500	21	(2,479)	-
State – Arts Council	-	700	700	650
Local – juvenile transportation	1,600	2,375	775	750
Local – joint drug task force	-	-	-	50,059
Local – NCLM Safety grant	500	-	(500)	970
Police Dept Community Services Contribution	3,000	3,133	133	555
Total	2,463,393	2,161,997	(301,396)	1,812,784
Permits and fees:				
Taxi permits	15,000	9,943	(5,057)	16,013
Development review fees	32,000	46,875	14,875	38,331
Inspection fees	467,400	599,026	131,626	491,837
Engineering fees	-	800	800	-
Erosion control fees	6,500	4,800	(1,700)	8,500
Fire protection permit	-	11,225	11,225	618
Nuisance abatement fees	-	2,223	2,223	1,664
Total	520,900	674,892	153,992	556,963

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Statement 2
Page 2 of 7

For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Positive (Negative)	Actual
Sales and services:				
Utility patching service	\$ 20,200	\$ 18,032	\$ (2,168)	\$ 16,108
Refuse collection fees	47,000	(299)	(47,299)	56,368
Space rent	15,345	15,345	-	15,347
Recreation fees	196,677	239,599	42,922	212,351
Recreation concession	12,180	30,161	17,981	20,424
Photocopy and map sales	700	526	(174)	395
Credit reports	1,200	2,862	1,662	1,578
Powell Bill equipment use allowance	20,000	20,214	214	-
Cooperative Bank	-	1,925	1,925	-
Miscellaneous Sales	-	508	508	-
Total	<u>313,302</u>	<u>328,873</u>	<u>15,571</u>	<u>322,571</u>
Investment earnings:				
Investment earnings	160,000	323,817	163,817	143,428
Investment earnings - drug enforcement	2,000	-	(2,000)	3,184
Investment earnings - Powell Bill	18,000	26,511	8,511	11,765
Total	<u>180,000</u>	<u>350,328</u>	<u>170,328</u>	<u>158,377</u>
Miscellaneous:				
Police court fees	33,330	37,965	4,635	32,939
Parking fines	300	640	340	679
Program income - Powell Bill	-	(3,149)	(3,149)	3,200
Miscellaneous	94,940	93,327	(1,613)	106,654
ICMA	-	26,049	26,049	-
Worker's compensation	-	20	20	4,303
Total	<u>128,570</u>	<u>154,852</u>	<u>26,282</u>	<u>147,775</u>
Total revenues	<u>28,730,280</u>	<u>30,318,619</u>	<u>1,588,339</u>	<u>28,192,046</u>
Expenditures:				
General government				
Mayor and Council				
Salaries and employee benefits		36,902		35,557
Operating expenses		32,181		30,818
Contracted services		1,362		-
Other departmental expenses		7,560		1,297
Total		<u>78,005</u>		<u>67,672</u>
City Manager				
Salaries and employee benefits		257,634		266,495
Operating expenses		39,324		31,990
Contracted services		25,568		20,531
Other departmental expenses		54,364		36,692
Total		<u>376,890</u>		<u>355,708</u>

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Statement 2
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For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Human Resources				
Salaries and employee benefits	\$	\$ 195,933	\$	\$ 176,244
Operating expenses		154,888		155,576
Contracted services		12,210		3,791
Other departmental expenses		45,655		34,184
Total		408,686		369,795
City Clerk				
Salaries and employee benefits		84,792		75,234
Operating expenses		14,176		14,258
Contracted services		402		-
Other departmental expenses		21,822		17,704
Total		121,192		107,196
Elections				
Contracted services		-		7,998
Total		-		7,998
Finance				
Salaries and employee benefits		348,460		306,248
Operating expenses		131,275		132,356
Maintenance and repairs		-		21
Contracted services		191,715		198,461
Other departmental expenses		164,813		152,564
Total		836,263		789,650
Media Relations				
Salaries and employee benefits		934		-
Other departmental expenses		1,801		-
Total		2,735		-
Legal				
Salaries and employee benefits		84,342		87,936
Operating expenses		14,670		10,443
Contracted services		13,666		8,947
Other departmental expenses		216		-
Total		112,894		107,326
Planning				
Salaries and employee benefits		276,548		289,005
Operating expenses		30,724		28,548
Contracted services		25,643		36,004
Other departmental expenses		58,924		61,073
Total		391,839		414,630
Transportation				
Salaries and employee benefits		81,402		73,594
Operating expenses		4,807		5,839
Contracted services		191,700		24,700
Other departmental expenses		22,802		21,445
Total		300,711		125,578

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Statement 2
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For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Non-departmental				
Salaries and employee benefits	\$	\$ 9,220	\$	\$ -
Operating expenses		126,693		139,544
Contracted services		38,489		5,309
Reserve for insurance deductible		249,234		256,737
Miscellaneous payments		282,222		285,717
Payment to Onslow County		2,423,289		2,087,034
Bad debts		295		41,670
Total		3,129,442		2,816,011
Total general government				
	6,382,959	5,758,657	624,302	5,161,564
Public works				
Inspections				
Salaries and employee benefits		678,115		605,526
Operating expenses		66,265		49,675
Contracted services		4,012		4,673
Other departmental expenses		86,388		87,714
Capital outlay		15,174		-
Total		849,954		747,588
Administration				
Salaries and employee benefits		68,961		44,585
Operating expenses		9,255		8,137
Other departmental expenses		7,665		8,365
Total		85,881		61,087
Engineering				
Salaries and employee benefits		201,706		198,361
Operating expenses		11,107		11,777
Contracted services		24,562		52,571
Other departmental expenses		23,087		30,198
Street lighting		318,505		306,554
Total		578,967		599,461
Maintenance				
Salaries and employee benefits		492,537		438,528
Operating expenses		88,219		80,272
Utilities		8,926		8,080
Maintenance and repairs		9,152		18,163
Contracted services		61,490		32,133
Other departmental expenses		39,421		50,233
Capital outlay		130,475		68,633
Total		830,220		696,042

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Statement 2
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For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Streets - Powell Bill				
Salaries and employee benefits	\$	\$ 675,430	\$	\$ 689,789
Operating expenses		355,477		280,976
Maintenance and repairs		4,718		7,349
Contracted services		43,094		29,887
Total		1,078,719		1,008,001
Streets - non-Powell Bill				
Salaries and employee benefits		293,538		250,264
Operating expenses		128,414		115,575
Utilities		5,984		11,226
Maintenance and repairs		1,322		1,432
Contracted services		34,206		26,048
Other departmental expenses		49,614		55,280
Mosquito control		28,367		41,029
Capital outlay		167,466		200,522
Total		708,911		701,376
Total public works	4,974,157	4,132,652	841,505	3,813,555
Public safety				
Police				
Salaries and employee benefits		5,830,841		5,438,113
Employer contribution to separation allowance trust fund		136,127		120,551
Operating expenses		776,835		629,898
Utilities		29,782		28,152
Maintenance and repairs		22,336		39,402
Contracted services		12,658		14,047
Other departmental expenses		656,821		441,543
Drug enforcement		-		46,324
Capital outlay		675,754		712,783
Total		8,141,154		7,470,813
Fire				
Salaries and employee benefits		3,448,531		3,344,516
Operating expenses		277,691		242,741
Utilities		56,526		56,410
Maintenance and repairs		29,894		26,602
Contracted services		12,265		6,473
Other departmental expenses		266,633		229,008
Capital outlay		-		60,389
Total		4,091,540		3,966,139
Total public safety	12,864,060	12,232,694	631,366	11,436,952

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Statement 2
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For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Environmental protection				
Sanitation				
Salaries and employee benefits	\$	\$ 1,182,907	\$	\$ 1,153,417
Operating expenses		382,702		339,687
Utilities		4,055		3,454
Maintenance and repairs		425		587
Contracted services		34,978		696,436
Other departmental expenses		30,462		18,988
Capital outlay		224,636		15,360
Total environmental protection	1,908,500	1,860,165	48,335	2,227,929
Cultural and recreational				
Recreation				
Salaries and employee benefits		1,022,095		945,894
Operating expenses		347,976		337,421
Utilities		159,989		149,595
Maintenance and repairs		47,245		66,399
Contracted services		323,595		240,576
Other departmental expenses		176,286		136,775
Capital outlay		18,937		67,796
Total cultural and recreational	2,214,099	2,096,123	117,976	1,944,456
Debt service				
Principal retirements	2,944,180	2,405,390	538,790	2,309,963
Interest and fees	739,676	306,768	432,908	396,172
Total debt service	3,683,856	2,712,158	971,698	2,706,135
Total expenditures	32,027,631	28,792,449	3,235,182	27,290,591
Revenues over (under) expenditures	(3,297,351)	1,526,170	4,823,521	901,455

City of Jacksonville, North Carolina

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

Statement 2

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	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Other financing sources (uses):				
Debt issued	\$ 1,188,136	\$ 1,188,136	\$ -	\$ 1,479,504
Appropriated fund balance	3,129,711	-	(3,129,711)	-
Sales of general capital assets	130,000	41,432	(88,568)	242,013
Sales of capital assets - Powell Bill	5,200	13,290	8,090	10,700
Transfers in--				
From Major Capital Project Fund	203,472	203,149	(323)	481,647
From Non-Major Governmental Fund	58,952	59,274	322	43,494
From Non-Major Capital Reserve Fund	1,671,051	876,729	(794,322)	977,474
From Internal Service Fund	1,597	1,596	(1)	570
Transfers (out)--				
To Major Capital Project Fund	(215,500)	(215,500)	-	(211,748)
To Non-Major Governmental Fund	(1,562,079)	(1,562,077)	2	(870,205)
To Non-Major Capital Reserve Fund	(740,441)	(740,441)	-	(1,750,000)
To Enterprise Fund	(572,748)	(572,748)	-	(112,104)
Total other financing sources (uses)	3,297,351	(707,160)	(4,004,511)	291,345
Excess of revenues and other sources over expenditures and other uses	\$ -	819,010	\$ 819,010	1,192,800
Fund balance:				
Beginning of year, July 1		13,256,682		12,063,882
End of year, June 30		\$ 14,075,692		\$ 13,256,682

Major Capital Projects Fund

The Major Capital Projects Fund is segregated into individual projects which account for funds to be used for the acquisition or construction of major capital facilities.

Individual Project Descriptions:

Rails to Trails Capital Project – accounts for funds used in the conversion of railroad tracks to recreation trails.

City Hall Expansion Capital Project – accounts for funds used in the design and construction of the expansion and renovation of City Hall.

Sturgeon City Capital Project – accounts for funds used in the construction of Sturgeon City.

Citywide Landscaping Capital Project – accounts for funds used to implement the Citywide master landscaping plan.

Sturgeon City Park Capital Project – accounts for funds used in the construction of Sturgeon City Park.

Police Remodeling Capital Project – accounts for funds used in the remodeling of the Police Station.

NC24 Culvert Trail Capital Project – accounts for funds used in the construction of the NC24 Culvert Trail.

Marine Corps Museum Capital Project – accounts for funds donated for the construction of the Marine Corps Museum.

Wilson Bay Initiative Capital Project – accounts for funds used in the Wilson Bay Initiative.

Downtown Redevelopment Capital Project – accounts for funds used in the revitalization of the downtown area.

Smithfield Grant/Wilson Bay Capital Project – accounts for funds used to restore water quality in Wilson Bay and Wetlands Restoration.

Vietnam Veterans Memorial Capital Project – accounts for funds donated by the City for the eventual construction of a Vietnam Veterans Memorial.

Youth Center Capital Project – accounts for funds used in the construction of a Jacksonville Youth Center.

Major Capital Projects Fund

(Continued)

Fire Training Facility Capital Project – accounts for funds used in conjunction with funds donated from Coastal Carolina Community College and Onslow County Volunteer Fire Service for the construction of a Fire Training Facility.

Traffic Signal Preemption Capital Project – accounts for funds used in the Traffic Signal Preemption Project.

Demolition Capital Project – accounts for funds dedicated for the demolition of unsuitable housing.

Country Club Park Capital Project – accounts for funds used in the construction of the Country Club Park.

Richard Ray All America Park Capital Project – accounts for funds used in the construction of the Richard Ray All America Park.

Civic Facility Capital Project – accounts for funds used in the construction of the Civic Facility.

Jacksonville Commons Phase II Capital Project – accounts for funds used in Phase II of the construction of the Jacksonville Commons Multi-Purpose Recreational Facility, which includes tennis courts, restrooms, and concession stands.

Sturgeon City Boardwalk II Capital Project – accounts for funds used in the construction of the Sturgeon City Boardwalk II.

Woodlands Park Capital Project – accounts for funds used in the construction of the Woodlands Park.

Northeast Creek Park Phase II Capital Project – accounts for funds used in Phase II of the construction of Northeast Creek Park.

Wilson Bay Park Phase I Capital Project – accounts for funds used in the construction of the Wilson Bay Park.

Reserve Ladder Truck Replacement Capital Project – accounts for funds set aside for the purchase of a reserve ladder truck for the Fire Department.

Country Club Road Widening Capital Project – accounts for funds used in the construction to widen Country Club Road from Western Boulevard to Country Club Drive.

Major Capital Projects Fund

(Continued)

Fire Training Equipment Capital Project – accounts for funds granted by FEMA for purchase of Fire Fighting and Training Equipment.

West Gum Branch Fire Station Capital Project – accounts for funds used in the construction of the West Gum Branch Fire Station

Indoor Facility Brynn Marr Capital Project – accounts for funds used in the construction of the Brynn Marr Indoor Facility.

City of Jacksonville, North Carolina
Major Capital Projects Fund
Comparative Balance Sheets
June 30, 2005 and 2004

Statement 3

	<u>2005</u>	<u>2004</u>
Assets		
Cash and investments	\$ 3,071,536	\$ 2,783,318
Restricted cash and cash equivalents	1,077,524	3,536,973
Accounts Receivable (net)	128,597	507,076
Total Assets	<u>\$ 4,277,657</u>	<u>\$ 6,827,367</u>
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	\$ 365,602	\$ 222,817
Interfund payable	161,962	491,613
Total Liabilities	<u>527,564</u>	<u>714,430</u>
Fund Balances:		
Reserved by grantor	-	180,938
Reserved for encumbrances	1,784,070	4,035,442
Reserved for Powell Bill	3,491	-
Unreserved, designated for subsequent year's expenditures	2,017,408	1,914,700
Unreserved, undesignated	(54,876)	(18,143)
Total Fund Balances	<u>3,750,093</u>	<u>6,112,937</u>
Total Liabilities and Fund Balances	<u>\$ 4,277,657</u>	<u>\$ 6,827,367</u>

City of Jacksonville, North Carolina
Major Capital Projects Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Statement 4

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
Water Access Grant	\$ 611,500	\$ 135,524	\$ 114,824	\$ 250,348	\$ (361,152)
NC Transp Enhancement Grant	1,187,582	671,815	-	671,815	(515,767)
Bike/Pedestrian Grant	400,000	-	-	-	(400,000)
Recreation Trail	33,600	-	-	-	(33,600)
LWCF Grant	231,676	231,676	-	231,676	-
Smithfield Grant	500,000	443,900	-	443,900	(56,100)
Part F Grant	500,000	250,000	75,476	325,476	(174,524)
Wetlands Restoration	192,072	185,619	5,163	190,782	(1,290)
FEMA	92,934	92,934	-	92,934	-
Firefighter Assistance	46,941	33,208	13,733	46,941	-
CCCC Joint Project	13,000	13,000	-	13,000	-
Onslow County Joint Project	25,000	25,000	-	25,000	-
Prevention Pollution Grant	10,000	-	2,914	2,914	(7,086)
Contribution - Onslow County	123,191	56,808	-	56,808	(66,383)
NCDOT Traffic Preemption	34,000	-	-	-	(34,000)
Total restricted intergovernmental revenues	4,001,496	2,139,484	212,110	2,351,594	(1,649,902)
Investment earnings	185,649	113,903	72,438	186,341	692
Miscellaneous Revenues	16,789	16,788	-	16,788	(1)
Contributions	72,102	55,002	17,350	72,352	250
Total revenues	4,276,036	2,325,177	301,898	2,627,075	(1,648,961)
Expenditures:					
Rails to Trails	3,076,379	920,274	5,000	925,274	2,151,105
City Hall Expansion	6,270,563	2,269,982	2,539,158	4,809,140	1,461,423
Sturgeon City	4,233,715	395,316	55,890	451,206	3,782,509
Citywide Landscaping	175,810	158,753	-	158,753	17,057
Sturgeon City Park	928,823	779,419	131,201	910,620	18,203
Police Remodeling	112,296	50,092	-	50,092	62,204
NC24 Culvert Trail	150,000	-	-	-	150,000
Marine Corps Museum	406,690	100,000	-	100,000	306,690
Wilson Bay Initiative	291,816	151,101	20,351	171,452	120,364
Downtown Redevelopment	173,621	152,521	-	152,521	21,100
Smithfield Grant/Wilson Bay	500,000	262,962	68,139	331,101	168,899
Vietnam Veterans Memorial	308,300	-	-	-	308,300
Youth Center	273,162	132,679	127,661	260,340	12,822
Fire Training Facility	107,253	79,789	499	80,288	26,965
Traffic Signal Preemption	84,040	-	-	-	84,040
Demolition	575,420	327,961	32,523	360,484	214,936
Country Club Park	75,000	-	-	-	75,000
Richard Ray All America Park	579,372	567,898	10,639	578,537	835
Civic Facility	11,629,065	423,750	1,127,696	1,551,446	10,077,619
Jacksonville Commons Phase II	1,542,700	-	150,952	150,952	1,391,748
Sturgeon City Boardwalk II	422,000	-	-	-	422,000

Continued on next page.

City of Jacksonville, North Carolina
Major Capital Projects Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Statement 4,
continued.

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures (continued):					
Woodlands Park	171,000	163,296	4,400	167,696	3,304
Northeast Creek Park Phase II	200,949	196,773	3,634	200,407	542
Wilson Bay Park Phase I	224,800	220,666	1,179	221,845	2,955
Reserve Ladder Truck Replacement	75,000	-	-	-	75,000
Country Club Rd Widening	87,500	-	87,500	87,500	-
Fire Training Equipment	155,415	140,156	15,259	155,415	-
West Gum Branch Fire Station	50,000	-	-	-	50,000
Indoor Facility Brynn Marr	50,000	-	-	-	50,000
Total expenditures	32,930,689	7,493,388	4,381,681	11,875,069	21,055,620
Revenues (under) expenditures	(28,654,653)	(5,168,211)	(4,079,783)	(9,247,994)	19,406,659
Other financing sources (uses):					
Sale of Capital Assets	100,000	100,000	-	100,000	-
Debt issued	21,074,682	5,225,000	193,116	5,418,116	(15,656,566)
Transfers in--					
From Capital Reserve Fund	6,114,935	4,705,029	1,409,906	6,114,935	-
From General Fund	1,631,369	1,415,869	215,500	1,631,369	-
From Capital Projects	30,000	30,000	-	30,000	-
From Proprietary Fund	14,105	-	14,105	14,105	-
Transfers (out)--					
To Capital Reserve Fund	(24,250)	(20,750)	(3,500)	(24,250)	-
To General Fund	(256,188)	(144,000)	(112,188)	(256,188)	-
To Capital Projects	(30,000)	(30,000)	-	(30,000)	-
Total other financing sources	28,654,653	11,281,148	1,716,939	12,998,087	(15,656,566)
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ 6,112,937	\$ (2,362,844)	\$ 3,750,093	\$ 3,750,093

City of Jacksonville, North Carolina
Major Capital Projects Fund
Combining Balance Sheet
June 30, 2005
With Comparative Totals for June 30, 2004

	<u>Rails to Trails</u>	<u>City Hall Expansion</u>	<u>Sturgeon City</u>	<u>Citywide Landscaping</u>	<u>Sturgeon City Park</u>	<u>Police Remodeling</u>
Assets						
Current Assets:						
Cash and cash equivalents	\$ 525,487	\$ 764,167	\$ 104,264	\$ 17,057	\$ 1	\$ 62,204
Restricted current assets	-	1,057,964	-	-	-	-
Accounts receivable	-	-	2,914	-	114,824	-
Total Current Assets	<u>525,487</u>	<u>1,822,131</u>	<u>107,178</u>	<u>17,057</u>	<u>114,825</u>	<u>62,204</u>
Total Assets	<u>\$ 525,487</u>	<u>\$ 1,822,131</u>	<u>\$ 107,178</u>	<u>\$ 17,057</u>	<u>\$ 114,825</u>	<u>\$ 62,204</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 359,257	\$ 1,755	\$ -	\$ 1	\$ -
Interfund payable	-	-	-	-	100,063	-
Total Liabilities	<u>-</u>	<u>359,257</u>	<u>1,755</u>	<u>-</u>	<u>100,064</u>	<u>-</u>
Fund Balances:						
Reserved by grantor	-	-	-	-	-	-
Reserved for encumbrances	39,727	1,462,874	31,100	-	2,332	19,000
Reserved for Powell Bill	-	-	-	-	-	-
Unreserved, designated for subsequent year's expenditures	485,760	-	74,323	17,057	12,429	43,204
Unreserved, undesignated	-	-	-	-	-	-
Total Fund Balance	<u>525,487</u>	<u>1,462,874</u>	<u>105,423</u>	<u>17,057</u>	<u>14,761</u>	<u>62,204</u>
Total Liabilities and Fund Balances	<u>\$ 525,487</u>	<u>\$ 1,822,131</u>	<u>\$ 107,178</u>	<u>\$ 17,057</u>	<u>\$ 114,825</u>	<u>\$ 62,204</u>

NC24 Culvert Trail	Marine Corps Museum	Wilson Bay Initiative	Downtown Redevelopment	Smithfield Grant/ Wilson Bay	Vietnam Veterans Memorial	Youth Center	Fire Training Facility
\$ 150,000	\$ 307,203	\$ 120,393	\$ 17,609	\$ 112,958	\$ 308,786	\$ 12,822	\$ 26,965
-	-	-	3,491	-	-	-	-
-	-	-	-	-	-	-	-
150,000	307,203	120,393	21,100	112,958	308,786	12,822	26,965
<u>\$ 150,000</u>	<u>\$ 307,203</u>	<u>\$ 120,393</u>	<u>\$ 21,100</u>	<u>\$ 112,958</u>	<u>\$ 308,786</u>	<u>\$ 12,822</u>	<u>\$ 26,965</u>
\$ -	\$ -	\$ 29	\$ -	\$ 160	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	29	-	160	-	-	-
-	-	-	-	-	-	-	-
150,000	-	-	-	-	-	7,802	-
-	-	-	3,491	-	-	-	-
-	307,203	120,364	17,609	112,798	308,786	5,020	26,965
-	-	-	-	-	-	-	-
150,000	307,203	120,364	21,100	112,798	308,786	12,822	26,965
<u>\$ 150,000</u>	<u>\$ 307,203</u>	<u>\$ 120,393</u>	<u>\$ 21,100</u>	<u>\$ 112,958</u>	<u>\$ 308,786</u>	<u>\$ 12,822</u>	<u>\$ 26,965</u>

Continued on next page.

City of Jacksonville, North Carolina
Major Capital Projects Fund
Combining Balance Sheet (Continued)
 June 30, 2005
 With Comparative Totals for June 30, 2004

	Traffic Signal Preemption	Demolition	Country Club Park	Richard Ray All America Park	Civic Facility	Jacksonville Commons Phase II
Assets						
Current Assets:						
Cash and cash equivalents	\$ 34,000	\$ 214,949	\$ 75,000	\$ 833	\$ 71,235	\$ 1
Restricted current assets	16,069	-	-	-	-	-
Accounts receivable	-	237	-	-	-	10,622
Total Current Assets	50,069	215,186	75,000	833	71,235	10,623
Total Assets	\$ 50,069	\$ 215,186	\$ 75,000	\$ 833	\$ 71,235	\$ 10,623
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,600
Interfund payable	-	-	-	-	-	61,899
Total Liabilities	-	-	-	-	-	65,499
Fund Balances:						
Reserved by grantor	-	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	71,235	-
Reserved for Powell Bill	-	-	-	-	-	-
Unreserved, designated for subsequent year's expenditures	50,069	215,186	75,000	833	-	-
Unreserved, undesignated	-	-	-	-	-	(54,876)
Total Fund Balance	50,069	215,186	75,000	833	71,235	(54,876)
Total Liabilities and Fund Balances	\$ 50,069	\$ 215,186	\$ 75,000	\$ 833	\$ 71,235	\$ 10,623

Statement 5,
continued.

Sturgeon City Boardwalk II	Woodlands Park	Northeast Creek Park Phase II	Wilson Bay Park Phase I	Reserve Ladder Truck Replacement	Totals	
					June 30, 2005	June 30, 2004
\$ 63,000	\$ 3,304	\$ 1,343	\$ 2,955	\$ 75,000	\$ 3,071,536	\$ 2,783,318
-	-	-	-	-	1,077,524	3,536,973
-	-	-	-	-	128,597	507,076
63,000	3,304	1,343	2,955	75,000	4,277,657	6,827,367
<u>\$ 63,000</u>	<u>\$ 3,304</u>	<u>\$ 1,343</u>	<u>\$ 2,955</u>	<u>\$ 75,000</u>	<u>\$ 4,277,657</u>	<u>\$ 6,827,367</u>
\$ -	\$ -	\$ 800	\$ -	\$ -	\$ 365,602	\$ 222,817
-	-	-	-	-	161,962	491,613
-	-	800	-	-	527,564	714,430
-	-	-	-	-	-	180,938
-	-	-	-	-	1,784,070	4,035,442
-	-	-	-	-	3,491	-
63,000	3,304	543	2,955	75,000	2,017,408	1,914,700
-	-	-	-	-	(54,876)	(18,143)
63,000	3,304	543	2,955	75,000	3,750,093	6,112,937
<u>\$ 63,000</u>	<u>\$ 3,304</u>	<u>\$ 1,343</u>	<u>\$ 2,955</u>	<u>\$ 75,000</u>	<u>\$ 4,277,657</u>	<u>\$ 6,827,367</u>

City of Jacksonville, North Carolina
Major Capital Projects Fund
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	<u>Rails to Trails</u>	<u>City Hall Expansion</u>	<u>Sturgeon City</u>	<u>Citywide Landscaping</u>	<u>Sturgeon City Park</u>	<u>Police Remodeling</u>
Revenues:						
Restricted intergovernmental revenues	\$ -	\$ -	\$ 2,914	\$ -	\$ 119,987	\$ -
Investment earnings	-	59,145	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>59,145</u>	<u>2,914</u>	<u>-</u>	<u>119,987</u>	<u>-</u>
Expenditures:						
Capital Outlay:						
Other departmental expenses	-	-	-	-	-	-
Other improvements	5,000	2,539,157	55,890	-	131,201	-
Total expenditures	<u>5,000</u>	<u>2,539,157</u>	<u>55,890</u>	<u>-</u>	<u>131,201</u>	<u>-</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>(2,480,012)</u>	<u>(52,976)</u>	<u>-</u>	<u>(11,214)</u>	<u>-</u>
Other financing sources (uses):						
Debt issued	-	30,308	-	35,200	-	-
Transfers in	-	14,105	1,206	-	-	60,000
Transfers (out)	<u>(112,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(112,188)</u>	<u>44,413</u>	<u>1,206</u>	<u>35,200</u>	<u>-</u>	<u>60,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(117,188)</u>	<u>(2,435,599)</u>	<u>(51,770)</u>	<u>35,200</u>	<u>(11,214)</u>	<u>60,000</u>
Fund balances:						
Beginning of year, July 1	<u>642,675</u>	<u>3,898,473</u>	<u>157,193</u>	<u>(18,143)</u>	<u>25,975</u>	<u>2,204</u>
End of year, June 30	<u>\$ 525,487</u>	<u>\$ 1,462,874</u>	<u>\$ 105,423</u>	<u>\$ 17,057</u>	<u>\$ 14,761</u>	<u>\$ 62,204</u>

<u>NC24 Culvert Trail</u>	<u>Marine Corps Museum</u>	<u>Wilson Bay Initiative</u>	<u>Downtown Redevelopment</u>	<u>Smithfield Grant/ Wilson Bay</u>	<u>Vietnam Veterans Memorial</u>	<u>Youth Center</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	6,636	-	-	-	6,588	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,636	-	-	-	6,588	-
-	-	-	-	-	-	-
-	-	20,351	-	68,140	-	127,661
-	-	20,351	-	68,140	-	127,661
-	6,636	(20,351)	-	(68,140)	6,588	(127,661)
-	-	-	8,800	-	-	102,808
-	100,000	-	-	-	100,000	-
-	-	-	-	-	-	-
-	100,000	-	8,800	-	100,000	102,808
-	106,636	(20,351)	8,800	(68,140)	106,588	(24,853)
150,000	200,567	140,715	12,300	180,938	202,198	37,675
<u>\$ 150,000</u>	<u>\$ 307,203</u>	<u>\$ 120,364</u>	<u>\$ 21,100</u>	<u>\$ 112,798</u>	<u>\$ 308,786</u>	<u>\$ 12,822</u>

City of Jacksonville, North Carolina
Major Capital Projects Fund
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Fire Training Facility	Traffic Signal Preemption	Demolition	Country Club Park	Richard Ray All America Park
Revenues:					
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	69	-	-	-
Miscellaneous	-	-	-	-	-
Contributions	-	-	250	-	-
Total revenues	-	69	250	-	-
Expenditures:					
Capital Outlay:					
Other departmental expenses	-	-	-	-	-
Other improvements	499	-	32,523	-	10,639
Total expenditures	499	-	32,523	-	10,639
Revenues over (under) expenditures	(499)	69	(32,273)	-	(10,639)
Other financing sources (uses):					
Debt issued	-	16,000	-	-	-
Transfers in	17,500	-	-	-	-
Transfers (out)	-	-	-	-	(3,500)
Total other financing sources (uses)	17,500	16,000	-	-	(3,500)
Excess of revenues and other sources over (under) expenditures and other uses	17,001	16,069	(32,273)	-	(14,139)
Fund balances:					
Beginning of year, July 1	9,964	34,000	247,459	75,000	14,972
End of year, June 30	<u>\$ 26,965</u>	<u>\$ 50,069</u>	<u>\$ 215,186</u>	<u>\$ 75,000</u>	<u>\$ 833</u>

Civic Facility	Jacksonville Commons Phase II	Sturgeon City Boardwalk II	Woodlands Park	Northeast Creek Park Phase II	Wilson Bay Park Phase I	Reserve Ladder Truck Replacement
\$ -	\$ 75,476	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	17,100	-	-	-	-	-
-	92,576	-	-	-	-	-
-	-	-	-	-	-	-
1,127,696	150,952	-	4,400	3,634	1,179	-
1,127,696	150,952	-	4,400	3,634	1,179	-
(1,127,696)	(58,376)	-	(4,400)	(3,634)	(1,179)	-
-	-	-	-	-	-	-
1,117,700	3,500	63,000	-	-	-	75,000
-	-	-	-	-	-	-
1,117,700	3,500	63,000	-	-	-	75,000
(9,996)	(54,876)	63,000	(4,400)	(3,634)	(1,179)	75,000
81,231	-	-	7,704	4,177	4,134	-
\$ 71,235	\$ (54,876)	\$ 63,000	\$ 3,304	\$ 543	\$ 2,955	\$ 75,000

City of Jacksonville, North Carolina
Major Capital Projects Fund
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Statement 6,
continued.

For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Country Club Road Widening	Fire Training Equipment	Totals	
			June 30, 2005	June 30, 2004
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ 13,733	\$ 212,110	\$ 626,661
Investment earnings	-	-	72,438	39,702
Miscellaneous	-	-	-	3,917
Contributions	-	-	17,350	-
Total revenues	-	13,733	301,898	670,280
Expenditures:				
Capital Outlay:				
Other departmental expenses	-	-	-	216,137
Other improvements	87,500	15,259	4,381,681	2,280,202
Total expenditures	87,500	15,259	4,381,681	2,496,339
Revenues over (under) expenditures	(87,500)	(1,526)	(4,079,783)	(1,826,059)
Other financing sources (uses):				
Debt issued	-	-	193,116	-
Transfers in	87,500	-	1,639,511	1,410,275
Transfers (out)	-	-	(115,688)	(575,123)
Total other financing sources (uses)	87,500	-	1,716,939	835,152
Excess of revenues and other sources over (under) expenditures and other uses	-	(1,526)	(2,362,844)	(990,907)
Fund balances:				
Beginning of year, July 1	-	1,526	6,112,937	7,103,844
End of year, June 30	\$ -	\$ -	\$ 3,750,093	\$ 6,112,937

City of Jacksonville, North Carolina
Rails to Trails Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 7

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
NC Transportation Enhancement grant	\$ 1,075,394	\$ 671,815	\$ -	\$ 671,815	\$ (403,579)
Bike Pedestrian grant	400,000	-	-	-	(400,000)
Recreation Trail	33,600	-	-	-	(33,600)
NC Transportation Enhancement grant	112,188	-	-	-	(112,188)
Investment earnings	48,728	46,943	-	46,943	(1,785)
Total revenues	<u>1,669,910</u>	<u>718,758</u>	<u>-</u>	<u>718,758</u>	<u>(951,152)</u>
Expenditures:					
Capital outlay:					
Other improvements		920,274	5,000	925,274	
Total expenditures	<u>3,076,379</u>	<u>920,274</u>	<u>5,000</u>	<u>925,274</u>	<u>2,151,105</u>
Revenues (under) expenditures	<u>(1,406,469)</u>	<u>(201,516)</u>	<u>(5,000)</u>	<u>(206,516)</u>	<u>1,199,953</u>
Other financing sources (uses):					
Debt issued	674,466	-	-	-	(674,466)
Transfers in--					
From General Fund	316,000	316,000	-	316,000	-
From Capital Reserve Fund	428,191	428,191	-	428,191	-
Transfers (out)--					
To General Fund	(112,188)	-	(112,188)	(112,188)	-
Sale of capital assets	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,406,469</u>	<u>844,191</u>	<u>(112,188)</u>	<u>732,003</u>	<u>(674,466)</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 642,675</u>	<u>(117,188)</u>	<u>\$ 525,487</u>	<u>\$ 525,487</u>
Fund balance:					
Beginning of year, July 1			<u>642,675</u>		
End of year, June 30			<u>\$ 525,487</u>		

City of Jacksonville, North Carolina
City Hall Expansion Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 8

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution - Onslow County	\$ 10,307	\$ 10,308	\$ -	\$ 10,308	\$ 1
Investment earnings	121,891	64,195	59,145	123,340	1,449
Total revenues	132,198	74,503	59,145	133,648	1,450
Expenditures:					
Capital outlay:					
Other improvements		2,269,982	2,539,157	4,809,139	
Total expenditures	6,270,563	2,269,982	2,539,157	4,809,139	1,461,424
Revenues (under) expenditures	(6,138,365)	(2,195,479)	(2,480,012)	(4,675,491)	1,462,874
Other financing sources:					
Debt issued	5,030,308	5,000,000	30,308	5,030,308	-
Transfers in--					
From Capital Reserve Fund	1,013,952	1,013,952	-	1,013,952	-
From General Fund	80,000	80,000	-	80,000	-
From Proprietary Fund	14,105	-	14,105	14,105	-
Total other financing sources	6,138,365	6,093,952	44,413	6,138,365	-
Increase (decrease) in fund balance	\$ -	\$ 3,898,473	(2,435,599)	\$ 1,462,874	\$ 1,462,874
Fund balance:					
Beginning of year, July 1			3,898,473		
End of year, June 30			\$ 1,462,874		

City of Jacksonville, North Carolina
Sturgeon City Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution - Onslow County	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Prevention Pollution Grant	10,000	-	2,914	2,914	(7,086)
Total revenues	<u>35,000</u>	<u>25,000</u>	<u>2,914</u>	<u>27,914</u>	<u>(7,086)</u>
Expenditures:					
Capital outlay:					
Other improvements		395,316	55,890	451,206	
Total expenditures	<u>4,233,715</u>	<u>395,316</u>	<u>55,890</u>	<u>451,206</u>	<u>3,782,509</u>
Revenues (under) expenditures	<u>(4,198,715)</u>	<u>(370,316)</u>	<u>(52,976)</u>	<u>(423,292)</u>	<u>3,775,423</u>
Other financing sources (uses):					
Debt issued	3,670,000	-	-	-	(3,670,000)
Transfers in--					
From Capital Reserve Fund	578,715	577,509	1,206	578,715	-
Transfers (out)--					
To Capital Projects	(30,000)	(30,000)	-	(30,000)	-
To Capital Reserve	(20,000)	(20,000)	-	(20,000)	-
Total other financing sources	<u>4,198,715</u>	<u>527,509</u>	<u>1,206</u>	<u>528,715</u>	<u>(3,670,000)</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 157,193</u>	<u>(51,770)</u>	<u>\$ 105,423</u>	<u>\$ 105,423</u>
Fund balance:					
Beginning of year, July 1			<u>157,193</u>		
End of year, June 30			<u>\$ 105,423</u>		

City of Jacksonville, North Carolina
Citywide Landscaping Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 10

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		158,753	-	158,753	
Total expenditures	175,810	158,753	-	158,753	17,057
Revenues (under) expenditures	(175,810)	(158,753)	-	(158,753)	17,057
Other financing sources:					
Debt issued	125,200	90,000	35,200	125,200	-
Transfers in--					
From General Fund	42,500	42,500	-	42,500	-
From Capital Reserve Fund	8,110	8,110	-	8,110	-
Total other financing sources	175,810	140,610	35,200	175,810	-
Increase (decrease) in fund balance	\$ -	\$ (18,143)	35,200	\$ 17,057	\$ 17,057
Fund Balance:					
Beginning of year, July 1			(18,143)		
End of year, June 30			\$ 17,057		

City of Jacksonville, North Carolina
Sturgeon City Park Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 11

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
LWCF grant	\$ 231,676	\$ 231,676	\$ -	\$ 231,676	\$ -
Water Access Grant	200,000	83,024	114,824	197,848	(2,152)
Wetlands Restoration	192,072	185,619	5,163	190,782	(1,290)
Total revenues	623,748	500,319	119,987	620,306	(3,442)
Expenditures:					
Capital outlay:					
Other improvements		779,419	131,201	910,620	
Total expenditures	928,823	779,419	131,201	910,620	18,203
Revenues (under) expenditures	(305,075)	(279,100)	(11,214)	(290,314)	14,761
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	275,075	275,075	-	275,075	-
From Capital Projects	30,000	30,000	-	30,000	-
Total other financing sources	305,075	305,075	-	305,075	-
Increase (decrease) in fund balance	\$ -	\$ 25,975	(11,214)	\$ 14,761	\$ 14,761
Fund Balance:					
Beginning of year, July 1			25,975		
End of year, June 30			\$ 14,761		

City of Jacksonville, North Carolina
Police Remodeling Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 12

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		50,092	-	50,092	
Total expenditures	112,296	50,092	-	50,092	62,204
Revenues (under) expenditures	(112,296)	(50,092)	-	(50,092)	62,204
Other financing sources:					
Transfers in--					
From General Fund	112,296	52,296	60,000	112,296	-
Total other financing sources	112,296	52,296	60,000	112,296	-
Increase in fund balance	<u>\$ -</u>	<u>\$ 2,204</u>	60,000	<u>\$ 62,204</u>	<u>\$ 62,204</u>
Fund Balance:					
Beginning of year, July 1			2,204		
End of year, June 30			<u>\$ 62,204</u>		

City of Jacksonville, North Carolina
NC24 Culvert Trail Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 13

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	150,000	-	-	-	150,000
Revenues (under) expenditures	(150,000)	-	-	-	150,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	150,000	150,000	-	150,000	-
Total other financing sources	150,000	150,000	-	150,000	-
Increase in fund balance	<u>\$ -</u>	<u>\$ 150,000</u>	-	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Fund Balance:					
Beginning of year, July 1			150,000		
End of year, June 30			<u>\$ 150,000</u>		

City of Jacksonville, North Carolina
Marine Corps Museum Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 14

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment Earnings	\$ 6,690	\$ 567	\$ 6,636	\$ 7,203	\$ 513
Total revenues	<u>6,690</u>	<u>567</u>	<u>6,636</u>	<u>7,203</u>	<u>513</u>
Expenditures:					
Capital outlay:					
Other improvements		100,000	-	100,000	
Total expenditures	<u>406,690</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>306,690</u>
Revenues over (under) expenditures	<u>(400,000)</u>	<u>(99,433)</u>	<u>6,636</u>	<u>(92,797)</u>	<u>307,203</u>
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	<u>400,000</u>	<u>300,000</u>	<u>100,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources	<u>400,000</u>	<u>300,000</u>	<u>100,000</u>	<u>400,000</u>	<u>-</u>
Increase in fund balance	<u>\$ -</u>	<u>\$ 200,567</u>	106,636	<u>\$ 307,203</u>	<u>\$ 307,203</u>
Fund Balance:					
Beginning of year, July 1			<u>200,567</u>		
End of year, June 30			<u>\$ 307,203</u>		

City of Jacksonville, North Carolina
Wilson Bay Initiative Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 15

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		151,101	20,351	171,452	
Total expenditures	291,816	151,101	20,351	171,452	120,364
Revenues (under) expenditures	(291,816)	(151,101)	(20,351)	(171,452)	120,364
Other financing sources:					
Transfers in--					
From General Fund	441	441	-	441	-
From Capital Reserve Fund	291,375	291,375	-	291,375	-
Total other financing sources	291,816	291,816	-	291,816	-
Increase (decrease) in fund balance	\$ -	\$ 140,715	(20,351)	\$ 120,364	\$ 120,364
Fund Balance:					
Beginning of year, July 1			140,715		
End of year, June 30			\$ 120,364		

City of Jacksonville, North Carolina
Downtown Redevelopment Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 16

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		152,521	-	152,521	
Total expenditures	173,621	152,521	-	152,521	21,100
Revenues (under) expenditures	(173,621)	(152,521)	-	(152,521)	21,100
Other financing sources:					
Debt issued	8,800	-	8,800	8,800	-
Transfers in--					
From General Fund	3,491	3,491	-	3,491	-
From Capital Reserve Fund	161,330	161,330	-	161,330	-
Total other financing sources	173,621	164,821	8,800	173,621	-
Increase in fund balance	\$ -	\$ 12,300	8,800	\$ 21,100	\$ 21,100
Fund Balance:					
Beginning of year, July 1			12,300		
End of year, June 30			\$ 21,100		

City of Jacksonville, North Carolina
Smithfield Grant/Wilson Bay Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 17

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Smithfield Grant	\$ 500,000	\$ 443,900	\$ -	\$ 443,900	\$ (56,100)
Total revenues	500,000	443,900	-	443,900	(56,100)
Expenditures:					
Capital outlay:					
Other improvements		262,962	68,140	331,102	
Total expenditures	500,000	262,962	68,140	331,102	168,898
Revenues over (under) expenditures	-	180,938	(68,140)	112,798	112,798
Increase (decrease) in fund balance	\$ -	\$ 180,938	(68,140)	\$ 112,798	\$ 112,798
Fund Balance:					
Beginning of year, July 1			180,938		
End of year, June 30			\$ 112,798		

City of Jacksonville, North Carolina
Vietnam Veterans Memorial Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 18

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment Earnings	\$ 8,300	\$ 2,198	\$ 6,588	\$ 8,786	\$ 486
Total revenues	<u>8,300</u>	<u>2,198</u>	<u>6,588</u>	<u>8,786</u>	<u>486</u>
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	<u>308,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,300</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>2,198</u>	<u>6,588</u>	<u>8,786</u>	<u>308,786</u>
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	<u>300,000</u>	<u>200,000</u>	<u>100,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources	<u>300,000</u>	<u>200,000</u>	<u>100,000</u>	<u>300,000</u>	<u>-</u>
Increase in fund balance	<u>\$ -</u>	<u>\$ 202,198</u>	<u>106,588</u>	<u>\$ 308,786</u>	<u>\$ 308,786</u>
Fund Balance:					
Beginning of year, July 1			<u>202,198</u>		
End of year, June 30			<u>\$ 308,786</u>		

City of Jacksonville, North Carolina
Youth Center Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 19

	<u>Project</u> <u>Authorization</u>	<u>Actual</u>			<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		132,679	127,661	260,340	
Total expenditures	273,162	132,679	127,661	260,340	12,822
Revenues (under) expenditures	(273,162)	(132,679)	(127,661)	(260,340)	12,822
Other financing sources:					
Debt issued	102,808	-	102,808	-	(102,808)
Transfers in--					
From General Fund	66,848	66,848	-	66,848	-
From Capital Reserve	103,506	103,506	-	103,506	-
Total other financing sources	273,162	170,354	102,808	273,162	(102,808)
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 37,675</u>	<u>(24,853)</u>	<u>\$ 12,822</u>	<u>\$ 12,822</u>
Fund Balance:					
Beginning of year, July 1			<u>37,675</u>		
End of year, June 30			<u>\$ 12,822</u>		

City of Jacksonville, North Carolina
Fire Training Facility Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 20

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Contributions from Coastal Carolina					
Community College	\$ 13,000	\$ 13,000	\$ -	\$ 13,000	\$ -
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Expenditures:					
Capital outlay:					
Other improvements		79,789	499	80,288	
Total expenditures	107,253	79,789	499	80,288	26,965
Revenues (under) expenditures	(94,253)	(66,789)	(499)	(67,288)	26,965
Other financing sources:					
Transfers in--					
From General Fund	94,253	76,753	17,500	94,253	-
Total other financing sources	<u>94,253</u>	<u>76,753</u>	<u>17,500</u>	<u>94,253</u>	<u>-</u>
Increase in fund balance	<u>\$ -</u>	<u>\$ 9,964</u>	17,001	<u>\$ 26,965</u>	<u>\$ 26,965</u>
Fund Balance:					
Beginning of year, July 1			9,964		
End of year, June 30			<u>\$ 26,965</u>		

City of Jacksonville, North Carolina
Traffic Signal Preemption Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 21

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
NCDOT Traffic Preemption	\$ 34,000	\$ -	\$ -	\$ -	\$ (34,000)
Investment Earnings	40	-	69	69	29
Total revenues	34,040	-	69	69	(33,971)
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	84,040	-	-	-	84,040
Revenues over (under) expenditures	(50,000)	-	69	69	50,069
Other financing sources:					
Debt Issued	16,000	-	16,000	16,000	-
Transfers in--					
From General Fund	34,000	34,000	-	34,000	-
Total other financing sources	50,000	34,000	16,000	50,000	-
Increase in fund balance	\$ -	\$ 34,000	16,069	\$ 50,069	\$ 50,069
Fund Balance:					
Beginning of year, July 1			34,000		
End of year, June 30			\$ 50,069		

City of Jacksonville, North Carolina

Schedule 22

Demolition Capital Project

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Miscellaneous	\$ 2,420	\$ 2,420	\$ -	\$ 2,420	\$ -
Contributions	-	-	250	250	250
Total revenues	2,420	2,420	250	2,670	250
Expenditures:					
Capital outlay:					
Other improvements		327,961	32,523	360,484	
Total expenditures	575,420	327,961	32,523	360,484	214,936
Revenues (under) expenditures	(573,000)	(325,541)	(32,273)	(357,814)	215,186
Other financing sources:					
Transfers in--					
From General Fund	333,000	333,000	-	333,000	-
From Capital Reserve Fund	240,000	240,000	-	240,000	-
Total other financing sources	573,000	573,000	-	573,000	-
Increase (decrease) in fund balance	\$ -	\$ 247,459	(32,273)	\$ 215,186	\$ 215,186
Fund balance:					
Beginning of year, July 1			247,459		
End of year, June 30			\$ 215,186		

City of Jacksonville, North Carolina
Country Club Park Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 23

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	75,000	-	-	-	75,000
Revenues (under) expenditures	(75,000)	-	-	-	75,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	75,000	75,000	-	75,000	-
Total other financing sources	75,000	75,000	-	75,000	-
Increase in fund balance	<u>\$ -</u>	<u>\$ 75,000</u>	-	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Fund balance:					
Beginning of year, July 1			<u>75,000</u>		
End of year, June 30			<u>\$ 75,000</u>		

City of Jacksonville, North Carolina
Richard Ray All America Park Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 24

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Recreation grant	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Contribution	53,503	53,502	-	53,502	(1)
Miscellaneous	14,369	14,368	-	14,368	(1)
Total revenues	<u>317,872</u>	<u>317,870</u>	<u>-</u>	<u>317,870</u>	<u>(2)</u>
Expenditures:					
Capital outlay:					
Other improvements		567,898	10,639	578,537	
Total expenditures	<u>579,372</u>	<u>567,898</u>	<u>10,639</u>	<u>578,537</u>	<u>835</u>
Revenues (under) expenditures	<u>(261,500)</u>	<u>(250,028)</u>	<u>(10,639)</u>	<u>(260,667)</u>	<u>833</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	250,000	250,000	-	250,000	-
From Capital Reserve Fund	15,000	15,000	-	15,000	-
Transfers (out)--					
To Capital Reserve Fund	(3,500)	-	(3,500)	(3,500)	-
Total other financing sources (uses)	<u>261,500</u>	<u>265,000</u>	<u>(3,500)</u>	<u>261,500</u>	<u>-</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 14,972</u>	<u>(14,139)</u>	<u>\$ 833</u>	<u>\$ 833</u>
Fund balance:					
Beginning of year, July 1			14,972		
End of year, June 30			<u>\$ 833</u>		

City of Jacksonville, North Carolina
Civic Facility Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 25

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution - Onslow County	\$ 52,884	\$ 46,500	\$ -	\$ 46,500	\$ (6,384)
Total revenues	52,884	46,500	-	46,500	(6,384)
Expenditures:					
Capital outlay:					
Other improvements		423,750	1,127,696	1,551,446	
Total expenditures	11,629,065	423,750	1,127,696	1,551,446	10,077,619
Revenues (under) expenditures	(11,576,181)	(377,250)	(1,127,696)	(1,504,946)	10,071,235
Other financing sources (uses):					
Debt issued	10,000,000	-	-	-	(10,000,000)
Transfers in--					
From Capital Reserve Fund	1,571,181	453,481	1,117,700	1,571,181	-
From General Fund	145,000	145,000	-	145,000	-
Transfers (out)--					
To General Fund	(140,000)	(140,000)	-	(140,000)	-
Total other financing sources	11,576,181	458,481	1,117,700	1,576,181	(10,000,000)
Increase (decrease) in fund balance	\$ -	\$ 81,231	(9,996)	\$ 71,235	\$ 71,235
Fund balance:					
Beginning of year, July 1			81,231		
End of year, June 30			\$ 71,235		

City of Jacksonville, North Carolina
Jacksonville Commons Phase II Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 26

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Part F Grant	\$ 250,000	\$ -	\$ 75,476	\$ 75,476	\$ (174,524)
Onslow County Contributions	60,000	-	-	-	(60,000)
Contributions	17,100	-	17,100	17,100	-
Total revenues	327,100	-	92,576	92,576	(234,524)
Expenditures:					
Capital outlay:					
Other improvements		-	150,952	150,952	
Total expenditures	1,542,700	-	150,952	150,952	1,391,748
Revenues (under) expenditures	(1,215,600)	-	(58,376)	(58,376)	1,157,224
Other financing sources (uses):					
Debt issued	1,212,100	-	-	-	1,212,100
Transfers in--					
From Capital Reserve Fund	3,500	-	3,500	3,500	-
Total other financing sources	1,215,600	-	3,500	3,500	1,212,100
Increase (decrease) in fund balance	\$ -	\$ -	(54,876)	\$ (54,876)	\$ (54,876)
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ (54,876)		

City of Jacksonville, North Carolina
Sturgeon City Boardwalk II Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 27

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Water Access Grant	\$ 359,000	\$ -	\$ -	\$ -	\$ (359,000)
Total revenues	359,000	-	-	-	(359,000)
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	422,000	-	-	-	422,000
Revenues (under) expenditures	(63,000)	-	-	-	63,000
Other financing sources:					
Transfers in--					
From General Fund	63,000	-	63,000	63,000	-
Total other financing sources	63,000	-	63,000	63,000	-
Increase in fund balance	<u>\$ -</u>	<u>\$ -</u>	63,000	<u>\$ 63,000</u>	<u>\$ 63,000</u>
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 63,000</u>		

City of Jacksonville, North Carolina
Woodlands Park Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 28

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		163,296	4,400	167,696	
Total expenditures	171,000	163,296	4,400	167,696	3,304
Revenues (under) expenditures	(171,000)	(163,296)	(4,400)	(167,696)	3,304
Other financing sources (uses):					
Transfers in--					
From Capital Reserve Fund	175,000	175,000	-	175,000	-
Transfers (out)--					
To General Fund	(4,000)	(4,000)	-	(4,000)	-
Total other financing sources	171,000	171,000	-	171,000	-
Increase (decrease) in fund balance	\$ -	\$ 7,704	(4,400)	\$ 3,304	\$ 3,304
Fund balance:					
Beginning of year, July 1			7,704		
End of year, June 30			\$ 3,304		

City of Jacksonville, North Carolina
Northeast Creek Park Phase II Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 29

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contributions	\$ 949	\$ 950	\$ -	\$ 950	\$ 1
Total revenues	949	950	-	950	1
Expenditures:					
Capital outlay:					
Other improvements		196,773	3,634	200,407	
Total expenditures	200,949	196,773	3,634	200,407	542
Revenues (under) expenditures	(200,000)	(195,823)	(3,634)	(199,457)	543
Other financing sources:					
Debt issued	60,000	60,000	-	60,000	-
Transfers in--					
From Capital Reserve Fund	140,000	140,000	-	140,000	-
Total other financing sources	200,000	200,000	-	200,000	-
Increase (decrease) in fund balance	\$ -	\$ 4,177	(3,634)	\$ 543	\$ 543
Fund balance:					
Beginning of year, July 1			4,177		
End of year, June 30			\$ 543		

City of Jacksonville, North Carolina
Wilson Bay Park Phase I Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 30

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution	\$ 550	\$ 550	\$ -	\$ 550	\$ -
Water Access grant	52,500	52,500	-	52,500	-
Total revenues	53,050	53,050	-	53,050	-
Expenditures:					
Capital outlay:					
Other improvements		220,666	1,179	221,845	
Total expenditures	224,800	220,666	1,179	221,845	2,955
Revenues (under) expenditures	(171,750)	(167,616)	(1,179)	(168,795)	2,955
Other financing sources (uses):					
Debt issued	75,000	75,000	-	75,000	-
Transfers in--					
From Capital Reserve Fund	97,500	97,500	-	97,500	-
Transfers (out)--					
To Capital Reserve Fund	(750)	(750)	-	(750)	-
Total other financing sources	171,750	171,750	-	171,750	-
Increase (decrease) in fund balance	\$ -	\$ 4,134	(1,179)	\$ 2,955	\$ 2,955
Fund balance:					
Beginning of year, July 1			4,134		
End of year, June 30			\$ 2,955		

City of Jacksonville, North Carolina
Reserve Ladder Truck Replacement Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 31

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other Improvements		-	-	-	
Total expenditures	75,000	-	-	-	75,000
Revenues (under) expenditures	(75,000)	-	-	-	75,000
Other financing sources:					
Transfers in--					
From General Fund	75,000	-	75,000	75,000	-
Total other financing sources	75,000	-	75,000	75,000	-
Increase in fund balance	\$ -	\$ -	75,000	\$ 75,000	\$ 75,000
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 75,000		

City of Jacksonville, North Carolina
Country Club Road Widening Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 32

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Total expenditures	87,500	-	87,500	87,500	-
Revenues (under) expenditures	(87,500)	-	(87,500)	(87,500)	-
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	87,500	-	87,500	87,500	-
Total other financing sources	87,500	-	87,500	87,500	-
Increase in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

City of Jacksonville, North Carolina
Fire Training Equipment Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 33

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
FEMA	\$ 92,934	\$ 92,934	\$ -	\$ 92,934	\$ -
Firefighter Assistance	46,941	33,208	13,733	46,941	-
Total revenues	139,875	126,142	13,733	139,875	-
Expenditures:					
Capital outlay:					
Other improvements		140,156	15,259	155,415	
Total expenditures	155,415	140,156	15,259	155,415	-
Revenues (under) expenditures	(15,540)	(14,014)	(1,526)	(15,540)	-
Other financing sources:					
Transfers in--					
From General Fund	15,540	15,540	-	15,540	-
Total other financing sources	15,540	15,540	-	15,540	-
Increase (decrease) in fund balance	\$ -	\$ 1,526	(1,526)	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			1,526		
End of year, June 30			\$ -		

City of Jacksonville, North Carolina
West Gum Branch Fire Station Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 34

	Project Authorization	Actual		Total to Date	Variance
		Prior Years	Current Year		Positive (Negative)
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	50,000	-	-	-	50,000
Revenues (under) expenditures	(50,000)	-	-	-	50,000
Other financing sources:					
Debt issued	50,000	-	-	-	(50,000)
Total other financing sources	50,000	-	-	-	(50,000)
Increase in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Jacksonville, North Carolina
Indoor Facility Brynn Marr Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 35

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		-	-	-	
Total expenditures	50,000	-	-	-	50,000
Revenues (under) expenditures	(50,000)	-	-	-	50,000
Other financing sources:					
Debt issued	50,000	-	-	-	(50,000)
Total other financing sources	50,000	-	-	-	(50,000)
Increase in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Water and Sewer Fund

The Water and Sewer Fund is used to account for water and sewer operations in the City of Jacksonville that are financed through user charges.

City of Jacksonville, North Carolina

Water and Sewer Fund

Statement of Net Assets

June 30, 2005

With Comparative Totals for June 30, 2004

Statement 36

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,294,670	\$ 8,627,457
Accounts receivable (net)	1,404,169	1,325,967
Interfund receivables	28,388	14,683
Inventories	761,650	260,939
Prepaid items	-	250
Total Current Assets	<u>9,488,877</u>	<u>10,229,296</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	3,861,848	6,253,869
Capital assets (net)	<u>69,766,709</u>	<u>65,651,561</u>
Total Noncurrent Assets	<u>73,628,557</u>	<u>71,905,430</u>
Total Assets	<u>83,117,434</u>	<u>82,134,726</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	1,383,237	1,392,343
Interfund payable	34,925	351,481
Compensated absences payable-current	16,969	11,778
Installment purchases payable-current	1,843,924	1,550,452
Loans payable-current	<u>1,463,249</u>	<u>1,413,249</u>
Total Current Liabilities	<u>4,742,304</u>	<u>4,719,303</u>
Noncurrent Liabilities:		
Compensated absences payable-noncurrent	100,432	96,034
Unearned revenue	126,484	125,546
Customer deposits	396,583	382,556
Installment purchases payable-noncurrent	14,324,337	14,534,894
Loans payable-noncurrent	<u>14,093,362</u>	<u>14,716,203</u>
Total Noncurrent Liabilities	<u>29,041,198</u>	<u>29,855,233</u>
Total Liabilities	<u>33,783,502</u>	<u>34,574,536</u>
Net Assets		
Invested in capital assets, net of related debt	41,903,685	39,690,632
Unrestricted	<u>7,430,247</u>	<u>7,869,557</u>
Total Net Assets	<u>\$ 49,333,932</u>	<u>\$ 47,560,189</u>

City of Jacksonville, North Carolina
Water and Sewer Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

Statement 37

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 11,441,475	\$ 9,381,216
Total operating revenues	<u>11,441,475</u>	<u>9,381,216</u>
Operating expenses:		
Water/Sewer Operations	3,419,113	3,101,679
Water Supply	703,219	621,559
Wastewater Treatment	1,405,637	1,328,607
Depreciation	4,835,775	4,234,255
Total operating expenses	<u>10,363,744</u>	<u>9,286,100</u>
Operating income	<u>1,077,731</u>	<u>95,116</u>
Nonoperating revenues (expenses):		
Investment earnings	211,339	155,938
Assessments collected	919	2,970
Interest collected on assessments	157	121
Gain on sale of capital assets	20,873	18,484
Interest on long-term debt	(1,267,603)	(945,068)
Refunds	128,613	-
Total nonoperating (expenses)	<u>(905,702)</u>	<u>(767,555)</u>
Income (loss) before capital contributions and transfers	<u>172,029</u>	<u>(672,439)</u>
Capital contributions:		
State Clean Water Bond grant	-	326,867
State Clean Water Revolving grant	68,715	2,000,000
Developer contributions	774,974	280,604
Total capital contributions	<u>843,689</u>	<u>2,607,471</u>
Income before transfers	<u>1,015,718</u>	<u>1,935,032</u>
Transfers:		
Transfers in	771,344	-
Transfers (out)	(13,319)	(4,232)
Total transfers	<u>758,025</u>	<u>(4,232)</u>
Increase in Net Assets	1,773,743	1,930,800
Net Assets		
Beginning of year, July 1	<u>47,560,189</u>	<u>45,629,389</u>
End of year, June 30	<u>\$ 49,333,932</u>	<u>\$ 47,560,189</u>

City of Jacksonville, North Carolina
Water and Sewer Fund
Statement of Cash Flows

Statement 38

For the Fiscal Year Ended June 30, 2005
 With Comparative Totals for the Fiscal Year Ended June 30, 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 11,310,728	\$ 8,959,911
Cash paid for goods and services	(3,409,689)	(1,322,043)
Cash paid to employees	(2,895,037)	(2,655,161)
Customer deposits	14,027	20,350
Net cash provided by operating activities	5,020,029	5,003,057
Cash flows from noncapital financing activities:		
Transfers in (out)	758,025	(4,232)
Net cash provided (used) by noncapital financing activities	758,025	(4,232)
Cash flows from capital and related financing activities:		
Contributions	68,715	2,326,867
Principal paid on long-term debt	(3,131,331)	(2,691,505)
Interest paid on long-term debt	(1,267,603)	(945,068)
Debt issued	2,641,405	6,763,080
Purchase of capital assets	(8,181,750)	(6,977,972)
Proceeds from sale of assets	26,674	18,484
Assessments collected	919	2,970
Interest collected on assessments	157	121
Refunds	128,613	-
Net cash (used) by capital and related financing activities	(9,714,201)	(1,503,023)
Cash flows from investing activities:		
Interest earned on investments	211,339	155,938
Net cash provided by investing activities	211,339	155,938
Net increase (decrease) in cash and cash equivalents	(3,724,808)	3,651,740
Cash and cash equivalents, July 1	14,881,326	11,229,586
Cash and cash equivalents, June 30	\$ 11,156,518	\$ 14,881,326

Continued on next page.

City of Jacksonville, North Carolina

Water and Sewer Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

Statement 38,

continued.

	<u>2005</u>	<u>2004</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 1,077,731	\$ 95,116
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,835,775	4,234,255
Bad debt expense	39,778	46,667
Change in assets and liabilities:		
Increase (decrease) in accrued vacation pay/payroll	9,589	9,413
(Increase) decrease in prepaid expenses	249	(250)
Increase (decrease) in accounts payable	(9,106)	696,294
Increase (decrease) in interfund payable	(316,556)	-
(Increase) decrease in accounts receivable	(117,980)	(454,289)
(Increase) decrease in interfund receivables	(13,705)	358,683
(Increase) decrease in inventories	(500,711)	(9,120)
Increase (decrease) in deferred revenues	938	5,938
Increase (decrease) in customer deposits	14,027	20,350
Total adjustments	<u>3,942,298</u>	<u>4,907,941</u>
Net cash provided by operating activities	<u>\$ 5,020,029</u>	<u>\$ 5,003,057</u>
Noncash investing, capital, and financing activities:		
Capital contributed by developers	<u>\$ 774,974</u>	<u>\$ 280,604</u>

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 39
Page 1 of 4

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 2,447,370	\$ 2,435,719	\$ (11,651)	\$ 2,414,628
Water tap fees	5,600	6,840	1,240	3,040
Water facility fees	137,148	378,601	241,453	266,871
Sewer sales	3,133,584	3,118,390	(15,194)	1,938,040
Sewer tap fees	5,000	6,609	1,609	4,020
Sewer facility fees	595,000	805,371	210,371	886,615
Late penalty charges	61,000	95,741	34,741	68,181
New account service charges	49,007	48,640	(367)	47,850
Interest collected on tap fees	50	(41)	(91)	54
Onslow County leachate	35,000	22,646	(12,354)	33,625
Land application user charge	3,454,551	3,699,719	245,168	3,492,459
Land application late fee	41,997	56,801	14,804	43,900
Land application expansion	457,051	396,079	(60,972)	-
Miscellaneous operating revenue	161,295	370,360	209,065	181,933
Total	10,583,653	11,441,475	857,822	9,381,216
Nonoperating revenues:				
Interest earned on investments	170,000	211,339	41,339	155,938
Assessments collected	3,500	919	(2,581)	2,970
Interest collected on assessments	300	157	(143)	121
Gain on sale of capital assets	-	20,873	20,873	18,484
State Clean Water Bond grant	-	-	-	326,867
State Clean Water Revolving grant	-	68,715	68,715	2,000,000
Developer contributions	-	774,974	774,974	280,604
Refunds - ONWASA	-	128,613	128,613	-
Total	173,800	1,205,590	1,031,790	2,784,984
Total revenues	10,757,453	12,647,065	1,889,612	12,166,200
Expenses:				
Water/Sewer operations				
Administration				
Salaries and employee benefits		854,259		765,145
Supplies		4,016		697
Insurance		2,381		2,303
Contracted services-info technology		26,772		21,245
Contracted services		12,160		14,400
Other departmental expenses		131,709		333,366
Bad debt expense		39,778		46,667
Total		1,071,075		1,183,823

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 39
Page 2 of 4

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Engineering				
Salaries and employee benefits	\$	\$ 193,278	\$	\$ 183,830
Supplies		3,443		3,220
Insurance		2,065		2,261
Contracted services		66,177		57,357
Contracted services-info technology		30,792		21,245
Other departmental expenses		32,251		30,937
Total		328,006		298,850
Metering distribution				
Salaries and employee benefits		192,709		190,140
Supplies		18,429		11,805
Insurance		3,734		2,992
Utilities		606		-
Maintenance and repair		-		29
Contracted services		18,082		3,067
Contracted services-info technology		23,292		14,164
Other departmental expenses		43,825		30,790
Total		300,677		252,987
Utilities maintenance				
Salaries and employee benefits		936,173		837,113
Supplies		85,003		74,040
Insurance		10,646		9,443
Utilities		1,489		6,008
Maintenance and repair		167,319		98,568
Contracted services		352,184		192,676
Contracted services-info technology		39,719		24,786
Other departmental expenses		126,822		123,385
Total		1,719,355		1,366,019
Total Water/Sewer operations	4,296,013	3,419,113	876,900	3,101,679
Water supply				
Salaries and employee benefits		276,950		241,841
Supplies		29,759		22,323
Insurance		9,356		9,330
Utilities		271,422		234,409
Maintenance and repair		8,229		31,320
Contracted services		20,129		3,869
Contracted services-info technology		64,886		56,654
Other departmental expenses		22,488		21,813
Total water supply	727,843	703,219	24,624	621,559

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 39
Page 3 of 4

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Wastewater treatment				
Salaries and employee benefits	\$	\$ 451,258	\$	\$ 446,505
Supplies		100,210		88,220
Insurance		30,511		29,652
Utilities		540,052		543,763
Maintenance and repair		58,903		71,714
Contracted services		48,784		37,689
Contracted services-info technology		46,564		46,032
Other departmental expenses		67,747		65,032
Total wastewater treatment	1,457,247	1,344,029	113,218	1,328,607
Total	6,481,103	5,466,361	1,014,742	5,051,845
Budgetary appropriations:				
Interest paid	1,949,081	1,267,603	681,478	945,068
Debt principal	4,105,391	3,131,331	974,060	2,691,505
Increase (decrease) in inventory	-	500,711	(500,711)	9,120
(Increase) decrease in compensated absences payable	-	(9,589)	9,589	(9,413)
Increase (decrease) in prepaid expenses	-	(250)	250	250
Debt issued	(187,899)	(187,899)	-	(402,550)
Appropriated retained earnings	(921,246)	-	(921,246)	-
Transfers (in)--				
From Water/Sewer Capital Projects	(236,254)	-	(236,254)	(534,710)
From General Fund Capital Reserve	(764,389)	(764,389)	-	-
From Non-Major Governmental Funds	(6,955)	(6,955)	-	-
Transfers out--				
To Water/Sewer Capital Projects	141,057	141,057	-	550,870
To General Fund	-	-	-	-
To Non-Major Governmental Funds	13,319	13,319	-	4,232
Non-capitalized expenses - projects	-	61,608	(61,608)	-
Capital outlay	184,245	179,659	4,586	429,857
Total budgetary appropriations	4,276,350	4,326,206	(49,856)	3,684,229
Total expenses	\$ 10,757,453	\$ 9,792,567	\$ 964,886	\$ 8,736,074

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 39
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For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		Variance Positive (Negative)	
Reconciliation of modified accrual basis to full accrual basis:			
Total revenues		\$ 12,647,065	\$ 12,166,200
Total expenses		<u>9,792,567</u>	<u>8,736,074</u>
Excess of revenues over expenses		<u>2,854,498</u>	<u>3,430,126</u>
Budgetary appropriations (above):			
Payment of debt principal		3,131,331	2,691,505
Debt issued		(187,899)	(402,550)
Increase (decrease) in inventory		500,711	9,120
(Increase) decrease in compensated absences payable		(9,589)	(9,413)
Increase (decrease) in prepaid expenses		(250)	250
Capital outlay		179,659	429,857
Transfers		<u>141,057</u>	<u>16,160</u>
Total budgetary appropriations		<u>3,755,020</u>	<u>2,734,929</u>
Depreciation (Statement 37)		<u>(4,835,775)</u>	<u>(4,234,255)</u>
Net income (Statement 37)		<u>\$ 1,773,743</u>	<u>\$ 1,930,800</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Water Capital Projects Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 40

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Water facility fees	\$ 135,704	\$ 74,606	\$ 71,658	\$ 146,264	\$ 10,560
Investment earnings	13,080	2,437	9,702	12,139	(941)
Total revenues	148,784	77,043	81,360	158,403	9,619
Expenses:					
Water tank painting	774,200	536,596	-	536,596	237,604
Water line replacements	1,722,354	730,872	486,589	1,217,461	504,893
Lejeune Boulevard water	148,500	-	-	-	148,500
Fire Protection water improvements	150,000	-	-	-	150,000
Million gallon water tank	2,096,382	222,711	1,273,065	1,495,776	600,606
Water distribution study	65,000	65,000	-	65,000	-
Automated meter reading	1,654,185	319,575	1,339,316	1,658,891	(4,706)
Well rehabilitation	28,000	-	-	-	28,000
DOT construction water impact	50,000	400	-	400	49,600
Water treatment plant	13,266,990	16,417	781,618	798,035	12,468,955
Country Club Road widening	65,000	-	-	-	65,000
Total expenses	20,020,611	1,891,571	3,880,588	5,772,159	14,248,452
Revenues (under) expenses	(19,871,827)	(1,814,528)	(3,799,228)	(5,613,756)	14,258,071
Other financing sources:					
Debt issued	17,138,132	2,260,132	800,000	3,060,132	(14,078,000)
Transfers in--					
From Water/Sewer Fund	2,702,404	2,637,404	65,000	2,702,404	-
From Water/Sewer Capital Reserve	31,291	14,301	16,990	31,291	-
Total other financing sources	19,871,827	4,911,837	881,990	5,793,827	(14,078,000)
Excess of revenues and other sources over (under) expenses and other uses	\$ -	\$ 3,097,309	\$ (2,917,238)	\$ 180,071	\$ 180,071

City of Jacksonville, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 41

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 435,443	\$ 365,730	\$ 74,292	\$ 440,022	\$ 4,579
State clean water bond grant	572,043	503,328	68,715	572,043	-
State grant - \$2 million	2,000,000	2,000,000	-	2,000,000	-
NC Rural Center grant	300,000	300,000	-	300,000	-
Inflow and infiltration fee	236,254	-	195,389	195,389	(40,865)
Gain/loss insurance	-	-	69,000	69,000	69,000
Total revenues	3,543,740	3,169,058	407,396	3,576,454	32,714
Expenses:					
Sewer line replacements	3,853,544	2,110,047	698,375	2,808,422	1,045,122
Utilities operation center	4,689,006	3,187,801	1,442,835	4,630,636	58,370
Wilson Bay restoration	777,972	695,344	59,379	754,723	23,249
Sunset/Country Club annexation	6,309,901	5,760,231	61,400	5,821,631	488,270
DOT construction sewer impact	750,000	-	61,608	61,608	688,392
Pump station rehabilitation	1,078,000	-	142,398	142,398	935,602
Sludge removal lagoon	322,671	-	321,715	321,715	956
Inflow/infiltration	2,746,000	208,843	470,447	679,290	2,066,710
Pump station monitoring	248,408	-	213,413	213,413	34,995
Relocate utilities bypass	50,000	-	-	-	50,000
Land application expansion	20,000,000	-	711,541	711,541	19,288,459
Total expenses	40,825,502	11,962,266	4,183,111	16,145,377	24,680,125
Revenues (under) expenses	(37,281,762)	(8,793,208)	(3,775,715)	(12,568,923)	24,712,839
Other financing sources (uses):					
Debt issued					
State revolving loan - \$1,000,000	1,000,000	109,592	890,408	1,000,000	-
Installment purchases	36,240,214	10,113,806	763,098	10,876,904	(25,363,310)
Refund of installment purchase proceeds	(3,350,066)	-	-	-	3,350,066
Transfers in--					
From Water/Sewer Fund	3,777,810	3,701,753	76,057	3,777,810	-
From W/S Capital Reserve Fund	314,283	314,283	-	314,283	-
From W/S Capital Projects	500,000	500,000	-	500,000	-
From Non-Major Governmental Fund	368,581	368,581	-	368,581	-
Transfers (out)--					
To Water/Sewer Fund	(1,569,060)	(1,332,806)	-	(1,332,806)	236,254
Total other financing sources	37,281,762	13,775,209	1,729,563	15,504,772	(21,776,990)
Excess of revenues and other sources over (under) expenses and other uses	\$ -	\$ 4,982,001	\$ (2,046,152)	\$ 2,935,849	\$ 2,935,849

City of Jacksonville, North Carolina
Water/Sewer Capital Reserve Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 42

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Interest on investments	\$ 450,591	\$ 432,570	\$ 3,827	\$ 436,397	\$ (14,194)
Total revenues	450,591	432,570	3,827	436,397	(14,194)
Expenses:					
Water supply and distribution	131,936	-	-	-	131,936
Sewage collection and treatment	55,038	-	-	-	55,038
Total expenses	186,974	-	-	-	186,974
Revenues over expenses	263,617	432,570	3,827	436,397	172,780
Other financing sources (uses):					
Transfers in--					
From Water/Sewer Fund	881,931	881,931	-	881,931	-
From Water Capital Projects	441,935	441,935	-	441,935	-
From Sewer Capital Projects	1,471,891	1,471,891	-	1,471,891	-
Transfers (out)--					
To Water/Sewer Fund	(500,000)	(500,000)	-	(500,000)	-
To Water Capital Projects	(270,291)	(253,301)	(16,990)	(270,291)	-
To Sewer Capital Projects	(1,249,083)	(1,249,083)	-	(1,249,083)	-
To General Capital Reserve Fund	(1,040,000)	(1,040,000)	-	(1,040,000)	-
Total other financing (uses)	(263,617)	(246,627)	(16,990)	(263,617)	-
Excess of revenues and other sources over (under) expenses and other uses	\$ -	\$ 185,943	\$ (13,163)	\$ 172,780	\$ 172,780

Non-Major Funds

- Non-Major Governmental Funds
- Non-Major Enterprise Funds
- Internal Service Funds

Non-Major Governmental Funds

The Non-Major Governmental Combining Statements show a combined total for all non-major governmental funds.

Individual Fund Descriptions:

Community Development Block Grant Fund – accounts for the revenues and expenditures of Community Development Block Grant programs.

CREATE Project Fund – accounts for the revenues and expenditures of the CREATE Project.

Affordable Home Ownership Project Fund – accounts for the revenues and expenditures of the Affordable Home Ownership Program.

Affordable Housing Construction Project Fund – accounts for the revenues and expenditures of the Affordable Housing Construction Project.

Local Law Enforcement Block Grant Fund – accounts for the revenues and expenditures of the Local Law Enforcement Block Grant Program.

School Resource Officer Grant Fund – accounts for the revenues and expenditures of the School Resource Officer Program.

Bulletproof Vest Grant Fund – accounts for the revenues and expenditures of the Bulletproof Vest Grant Program.

Sandy Run Mentoring Program Fund – accounts for the revenues and expenditures of the Sandy Run Mentoring Program.

Governor's Crime Commission Grant 2005 Project Fund – accounts for the revenues and expenditures of the Governor's Crime Commission Grant 2005 Project.

Federal DEA Project Fund – accounts for the revenues and expenditures of the Federal DEA Project Fund.

State DEA Project Fund – accounts for the revenues and expenditures of the State DEA Project Fund.

E-911 Fund – accounts for the revenues and expenditures of the Enhanced E-911 Operation.

Non-Major Governmental Funds

(Continued)

City Transit System Project Fund – accounts for the revenues and expenditures of the City Transit System Project

Transit Implementation Plan Project Fund– accounts for the revenues and expenditures of the Transit Implementation Plan Project.

Country Club Road Widening Project Fund – accounts for the revenues and expenditures of the Country Club Road Widening Project from Bell Fork Road to Western Boulevard.

NOAA Chaney Creek Restoration Grant Project Fund – accounts for the revenues and expenditures of the NOAA Chaney Creek Restoration Grant Project.

Vulnerability Assessment Grant Project Fund – accounts for the revenues and expenditures of the Vulnerability Assessment Grant Project.

Hurricane Isabel – accounts for the revenues and expenditures of the General Government and the Water and Sewer Fund emergency relief for Hurricane Isabelle.

Hurricane Charley – accounts for the revenues and expenditures of the General Government and the Water and Sewer Fund emergency relief for Hurricane Charley.

Jacksonville Business Park Certification Project Fund – accounts for the revenues and expenditures of the Jacksonville Business Park Certification Project.

Streets Forest Grove Culvert Capital Project Fund – accounts for the revenues and expenditures of the Forest Grove Culvert Capital Project Fund, previously known as Mill Creek Hazard Mitigation Capital Project.

Streets Non-Powell Bill Capital Project Fund – accounts for the revenues and expenditures of the Non-Powell Bill Capital Project Fund.

Streets Powell Bill Capital Project Fund – accounts for the funds used in the rehabilitation of streets primarily funded by Powell Bill revenues.

Capital Reserve Fund – accounts for funds reserved by City Council for future capital improvements.

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet

June 30, 2005

With Comparative Totals for June 30, 2004

	Special Revenue				
	CDBG	CREATE Project	Affordable Home Ownership	Affordable Housing Construction	LLEBG
Assets					
Cash and cash equivalents	\$ 42,139	\$ 32,714	\$ 83,295	\$ 195,875	\$ 46,577
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable	786	-	-	-	-
Notes receivable	1,141,405	-	-	-	-
Interfund receivable	-	-	-	398	-
Prepaid items	-	-	-	-	-
Total Assets	\$ 1,184,330	\$ 32,714	\$ 83,295	\$ 196,273	\$ 46,577
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 816,662	\$ 800	\$ 17	\$ -	\$ -
Interfund payable	398	-	-	32,840	-
Deferred revenue	-	-	-	-	-
Total Liabilities	817,060	800	17	32,840	-
Fund Balance - Reserved:					
Reserved by grantor	339,454	-	-	-	-
Reserved for encumbrances	310,709	3,276	-	132,440	-
Reserved for installment purchase	-	-	-	-	-
Reserved for Powell Bill	-	-	-	-	-
Reserved for prepaid items	-	-	-	-	-
Reserved for drug enforcement	-	-	-	-	-
Reserved for US agencies	-	-	-	-	-
Total Reserved	650,163	3,276	-	132,440	-
Unreserved/Designated					
Designated for subsequent year's expenditures:					
Special Revenue Funds	-	28,638	83,278	30,993	46,577
Capital Projects Fund - Streets	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-
Unreserved, undesignated, Special Revenue Funds	(282,893)	-	-	-	-
Total Fund Balance	367,270	31,914	83,278	163,433	46,577
Total Liabilities and Fund Balances	\$ 1,184,330	\$ 32,714	\$ 83,295	\$ 196,273	\$ 46,577

Special Revenue

School Resource Officer	Bulletproof Vest	Sandy Run Mentoring	Governor's Crime Commission	Federal DEA	State DEA	E-911	City Transit System	Transit Implementation Plan
\$ 58,001	\$ 3,288	\$ 2,068	\$ 10,800	\$ -	\$ -	\$ -	\$ 15,430	\$ 9,556
-	-	-	-	260,954	171,871	226,410	-	-
-	16,180	-	-	-	-	28,557	-	8,329
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 58,001</u>	<u>\$ 19,468</u>	<u>\$ 2,068</u>	<u>\$ 10,800</u>	<u>\$ 260,954</u>	<u>\$ 171,871</u>	<u>\$ 254,967</u>	<u>\$ 15,430</u>	<u>\$ 17,885</u>
\$ 11,607	\$ 16,371	\$ -	\$ -	\$ 14,533	\$ -	\$ 9,216	\$ 7,618	\$ 1,924
5,377	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>16,984</u>	<u>16,371</u>	<u>-</u>	<u>-</u>	<u>14,533</u>	<u>-</u>	<u>9,216</u>	<u>7,618</u>	<u>1,924</u>
-	-	-	-	-	-	-	-	-
2,163	-	-	10,800	-	-	61,860	3,695	15,961
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	246,421	171,871	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,163</u>	<u>-</u>	<u>-</u>	<u>10,800</u>	<u>246,421</u>	<u>171,871</u>	<u>61,860</u>	<u>3,695</u>	<u>15,961</u>
38,854	3,097	2,068	-	-	-	183,891	4,117	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>41,017</u>	<u>3,097</u>	<u>2,068</u>	<u>10,800</u>	<u>246,421</u>	<u>171,871</u>	<u>245,751</u>	<u>7,812</u>	<u>15,961</u>
<u>\$ 58,001</u>	<u>\$ 19,468</u>	<u>\$ 2,068</u>	<u>\$ 10,800</u>	<u>\$ 260,954</u>	<u>\$ 171,871</u>	<u>\$ 254,967</u>	<u>\$ 15,430</u>	<u>\$ 17,885</u>

Continued on next page.

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2005
With Comparative Totals for June 30, 2004

	<u>Special Revenue</u>			<u>Subtotal Special Revenue</u>	<u>Capital Projects</u>
	<u>Country Club Road Widening</u>	<u>NOAA Chaney Creek Restoration</u>	<u>Jacksonville Business Park Certification</u>		<u>Streets Non- Powell Bill</u>
Assets					
Cash and cash equivalents	\$ 400,000	\$ -	\$ 187,214	\$ 1,086,957	\$ 5,015
Restricted cash and cash equivalents	-	-	-	659,235	-
Accounts receivable	-	10,530	-	64,382	-
Notes receivable	-	-	-	1,141,405	-
Interfund receivable	-	-	-	398	-
Prepaid items	-	-	-	-	-
Total Assets	<u>\$ 400,000</u>	<u>\$ 10,530</u>	<u>\$ 187,214</u>	<u>\$ 2,952,377</u>	<u>\$ 5,015</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 878,748	\$ -
Interfund payable	-	10,530	-	49,145	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>10,530</u>	<u>-</u>	<u>927,893</u>	<u>-</u>
Fund Balance - Reserved:					
Reserved by grantor	-	-	-	339,454	-
Reserved for encumbrances	400,000	-	-	940,904	-
Reserved for installment purchase	-	-	-	-	-
Reserved for Powell Bill	-	-	-	-	-
Reserved for prepaid items	-	-	-	-	-
Reserved for drug enforcement	-	-	-	418,292	-
Reserved for US agencies	-	-	-	-	-
Total Reserved	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>1,698,650</u>	<u>-</u>
Unreserved/Designated					
Designated for subsequent year's expenditures:					
Special Revenue Funds	-	-	187,214	608,727	-
Capital Projects Fund - Streets	-	-	-	-	5,015
Capital Projects Fund	-	-	-	-	-
Unreserved, undesignated, Special Revenue Funds	-	-	-	(282,893)	-
Total Fund Balance	<u>400,000</u>	<u>-</u>	<u>187,214</u>	<u>2,024,484</u>	<u>5,015</u>
Total Liabilities and Fund Balances	<u>\$ 400,000</u>	<u>\$ 10,530</u>	<u>\$ 187,214</u>	<u>\$ 2,952,377</u>	<u>\$ 5,015</u>

Note: Reconciliation of Interfund Receivable (Payable) to Exhibit C:

Interfund Receivable	\$ 398	Interfund Payable	\$ 49,145
Less interfund receivable within the Non-Major Governmental Funds Exhibit C	(398)	Less interfund payable within the Non-Major Governmental Funds Exhibit C	(398)
	<u>\$ -</u>		<u>\$ 48,747</u>

Capital Projects			Total	
Streets Powell Bill	Subtotal Capital Projects	Capital Reserve Fund	June 30, 2005	June 30, 2004
\$ -	\$ 5,015	\$ 4,893,246	\$ 5,985,218	\$ 7,659,634
1,181,834	1,181,834	-	1,841,069	1,497,029
-	-	17,346	81,728	121,129
-	-	-	1,141,405	1,520,948
-	-	-	398	351,471
-	-	-	-	550
<u>\$ 1,181,834</u>	<u>\$ 1,186,849</u>	<u>\$ 4,910,592</u>	<u>\$ 9,049,818</u>	<u>\$ 11,150,761</u>
\$ 97,790	\$ 97,790	\$ -	\$ 976,538	\$ 1,111,934
-	-	-	49,145	19,283
-	-	11,734	11,734	11,734
<u>97,790</u>	<u>97,790</u>	<u>11,734</u>	<u>1,037,417</u>	<u>1,142,951</u>
-	-	-	339,454	647,507
-	-	-	940,904	32,931
-	-	-	-	33,630
1,084,044	1,084,044	-	1,084,044	1,288,596
-	-	-	-	550
-	-	-	418,292	-
-	-	43,930	43,930	-
<u>1,084,044</u>	<u>1,084,044</u>	<u>43,930</u>	<u>2,826,624</u>	<u>2,003,214</u>
-	-	-	608,727	384,822
-	5,015	-	5,015	5,015
-	-	4,854,928	4,854,928	7,616,811
<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,893)</u>	<u>(2,052)</u>
<u>1,084,044</u>	<u>1,089,059</u>	<u>4,898,858</u>	<u>8,012,401</u>	<u>10,007,810</u>
<u>\$ 1,181,834</u>	<u>\$ 1,186,849</u>	<u>\$ 4,910,592</u>	<u>\$ 9,049,818</u>	<u>\$ 11,150,761</u>

Note: Reconciliation of Total Assets, and Total Liabilities and Fund Balances to Exhibit C:

Total Assets	\$ 9,049,818	Total Liabilities and Fund Balances	\$ 9,049,818
Less interfund receivable within the Non-Major Governmental Funds Exhibit C	<u>(398)</u>	Less interfund payable within the Non-Major Governmental Funds Exhibit C	<u>(398)</u>
	<u>\$ 9,049,420</u>		<u>\$ 9,049,420</u>

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance

For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Special Revenue				
	CDBG	CREATE Project	Affordable Home Ownership	Affordable Housing Construction	LLEBG
Revenues:					
Restricted intergovernmental revenues	\$ -	\$ -	\$ 1,000	\$ -	\$ 17,723
Investment earnings	1,601	-	361	-	241
Miscellaneous	129,471	69,915	-	196,273	-
Total revenues	<u>131,072</u>	<u>69,915</u>	<u>1,361</u>	<u>196,273</u>	<u>17,964</u>
Expenditures:					
Community development block grant	417,681	-	-	-	-
CREATE project	-	55,650	-	-	-
Affordable home ownership grant	-	-	802	-	-
Affordable housing construction project	-	-	-	32,840	-
Local law enforcement block grant	-	-	-	-	17,974
School resource officer grant	-	-	-	-	-
Bulletproof vest grant	-	-	-	-	-
Sandy Run mentoring program	-	-	-	-	-
Governor's Crime Commission grant	-	-	-	-	-
Drug enforcement	-	-	-	-	-
E-911 fund	-	-	-	-	-
City transit system project	-	-	-	-	-
Transit implementation plan project	-	-	-	-	-
Country Club Road widening project	-	-	-	-	-
NOAA Chaney Creek restoration grant	-	-	-	-	-
Vulnerability assessment grant	-	-	-	-	-
Streets Forest Grove Culvert project	-	-	-	-	-
Hurricane Isabel	-	-	-	-	-
Hurricane Charley	-	-	-	-	-
Non-Powell Bill capital project	-	-	-	-	-
Street improvements capital project	-	-	-	-	-
Debt Service					
Principal retirements	-	-	-	-	-
Interest and fees	-	-	-	-	-
Total expenditures	<u>417,681</u>	<u>55,650</u>	<u>802</u>	<u>32,840</u>	<u>17,974</u>
Revenues over (under) expenditures	<u>(286,609)</u>	<u>14,265</u>	<u>559</u>	<u>163,433</u>	<u>(10)</u>
Other financing sources (uses):					
Debt issued	-	-	-	-	-
Transfers in	-	-	-	-	42,969
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,969</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(286,609)</u>	<u>14,265</u>	<u>559</u>	<u>163,433</u>	<u>42,959</u>
Fund balances:					
Beginning of year, July 1	653,879	17,649	82,719	-	3,618
End of year, June 30	<u>\$ 367,270</u>	<u>\$ 31,914</u>	<u>\$ 83,278</u>	<u>\$ 163,433</u>	<u>\$ 46,577</u>

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance (Continued)

For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Special Revenue				
	City Transit System	Transit Implementation Plan	Country Club Road Widening	NOAA Chaney Creek Restoration	Vulnerability Assessment Grant
Revenues:					
Restricted intergovernmental revenues	\$ 45,000	\$ 24,585	\$ -	\$ 25,191	\$ 9,300
Investment earnings	1,784	-	-	-	-
Miscellaneous	12,045	-	-	-	-
Total revenues	<u>58,829</u>	<u>24,585</u>	<u>-</u>	<u>25,191</u>	<u>9,300</u>
Expenditures:					
Community development block grant	-	-	-	-	-
CREATE project	-	-	-	-	-
Affordable home ownership grant	-	-	-	-	-
Affordable housing construction project	-	-	-	-	-
Local law enforcement block grant	-	-	-	-	-
School resource officer grant	-	-	-	-	-
Bulletproof vest grant	-	-	-	-	-
Sandy Run mentoring program	-	-	-	-	-
Governor's Crime Commission grant	-	-	-	-	-
Drug enforcement	-	-	-	-	-
E-911 fund	-	-	-	-	-
City transit system project	101,017	-	-	-	-
Transit implementation plan project	-	27,632	-	-	-
Country Club Road widening project	-	-	200,000	-	-
NOAA Chaney Creek restoration grant	-	-	-	25,191	-
Vulnerability assessment grant	-	-	-	-	6,495
Streets Forest Grove Culvert project	-	-	-	-	-
Hurricane Isabel	-	-	-	-	-
Hurricane Charley	-	-	-	-	-
Non-Powell Bill capital project	-	-	-	-	-
Street improvements capital project	-	-	-	-	-
Debt Service					
Principal retirements	-	-	-	-	-
Interest and fees	-	-	-	-	-
Total expenditures	<u>101,017</u>	<u>27,632</u>	<u>200,000</u>	<u>25,191</u>	<u>6,495</u>
Revenues over (under) expenditures	<u>(42,188)</u>	<u>(3,047)</u>	<u>(200,000)</u>	<u>-</u>	<u>2,805</u>
Other financing sources (uses):					
Debt issued	-	-	-	-	-
Transfers in	50,000	3,565	600,000	-	-
Transfers (out)	(2,731)	-	-	-	(2,805)
Total other financing sources (uses)	<u>47,269</u>	<u>3,565</u>	<u>600,000</u>	<u>-</u>	<u>(2,805)</u>
Excess of revenues and other sources over (under) expenditures and other uses	5,081	518	400,000	-	-
Fund balances:					
Beginning of year, July 1	2,731	15,443	-	-	-
End of year, June 30	<u>\$ 7,812</u>	<u>\$ 15,961</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue			Subtotal Special Revenue	Capital Projects		
Hurricane Isabel	Hurricane Charley	Jacksonville Business Park Certification		Streets Forest Grove Culvert	Streets Non- Powell Bill	Streets Powell Bill
\$ 17,246	\$ -	\$ -	\$ 833,405	\$ 65,693	\$ -	\$ -
-	-	-	20,973	-	-	25,564
-	-	187,214	594,918	-	-	-
17,246	-	187,214	1,449,296	65,693	-	25,564
-	-	-	417,681	-	-	-
-	-	-	55,650	-	-	-
-	-	-	802	-	-	-
-	-	-	32,840	-	-	-
-	-	-	17,974	-	-	-
-	-	-	301,241	-	-	-
-	-	-	29,124	-	-	-
-	-	-	1,182	-	-	-
-	-	-	187,871	-	-	-
-	-	-	127,727	-	-	-
-	-	-	183,064	-	-	-
-	-	-	101,017	-	-	-
-	-	-	27,632	-	-	-
-	-	-	200,000	-	-	-
-	-	-	25,191	-	-	-
-	-	-	6,495	-	-	-
-	-	-	-	121,590	-	-
-	-	-	-	-	-	-
-	152,867	-	152,867	-	-	-
-	-	-	-	-	9,737	-
-	-	-	-	-	-	666,447
-	-	-	128,574	-	-	-
-	-	-	41,509	-	-	-
-	152,867	-	2,038,441	121,590	9,737	666,447
17,246	(152,867)	187,214	(589,145)	(55,897)	(9,737)	(640,883)
-	-	-	-	-	-	-
-	188,271	-	1,626,625	56,220	-	492,551
(59,707)	(35,404)	-	(100,647)	(323)	-	(56,220)
(59,707)	152,867	-	1,525,978	55,897	-	436,331
(42,461)	-	187,214	936,833	-	(9,737)	(204,552)
42,461	-	-	1,087,651	-	14,752	1,288,596
\$ -	\$ -	\$ 187,214	\$ 2,024,484	\$ -	\$ 5,015	\$ 1,084,044

Continued on next page.

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance (Continued)

Statement 44,
continued.

For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Subtotal Capital Projects	Capital Reserve Fund	Totals	
			June 30, 2005	June 30, 2004
Revenues:				
Restricted intergovernmental revenues	\$ 65,693	\$ -	\$ 899,098	\$ 1,509,225
Investment earnings	25,564	134,057	180,594	92,479
Miscellaneous	-	55,072	649,990	814,525
Total revenues	91,257	189,129	1,729,682	2,416,229
Expenditures:				
Community development block grant	-	-	417,681	778,198
CREATE project	-	-	55,650	50,651
Affordable home ownership grant	-	-	802	11,324
Affordable housing construction project	-	-	32,840	-
Local law enforcement block grant	-	-	17,974	48,895
School resource officer grant	-	-	301,241	271,895
Bulletproof vest grant	-	-	29,124	10,609
Sandy Run mentoring program	-	-	1,182	6,750
Governor's Crime Commission grant	-	-	187,871	-
Drug enforcement	-	-	127,727	-
E-911 fund	-	-	183,064	219,871
City transit system project	-	-	101,017	105,752
Transit implementation plan project	-	-	27,632	20,851
Country Club Road widening project	-	-	200,000	-
NOAA Chaney Creek restoration grant	-	-	25,191	-
Vulnerability assessment grant	-	-	6,495	-
Streets Forest Grove Culvert project	121,590	-	121,590	-
Hurricane Isabel	-	-	-	333,171
Hurricane Charley	-	-	152,867	-
Non-Powell Bill capital project	9,737	-	9,737	387,723
Street improvements capital project	666,447	-	666,447	1,427,194
Debt Service				
Principal retirements	-	-	128,574	117,718
Interest and fees	-	-	41,509	54,094
Total expenditures	797,774	-	2,836,215	3,844,696
Revenues over (under) expenditures	(706,517)	189,129	(1,106,533)	(1,428,467)
Other financing sources (uses):				
Debt issued	-	-	-	33,300
Transfers in	548,771	743,941	2,919,337	2,687,913
Transfers (out)	(56,543)	(3,651,023)	(3,808,213)	(2,189,495)
Total other financing sources (uses)	492,228	(2,907,082)	(888,876)	531,718
Excess of revenues and other sources over (under) expenditures and other uses	(214,289)	(2,717,953)	(1,995,409)	(896,749)
Fund balances:				
Beginning of year, July 1	1,303,348	7,616,811	10,007,810	10,904,559
End of year, June 30	\$ 1,089,059	\$ 4,898,858	\$ 8,012,401	\$ 10,007,810

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Community Development Block Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 45

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Entitlement Grant 2002 CD0262					
Entitlement Grant 2002	\$ 523,000	\$ 523,000	\$ -	\$ 523,000	\$ -
Program income	138,000	13,975	-	13,975	(124,025)
Investment earnings	1,000	26	-	26	(974)
Total	662,000	537,001	-	537,001	(124,999)
Entitlement Grant 2003 CD0363					
Entitlement Grant 2003	641,000	419,734	-	419,734	(221,266)
Program income	527,381	742,392	129,471	871,863	344,482
Investment earnings	1,716	32	1,601	1,633	(83)
Total	1,170,097	1,162,158	131,072	1,293,230	123,133
Total revenues	1,832,097	1,699,159	131,072	1,830,231	(1,866)
Expenditures:					
Entitlement Grant 2002 CD0262					
Administration	\$ 41,270	\$ 41,270	\$ -	\$ 41,270	\$ -
Housing rehabilitation	211,194	211,194	-	211,194	-
Commercial rehabilitation	51,210	51,210	-	51,210	-
Affordable housing	222,264	97,267	-	97,267	124,997
Clearance	48,168	48,168	-	48,168	-
Acquisition of property	36,957	36,957	-	36,957	-
Rehabilitation planning	35,389	35,388	-	35,388	1
City school project	15,548	15,547	-	15,547	1
Total	662,000	537,001	-	537,001	124,999
Entitlement Grant 2003 CD0363					
Administration	226,516	106,309	95,382	201,691	24,825
Housing rehabilitation	140,451	100,342	27,961	128,303	12,148
Commercial rehabilitation	240,701	62,335	58,663	120,998	119,703
Economical development	55,000	2,500	8,066	10,566	44,434
Affordable housing	94,091	93,704	187	93,891	200
Clearance	63,284	32,377	23,567	55,944	7,340
Acquisition of property	156,289	50,282	104,319	154,601	1,688
Rehabilitation planning	173,947	60,334	92,563	152,897	21,050
City school project	1,294	96	199	295	999
Emergency rehabilitation	3,524	-	3,524	3,524	-
Partnerships	15,000	-	3,250	3,250	11,750
Total	1,170,097	508,279	417,681	925,960	244,137
Total expenditures	1,832,097	1,045,280	417,681	1,462,961	369,136
Excess of revenues over (under) expenditures	\$ -	\$ 653,879	(286,609)	\$ 367,270	\$ 367,270
Fund balances:					
Beginning of year, July 1			653,879		
End of year, June 30			\$ 367,270		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
CREATE Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 46

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Program income	\$ 69,915	\$ -	\$ 69,915	\$ 69,915	\$ -
Total revenues	<u>69,915</u>	<u>-</u>	<u>69,915</u>	<u>69,915</u>	<u>-</u>
Expenditures:					
Affordable Housing		50,851	55,650	106,501	
Total expenditures	<u>138,415</u>	<u>50,851</u>	<u>55,650</u>	<u>106,501</u>	<u>31,914</u>
Excess of revenues over (under) expenditures	<u>(68,500)</u>	<u>(50,851)</u>	<u>14,265</u>	<u>(36,586)</u>	<u>31,914</u>
Other financing sources:					
Transfers in--					
From Community Development Grant	68,500	68,500	-	68,500	-
Total other financing sources	<u>68,500</u>	<u>68,500</u>	<u>-</u>	<u>68,500</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 17,649</u>	<u>14,265</u>	<u>\$ 31,914</u>	<u>\$ 31,914</u>
Fund balances:					
Beginning of year, July 1			<u>17,649</u>		
End of year, June 30			<u>\$ 31,914</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Affordable Home Ownership Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 47

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Home HM0201					
Investment earnings	\$ 476	\$ 144	\$ 361	\$ 505	\$ 29
Home ownership assistance	161,000	160,312	1,000	161,312	312
Program income	82,103	82,103	-	82,103	-
Total revenues	<u>243,579</u>	<u>242,559</u>	<u>1,361</u>	<u>243,920</u>	<u>341</u>
Expenditures:					
Home HM0201					
Administration		9,960	564	10,524	
Home ownership assistance		149,880	238	150,118	
Total expenditures	<u>243,579</u>	<u>159,840</u>	<u>802</u>	<u>160,642</u>	<u>82,937</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 82,719</u>	<u>559</u>	<u>\$ 83,278</u>	<u>\$ 83,278</u>
Fund balances:					
Beginning of year, July 1			<u>82,719</u>		
End of year, June 30			<u>\$ 83,278</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Affordable Housing Construction Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 48

	Project	Actual			Variance Positive (Negative)
	Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Home HM0201					
Program income	\$ 196,000	\$ -	\$ 196,273	\$ 196,273	\$ 273
Total revenues	196,000	-	196,273	196,273	(273)
Expenditures:					
Operating expenditures		-	32,840	32,840	
Total expenditures	196,000	-	32,840	32,840	163,160
Excess of revenues over expenditures	\$ -	\$ -	163,433	\$ 163,433	\$ 163,433
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 163,433		

City of Jacksonville, North Carolina
 Non-Major Governmental Funds
 Local Law Enforcement Block Grant Fund (LLEBG)
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 49

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
2002 Grant PD0301					
Law Enforcement Block Grant	\$ 42,563	\$ 42,563	\$ -	\$ 42,563	\$ -
Investment earnings	88	87	-	87	(1)
Total	42,651	42,650	-	42,650	(1)
2003 Grant PD0401					
Law Enforcement Block Grant	44,038	44,038	-	44,038	-
Investment earnings	14	10	4	14	-
Total	44,052	44,048	4	44,052	-
2004 Grant PD0501					
Law Enforcement Block Grant	17,723	-	17,723	17,723	-
Investment earnings	222	-	237	237	15
Total	17,945	-	17,960	17,960	15
Total revenues	104,648	86,698	17,964	104,662	14
Expenditures:					
2002 Grant PD0301					
Operating expenditures		47,097	13,570	60,667	
Total	60,668	47,097	13,570	60,667	1
2003 Grant PD0401					
Operating expenditures		45,605	4,404	50,009	
Total	50,010	45,605	4,404	50,009	1
2004 Grant PD0501					
Operating expenditures		-	-	-	
Total	46,562	-	-	-	46,562
Total expenditures	157,240	92,702	17,974	110,676	46,564
Excess of revenues (under) expenditures	(52,592)	(6,004)	(10)	(6,014)	(46,578)
Other financing sources:					
Transfers in--					
From General Fund	52,592	9,622	42,969	52,591	1
Total other financing sources	52,592	9,622	42,969	52,591	1
Excess of revenues and other sources over expenditures	\$ -	\$ 3,618	42,959	\$ 46,577	\$ 46,577
Fund balances:					
Beginning of year, July 1			3,618		
End of year, June 30			\$ 46,577		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
School Resource Officer Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 50

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Onslow County Board of Education	\$ 1,352,453	\$ 1,178,903	\$ 173,549	\$ 1,352,452	\$ (1)
Investment earnings	8,469	7,376	-	7,376	(1,093)
Total revenues	<u>1,360,922</u>	<u>1,186,279</u>	<u>173,549</u>	<u>1,359,828</u>	<u>(1,094)</u>
Expenditures:					
Salaries and employee benefits		1,314,675	256,685	1,571,360	
Operating expenditures		81,681	28,711	110,392	
Capital outlay		2,280	15,845	18,125	
Total expenditures	<u>1,741,987</u>	<u>1,398,636</u>	<u>301,241</u>	<u>1,699,877</u>	<u>42,110</u>
Excess of revenues (under) expenditures	<u>(381,065)</u>	<u>(212,357)</u>	<u>(127,692)</u>	<u>(340,049)</u>	<u>41,016</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	526,438	408,800	117,638	526,438	-
Transfers (out)--					
To General Fund	<u>(145,373)</u>	<u>(145,372)</u>	<u>-</u>	<u>(145,372)</u>	<u>1</u>
Total other financing sources	<u>381,065</u>	<u>263,428</u>	<u>117,638</u>	<u>381,066</u>	<u>1</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 51,071</u>	<u>(10,054)</u>	<u>\$ 41,017</u>	<u>\$ 41,017</u>
Fund balances:					
Beginning of year, July 1			<u>51,071</u>		
End of year, June 30			<u>\$ 41,017</u>		

City of Jacksonville, North Carolina

Schedule 51

Non-Major Governmental Funds

Bulletproof Vest Grant Fund

Schedule of Revenues, Expenditures and

Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Bureau of Justice grant	\$ 63,384	\$ 48,522	\$ 14,562	\$ 63,084	\$ (300)
NCLM Bulletproof grant	2,500	5,000	2,500	7,500	5,000
Total revenues	65,884	53,522	17,062	70,584	4,700
Expenditures:					
Operating expenditures		97,044	29,124	126,168	
Total expenditures	124,565	97,044	29,124	126,168	(1,603)
Excess of revenues (under) expenditures	(58,681)	(43,522)	(12,062)	(55,584)	3,097
Other financing sources:					
Transfers in--					
From General Fund	58,681	58,681	-	58,681	-
Total other financing sources	58,681	58,681	-	58,681	-
Excess of revenues and other sources over expenditures	\$ -	\$ 15,159	(12,062)	\$ 3,097	\$ 3,097
Fund balances:					
Beginning of year, July 1			15,159		
End of year, June 30			\$ 3,097		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Sandy Run Mentoring Program Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 52

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Sandy Run Mentoring	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Total revenues	10,000	10,000	-	10,000	-
Expenditures:					
Operating expenditures		6,750	1,182	7,932	
Total expenditures	10,000	6,750	1,182	7,932	2,068
Excess of revenues over (under) expenditures	\$ -	\$ 3,250	(1,182)	\$ 2,068	\$ 2,068
Fund balances:					
Beginning of year, July 1			3,250		
End of year, June 30			\$ 2,068		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Governor's Crime Commission Grant 2005 Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 53

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Governor's Crime Commission Grant 2005	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ -
Total revenues	75,000	-	75,000	75,000	-
Expenditures:					
Capital outlay		-	187,871	187,871	
Total expenditures	198,671	-	187,871	187,871	10,800
Revenues (under) expenditures	(123,671)	-	(112,871)	(112,871)	10,800
Other financing sources:					
Transfers in--					
From General Fund	123,671	-	123,671	123,671	-
Total other financing sources	123,671	-	123,671	123,671	-
Excess of revenues and other sources over expenditures	\$ -	\$ -	10,800	\$ 10,800	\$ 10,800
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 10,800		

City of Jacksonville, North Carolina

Schedule 54

Non-Major Governmental Funds

Federal DEA Project Fund

Schedule of Revenues, Expenditures and

Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Drug Enforcement	\$ 200,000	\$ -	\$ 104,639	\$ 104,639	\$ (95,361)
Investment earnings	2,000	-	5,937	5,937	3,937
Total revenues	202,000	-	110,576	110,576	(91,424)
Expenditures:					
Operating expenditures		-	68,752	68,752	
Capital outlay		-	40,569	40,569	
Total expenditures	447,167	-	109,321	109,321	337,846
Revenues (under) expenditures	(245,167)	-	1,255	1,255	246,422
Other financing sources:					
Transfers in--					
From General Fund	245,167	-	245,166	245,166	(1)
Total other financing sources	245,167	-	245,166	245,166	(1)
Excess of revenues and other sources over expenditures	\$ -	\$ -	246,421	\$ 246,421	\$ 246,421
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 246,421		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
State DEA Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 55

	Project Authorization	Actual		Total to Date	Variance
		Prior Years	Current Year		Positive (Negative)
Revenues:					
Drug Enforcement	\$ 50,000	\$ -	\$ 24,981	\$ 24,981	\$ (25,019)
Investment earnings	2,650	-	3,874	3,874	1,224
Total revenues	52,650	-	28,855	28,855	(23,795)
Expenditures:					
Operating expenditures		-	18,406	18,406	
Total expenditures	214,072	-	18,406	18,406	195,666
Revenues over (under) expenditures	(161,422)	-	10,449	10,449	171,871
Other financing sources:					
Transfers in--					
From General Fund	161,422	-	161,422	161,422	-
Total other financing sources	161,422	-	161,422	161,422	-
Excess of revenues and other sources over expenditures	\$ -	\$ -	171,871	\$ 171,871	\$ 171,871
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 171,871		

City of Jacksonville, North Carolina

Schedule 56

Non-Major Governmental Funds

E-911 Fund

Schedule of Revenues, Expenditures and

Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Emergency Telephone System					
Investment earnings	\$ 72,526	\$ 67,617	\$ 7,175	\$ 74,792	\$ 2,266
Phone surcharge fee	1,781,874	1,590,557	220,531	1,811,088	29,214
Miscellaneous	9,228	9,228	-	9,228	-
Contribution Onslow County	67,416	67,417	-	67,417	1
Total	1,931,044	1,734,819	227,706	1,962,525	31,481
Wireless 911					
Phone surcharge fee	170,000	-	77,598	77,598	(92,402)
Total	170,000	-	77,598	77,598	(92,402)
Total revenues	2,101,044	1,734,819	305,304	2,040,123	(60,921)
Expenditures:					
Emergency Telephone System					
Other departmental expenditures		1,104,123	181,329	1,285,452	
Debt service		583,126	170,083	753,209	
Capital outlay		1,322,614	-	1,322,614	
Total	3,476,394	3,009,863	351,412	3,361,275	115,119
Wireless 911					
Capital outlay		-	1,735	1,735	
Total	170,000	-	1,735	1,735	168,265
Total expenditures	3,646,394	3,009,863	353,147	3,363,010	283,384
Excess of revenues (under) expenditures	(1,545,350)	(1,275,044)	(47,843)	(1,322,887)	222,463
Other financing sources (uses):					
Appropriated fund balance	148,382	-	-	-	(148,382)
Debt issued	1,288,092	1,288,092	-	1,288,092	-
Transfers in--					
From General Fund	250,054	156,131	93,923	250,054	-
From Proprietary Fund	-	171,670	-	171,670	171,670
Transfers (out)--					
To General Fund	(141,178)	(141,178)	-	(141,178)	-
Total other financing sources	1,545,350	1,474,715	93,923	1,568,638	23,288
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ 199,671	46,080	\$ 245,751	\$ 245,751
Fund balances:					
Beginning of year, July 1			199,671		
End of year, June 30			\$ 245,751		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
City Transit System Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 57

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
NCDOT SMAP FY 2003-2004	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Loop fares	8,282	8,282	-	8,282	-
Investment earnings	202	201	-	201	(1)
Total	<u>58,484</u>	<u>58,483</u>	<u>-</u>	<u>58,483</u>	<u>(1)</u>
NCDOT SMAP FY 2004-2005	50,000	-	45,000	45,000	(5,000)
Loop fares	13,260	-	12,045	12,045	(1,215)
Investment earnings	540	-	1,784	1,784	1,244
Total	<u>63,800</u>	<u>-</u>	<u>58,829</u>	<u>58,829</u>	<u>(4,971)</u>
Total revenues	<u>122,284</u>	<u>58,483</u>	<u>58,829</u>	<u>117,312</u>	<u>(4,972)</u>
Expenditures:					
NCDOT SMAP FY 2003-2004					
Salaries and employee benefits		5,028	-	5,028	
Operating expenditures		100,724	-	100,724	
Total	<u>105,752</u>	<u>105,752</u>	<u>-</u>	<u>105,752</u>	<u>-</u>
NCDOT SMAP FY 2004-2005					
Salaries and employee benefits		-	6,712	6,712	
Operating expenditures		-	94,305	94,305	
Total	<u>113,800</u>	<u>-</u>	<u>101,017</u>	<u>101,017</u>	<u>12,783</u>
Total expenditures	<u>219,552</u>	<u>105,752</u>	<u>101,017</u>	<u>206,769</u>	<u>12,783</u>
Revenues (under) expenditures	<u>(97,268)</u>	<u>(47,269)</u>	<u>(42,188)</u>	<u>(89,457)</u>	<u>7,811</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	100,000	50,000	50,000	100,000	-
Transfers (out)--					
To General Fund	<u>(2,732)</u>	<u>-</u>	<u>(2,731)</u>	<u>(2,731)</u>	<u>1</u>
Total other financing sources	<u>97,268</u>	<u>50,000</u>	<u>47,269</u>	<u>97,269</u>	<u>1</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 2,731</u>	<u>5,081</u>	<u>\$ 7,812</u>	<u>\$ 7,812</u>
Fund balances:					
Beginning of year, July 1			<u>2,731</u>		
End of year, June 30			<u>\$ 7,812</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Transit Implementation Plan Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 58

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State-104F transportation grant	\$ 65,919	\$ -	\$ 2,277	\$ 2,277	\$ (63,642)
FTA Section 5303 grant	36,681	16,681	19,829	36,510	(171)
State-Section 5303 grant	4,585	2,085	2,479	4,564	(21)
Investment earnings	29	28	-	28	(1)
Total revenues	<u>107,214</u>	<u>18,794</u>	<u>24,585</u>	<u>43,379</u>	<u>(63,835)</u>
Expenditures:					
Operating expenditures		20,851	27,632	48,483	
Total expenditures	<u>128,279</u>	<u>20,851</u>	<u>27,632</u>	<u>48,483</u>	<u>79,796</u>
Revenues (under) expenditures	<u>(21,065)</u>	<u>(2,057)</u>	<u>(3,047)</u>	<u>(5,104)</u>	<u>15,961</u>
Other financing sources:					
Transfers in--					
From General Fund	21,065	17,500	3,565	21,065	-
Total other financing sources	<u>21,065</u>	<u>17,500</u>	<u>3,565</u>	<u>21,065</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 15,443</u>	518	<u>\$ 15,961</u>	<u>\$ 15,961</u>
Fund balances:					
Beginning of year, July 1			<u>15,443</u>		
End of year, June 30			<u>\$ 15,961</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Country Club Road Widening Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 59

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		-	200,000	200,000	
Total expenditures	600,000	-	200,000	200,000	400,000
Revenues (under) expenditures	(600,000)	-	(200,000)	(200,000)	400,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	600,000	-	600,000	600,000	-
Total other financing sources	600,000	-	600,000	600,000	-
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	400,000	<u>\$ 400,000</u>	<u>\$ 400,000</u>
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 400,000</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
NOAA Chaney Creek Restoration Grant Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 60

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
NOAA grant	\$ 137,493	\$ -	\$ 25,191	\$ 25,191	\$ (112,302)
Total revenues	137,493	-	25,191	25,191	(112,302)
Expenditures:					
Salaries and employee benefits					
Operating expenditures		-	25,191	25,191	
Total expenditures	137,493	-	25,191	25,191	112,302
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Vulnerability Assessment Grant Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 61

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Vulnerability Assessment Grant	\$ 9,300	\$ -	\$ 9,300	\$ 9,300	\$ -
Total revenues	<u>9,300</u>	<u>-</u>	<u>9,300</u>	<u>9,300</u>	<u>-</u>
Expenditures:					
Operating expenditures		-	6,495	6,495	
Total expenditures	<u>6,495</u>	<u>-</u>	<u>6,495</u>	<u>6,495</u>	<u>-</u>
Revenues over expenditures	<u>2,805</u>	<u>-</u>	<u>2,805</u>	<u>2,805</u>	<u>-</u>
Other financing (uses):					
Transfers (out)--					
To Water and Sewer Fund	(2,805)	-	(2,805)	(2,805)	-
Total other financing (uses)	<u>(2,805)</u>	<u>-</u>	<u>(2,805)</u>	<u>(2,805)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Hurricane Isabel Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 62

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
FEMA - Federal	\$ 214,324	\$ 201,389	\$ 12,934	\$ 214,323	\$ (1)
FEMA - State	69,750	65,438	4,312	69,750	-
Miscellaneous	4,574	4,573	-	4,573	(1)
Total revenues	<u>288,648</u>	<u>271,400</u>	<u>17,246</u>	<u>288,646</u>	<u>(2)</u>
Expenditures:					
Salaries and employee benefits		164,384	-	164,384	
Operating expenditures		168,787	-	168,787	
Total expenditures	<u>333,173</u>	<u>333,171</u>	<u>-</u>	<u>333,171</u>	<u>2</u>
Revenues over (under) expenditures	<u>(44,525)</u>	<u>(61,771)</u>	<u>17,246</u>	<u>(44,525)</u>	<u>-</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	100,000	100,000	-	100,000	-
From Proprietary Fund	4,232	4,232	-	4,232	-
Transfers (out)--					
To General Fund	(55,557)	-	(55,557)	(55,557)	-
To Proprietary Fund	(4,150)	-	(4,150)	(4,150)	-
Total other financing sources (uses)	<u>44,525</u>	<u>104,232</u>	<u>(59,707)</u>	<u>44,525</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 42,461</u>	<u>(42,461)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>42,461</u>		
End of year, June 30			<u>\$ -</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Hurricane Charley Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 63

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
General Fund:					
Salaries and employee benefits		-	127,186	127,186	
Operating expenditures		-	12,362	12,362	
Water and Sewer Fund:					
Salaries and employee benefits		-	11,319	11,319	
Operating expenditures		-	2,000	2,000	
Total expenditures	152,867	-	152,867	152,867	-
Revenues (under) expenditures	(152,867)	-	(152,867)	(152,867)	-
Other financing sources (uses):					
Transfers in--					
From General Fund	174,952	-	174,952	174,952	-
From Water/Sewer Fund	13,319	-	13,319	13,319	-
Transfers (out)--					
To General Fund	(35,404)	-	(35,404)	(35,404)	-
Total other financing sources	152,867	-	152,867	152,867	-
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Jacksonville Business Park Certification Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 64

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Sale of fixed assets	\$ 188,200	\$ -	\$ 187,214	\$ 187,214	\$ (986)
Total revenues	188,200	-	187,214	187,214	(986)
Expenditures:					
Operating expenditures		-	-	-	
Total expenditures	188,200	-	-	-	188,200
Excess of revenues over expenditures	\$ -	\$ -	187,214	\$ 187,214	\$ 187,214
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ 187,214		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Streets Forest Grove Culvert Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 65

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Hazard mitigation - Federal	\$ 76,907	\$ 27,159	\$ 49,748	\$ 76,907	\$ -
Hazard mitigation - State	24,649	8,704	15,945	24,649	-
Total revenues	101,556	35,863	65,693	101,556	-
Expenditures:					
Capital Outlay:					
Other improvements		35,863	121,590	157,453	
Total expenditures	157,453	35,863	121,590	157,453	-
Revenues (under) expenditures	(55,897)	-	(55,897)	(55,897)	-
Other financing sources (uses):					
Transfers in--					
From General Fund	56,220	-	56,220	56,220	-
Transfers (out)--					
To General Fund	(323)	-	(323)	(323)	-
Total other financing sources	55,897	-	55,897	55,897	-
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Streets Non-Powell Bill Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 66

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Other improvements		424,136	9,737	433,873	
Total expenditures	438,888	424,136	9,737	433,873	5,015
Revenues (under) expenditures	(438,888)	(424,136)	(9,737)	(433,873)	5,015
Other financing sources:					
Transfers in--					
From General Fund	41,428	41,428	-	41,428	-
From Water and Sewer Fund	397,460	397,460	-	397,460	-
Total other financing sources	438,888	438,888	-	438,888	-
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 14,752</u>	(9,737)	<u>\$ 5,015</u>	<u>\$ 5,015</u>
Fund balances:					
Beginning of year, July 1			14,752		
End of year, June 30			<u>\$ 5,015</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Streets Powell Bill Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 67

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 998,196	\$ 853,598	\$ 25,564	\$ 879,162	\$ (119,034)
Contributions	321,000	321,000	-	321,000	-
Miscellaneous	22,270	22,270	-	22,270	-
Total revenues	<u>1,341,466</u>	<u>1,196,868</u>	<u>25,564</u>	<u>1,222,432</u>	<u>(119,034)</u>
Expenditures:					
Capital outlay:					
Other improvements		12,032,275	666,447	12,698,722	
Total expenditures	<u>14,233,683</u>	<u>12,032,275</u>	<u>666,447</u>	<u>12,698,722</u>	<u>1,534,961</u>
Revenues (under) expenditures	<u>(12,892,217)</u>	<u>(10,835,407)</u>	<u>(640,883)</u>	<u>(11,476,290)</u>	<u>1,415,927</u>
Other financing sources (uses):					
Appropriated Fund Balance	332,285	-	-	-	(332,285)
Transfers in--					
From General Fund	10,378,475	10,378,475	-	10,378,475	-
From General Fund - Powell Bill	2,290,499	1,797,948	492,551	2,290,499	-
From Capital Reserve Fund	352,208	352,208	-	352,208	-
From Community Development Fund	2,496	2,496	-	2,496	-
Transfers (out)--					
To General Fund	<u>(463,746)</u>	<u>(407,124)</u>	<u>(56,220)</u>	<u>(463,344)</u>	<u>402</u>
Total other financing sources	<u>12,892,217</u>	<u>12,124,003</u>	<u>436,331</u>	<u>12,560,334</u>	<u>(331,883)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,288,596</u>	<u>(204,552)</u>	<u>\$ 1,084,044</u>	<u>\$ 1,084,044</u>
Fund balances:					
Beginning of year, July 1			<u>1,288,596</u>		
End of year, June 30			<u>\$ 1,084,044</u>		

City of Jacksonville, North Carolina
Non-Major Governmental Funds
Capital Reserve Fund

Schedule 68

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2005

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Investment earnings	\$ 1,710,327	\$ 1,480,595	\$ 134,057	\$ 1,614,652	\$ (95,675)
Investment earnings-Powell Bill	28,736	28,636	-	28,636	(100)
Contributions--					
Onslow County Board of Education	53,000	53,000	-	53,000	-
Developers	136,980	102,149	55,072	157,221	20,241
Total revenues	<u>1,929,043</u>	<u>1,664,380</u>	<u>189,129</u>	<u>1,853,509</u>	<u>(75,534)</u>
Expenditures:					
Initiatives FY '99	14,242	-	-	-	14,242
Reserve for debt retirement	3,278,761	-	-	-	3,278,761
Reserve for recreation	141,433	-	-	-	141,433
Total expenditures	<u>3,434,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,434,436</u>
Revenues over (under) expenditures	<u>(1,505,393)</u>	<u>1,664,380</u>	<u>189,129</u>	<u>1,853,509</u>	<u>3,358,902</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	9,108,493	8,368,052	740,441	9,108,493	-
From General Fund - Powell Bill	323,572	323,572	-	323,572	-
From Capital Project Funds	115,868	112,368	3,500	115,868	-
From Water/Sewer Fund	5,435,346	5,435,346	-	5,435,346	-
From Water/Sewer Capital Projects	1,040,000	1,040,000	-	1,040,000	-
Transfers (out)--					
To General Fund	(4,671,700)	(2,255,017)	(876,728)	(3,131,745)	1,539,955
To Capital Project Funds	(9,846,186)	(7,071,890)	(2,774,295)	(9,846,185)	1
Total other financing sources (uses)	<u>1,505,393</u>	<u>5,952,431</u>	<u>(2,907,082)</u>	<u>3,045,349</u>	<u>1,539,956</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 7,616,811</u>	<u>(2,717,953)</u>	<u>\$ 4,898,858</u>	<u>\$ 4,898,858</u>
Fund balance:					
Beginning of year, July 1			<u>7,616,811</u>		
End of year, June 30			<u>\$ 4,898,858</u>		

Non-Major Enterprise Funds

The Non-Major Enterprise Funds are used to account for operations in the City of Jacksonville that are financed through user charges.

Individual Fund Descriptions:

Solid Waste Fund – accounts for solid waste disposal (county tipping fee) and recycling.

Stormwater/Water Quality Fund – accounts for funds used in the construction of facilities to manage stormwater runoff.

City of Jacksonville, North Carolina
Non-Major Enterprise Funds
Combining Statement of Net Assets
June 30, 2005

Statement 69

With Comparative Totals for June 30, 2004

	<u>Solid Waste Fund</u>	<u>Stormwater/ Water Quality Fund</u>	<u>Totals</u>	
			<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 643,493	\$ 479,687	\$ 1,123,180	\$ 756,863
Accounts receivable (net)	173,148	-	173,148	100,536
Interfund receivable	709	1,180	1,889	528
Total Current Assets	<u>817,350</u>	<u>480,867</u>	<u>1,298,217</u>	<u>857,927</u>
Capital Assets:				
Capital assets (net)	-	29,459	29,459	-
Total Capital Assets	<u>-</u>	<u>29,459</u>	<u>29,459</u>	<u>-</u>
Total Assets	<u>817,350</u>	<u>510,326</u>	<u>1,327,676</u>	<u>857,927</u>
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	176,508	68,567	245,075	101,627
Installment purchases payable-current	-	40,216	40,216	-
Interfund payable	-	992	992	96
Total Current Liabilities	<u>176,508</u>	<u>109,775</u>	<u>286,283</u>	<u>101,723</u>
Noncurrent Liabilities:				
Compensated absences payable	-	3,087	3,087	2,803
Installment purchases payable-noncurrent	-	55,041	55,041	-
Total Noncurrent Liabilities	<u>-</u>	<u>58,128</u>	<u>58,128</u>	<u>2,803</u>
Total Liabilities	<u>176,508</u>	<u>167,903</u>	<u>344,411</u>	<u>104,526</u>
Net Assets				
Unrestricted Net Assets	<u>\$ 640,842</u>	<u>\$ 342,423</u>	<u>\$ 983,265</u>	<u>\$ 753,401</u>

City of Jacksonville, North Carolina

Statement 70

Non-Major Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Solid Waste Fund	Stormwater/ Water Quality Fund	Totals	
			June 30, 2005	June 30, 2004
Operating revenues:				
Charges for services	\$ 2,054,850	\$ -	\$ 2,054,850	\$ 1,568,188
Miscellaneous Revenue	-	243	243	-
Total operating revenues	<u>2,054,850</u>	<u>243</u>	<u>2,055,093</u>	<u>1,568,188</u>
Operating expenses:				
Solid Waste Fund	2,179,578	-	2,179,578	1,495,813
Stormwater/Water Quality Fund	-	221,160	221,160	100,993
Depreciation	-	5,021	5,021	-
Total operating expenses	<u>2,179,578</u>	<u>226,181</u>	<u>2,405,759</u>	<u>1,596,806</u>
Operating (loss)	<u>(124,728)</u>	<u>(225,938)</u>	<u>(350,666)</u>	<u>(28,618)</u>
Nonoperating revenues (expenses):				
Investment earnings	23,351	-	23,351	7,603
Interest on long-term debt	-	(1,464)	(1,464)	-
Total nonoperating revenues (expenses)	<u>23,351</u>	<u>(1,464)</u>	<u>21,887</u>	<u>7,603</u>
(Loss) before transfers	<u>(101,377)</u>	<u>(227,402)</u>	<u>(328,779)</u>	<u>(21,015)</u>
Operating transfers				
Transfers in	-	572,748	572,748	112,104
Transfers (out)	-	(14,105)	(14,105)	-
Total transfers	<u>-</u>	<u>558,643</u>	<u>558,643</u>	<u>112,104</u>
Change in Net Assets	<u>(101,377)</u>	<u>331,241</u>	<u>229,864</u>	<u>91,089</u>
Net assets:				
Beginning of year, July 1	<u>742,219</u>	<u>11,182</u>	<u>753,401</u>	<u>662,312</u>
End of year, June 30	<u>\$ 640,842</u>	<u>\$ 342,423</u>	<u>\$ 983,265</u>	<u>\$ 753,401</u>

City of Jacksonville, North Carolina
Non-Major Enterprise Funds
Combining Statement of Cash Flows

Statement 71

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Solid Waste Fund	Stormwater/ Water Quality Fund	Totals	
			June 30, 2005	June 30, 2004
Cash flows from operating activities:				
Cash received from customers	\$ 1,981,433	\$ -	\$ 1,981,433	\$ 1,556,647
Cash paid for goods and services	(2,056,678)	(64,376)	(2,121,054)	(1,507,852)
Cash paid to employees	(43,765)	(91,603)	(135,368)	(115,541)
Net cash (used) by operating activities	(119,010)	(155,979)	(274,989)	(66,746)
Cash flows from noncapital financing activities:				
Transfers in	-	572,748	572,748	112,104
Transfers (out)	-	(14,105)	(14,105)	-
Net cash provided by noncapital financing activities	-	558,643	558,643	112,104
Cash flows from capital and related financing activities:				
Principal paid on long term debt	-	(26,542)	(26,542)	-
Interest paid on long term debt	-	(1,465)	(1,465)	-
Debt issued	-	121,799	121,799	-
Purchase of capital assets	-	(34,480)	(34,480)	-
Net cash provided by capital and related financing activities	-	59,312	59,312	-
Cash flows from investing activities:				
Interest earned on investments	23,351	-	23,351	7,603
Net cash provided by investing activities	23,351	-	23,351	7,603
Net increase (decrease) in cash and cash equivalents	(95,659)	461,976	366,317	52,961
Cash and cash equivalents, July 1	739,152	17,711	756,863	703,902
Cash and cash equivalents, June 30	\$ 643,493	\$ 479,687	\$ 1,123,180	\$ 756,863
Reconciliation of operating (loss) to net cash (used) by operating activities:				
Operating (loss)	\$ (124,728)	\$ (225,938)	\$ (350,666)	\$ (28,618)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:				
Depreciation	-	5,021	5,021	-
Bad debt expense	1,484	-	1,484	-
Change in assets and liabilities:				
Increase (decrease) in accrued vacation pay/payroll	-	803	803	2,803
Increase (decrease) in accounts payable	79,135	63,795	142,930	(29,486)
Increase (decrease) in interfund payable	(96)	992	896	-
(Increase) decrease in accounts receivable	(74,096)	-	(74,096)	(11,014)
(Increase) decrease in interfund receivables	(709)	(652)	(1,361)	(431)
Total adjustments	5,718	69,959	75,677	(38,128)
Net cash (used) by operating activities	\$ (119,010)	\$ (155,979)	\$ (274,989)	\$ (66,746)

City of Jacksonville, North Carolina
Solid Waste Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 72

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	<u>2005</u>		Variance Positive (Negative)	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Operating revenues:				
Charges for sales and services:				
Commercial fees	\$ 1,378,445	\$ 1,319,716	\$ (58,729)	\$ 909,048
Commercial pickups	52,825	19,611	(33,214)	56,661
Residential fees	582,577	492,749	(89,828)	584,860
Recycling revenues	178,048	200,244	22,196	20
Other operating revenues	18,316	22,530	4,214	17,599
Total operating revenues	<u>2,210,211</u>	<u>2,054,850</u>	<u>(155,361)</u>	<u>1,568,188</u>
Nonoperating revenues:				
Interest earned on investments	10,000	23,351	13,351	7,532
Total nonoperating revenues	<u>10,000</u>	<u>23,351</u>	<u>13,351</u>	<u>7,532</u>
Total revenues	<u>2,220,211</u>	<u>2,078,201</u>	<u>(142,010)</u>	<u>1,575,720</u>
Expenses:				
Salaries and employee benefits		43,765		33,593
Contracted services-landfill		2,134,329		1,462,220
Bad debt		1,484		-
Total	<u>2,262,995</u>	<u>2,179,578</u>	<u>83,417</u>	<u>1,495,813</u>
Budgetary appropriations:				
Appropriated retained earnings	(42,784)	-	(42,784)	-
Total budgetary appropriations	<u>(42,784)</u>	<u>-</u>	<u>(42,784)</u>	<u>-</u>
Total expenses	<u>\$ 2,220,211</u>	<u>\$ 2,179,578</u>	<u>\$ 40,633</u>	<u>\$ 1,495,813</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 2,078,201		\$ 1,575,720
Total expenses		<u>2,179,578</u>		<u>1,495,813</u>
Change in Net Assets (Statement 70)		<u>\$ (101,377)</u>		<u>\$ 79,907</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Stormwater/Water Quality Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 73

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Nonoperating revenues:				
Interest earned on investments	\$ -	\$ -	\$ -	\$ 71
Miscellaneous credit refund	-	243	243	-
Total nonoperating revenues	-	243	243	71
Total revenues	-	243	243	71
Expenses:				
Salaries and employee benefits		91,753		84,751
Supplies		16,601		-
Insurance		463		-
Unleaded fuel		-		667
Maintenance and repair		4,201		1,302
Contracted services		54,546		-
Contracted services-info technology		26,664		-
Other expenses		26,932		14,273
Total	468,297	221,160	247,137	100,993
Budgetary appropriations:				
Interest paid	1,764	1,464	300	-
Debt principal	29,161	26,542	2,619	-
(Increase) in compensated absences payable	-	(284)	284	-
Debt issued	(129,923)	(121,799)	(8,124)	-
Transfers (in)--				
From General Fund	(572,748)	(572,748)	-	(112,104)
Transfers out--				
To Capital Projects	14,105	14,105	-	-
Capital outlay	188,533	34,480	154,053	-
Appropriated Retained Earnings	811	-	811	-
Total budgetary appropriations	(468,297)	(618,240)	149,943	(112,104)
Total expenses	\$ -	\$ (397,080)	\$ 397,080	\$ (11,111)
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 243		\$ 71
Total expenses		(397,080)		(11,111)
Excess of revenues over expenses		397,323		11,182
Budgetary appropriations (above):				
Payment of debt principal		26,542		-
Debt issued		(121,799)		-
(Increase) in compensated absences payable		(284)		-
Capital outlay		34,480		-
Total budgetary appropriations		(61,061)		
Depreciation		(5,021)		-
Change in Net Assets (Statement 70)		\$ 331,241		\$ 11,182

Note: Prepared on the budgetary basis, which is modified accrual.

Internal Service Funds

The Internal Service Funds are used to account for services provided to other user departments.

Individual Fund Descriptions:

Fleet Maintenance Internal Service Fund – accounts for fleet management operations provided to City departments.

City Hall Maintenance Internal Service Fund – accounts for building maintenance operations provided to City departments.

Information Technology Services Internal Service Fund – accounts for data processing operations provided to City departments.

Information Technology Services Capital Project Fund – accounts for funds used in obtaining new hardware and software for data processing.

City of Jacksonville, North Carolina
Internal Service Funds
Combining Statement of Net Assets
June 30, 2005

Statement 74

With Comparative Totals for June 30, 2004

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2005	June 30, 2004
Assets					
Current Assets:					
Cash and cash equivalents	\$ 100	\$ 207,665	\$ 488,262	\$ 696,027	\$ 661,529
Accounts receivable (net)	-	-	1,191	1,191	1,191
Interfund receivable	243,150	590	5,333	249,073	4,011
Inventories	50,879	-	-	50,879	42,421
Prepaid items	-	-	-	-	2,390
Total Current Assets	294,129	208,255	494,786	997,170	711,542
Noncurrent Assets:					
Restricted cash and cash equivalents	-	-	-	-	317,475
Capital Assets:					
Capital assets (net)	150,414	-	699,769	850,183	1,099,076
Total Assets	444,543	208,255	1,194,555	1,847,353	2,128,093
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities	26,559	2,127	33,880	62,566	139,202
Interfund payable	15,402	-	43	15,445	46,020
Current portion of long-term debt	14,607	-	348,935	363,542	373,504
Total Current Liabilities	56,568	2,127	382,858	441,553	558,726
Noncurrent Liabilities:					
Compensated absences payable	11,124	1,228	47,504	59,856	43,372
Noncurrent portion of long-term debt	37,959	-	215,426	253,385	502,156
Total Noncurrent Liabilities	49,083	1,228	262,930	313,241	545,528
Total Liabilities	105,651	3,355	645,788	754,794	1,104,254
Net Assets					
Invested in capital assets, net of related debt	97,848	-	135,408	233,256	540,891
Unrestricted	241,044	204,900	413,359	859,303	482,948
Total Net Assets	\$ 338,892	\$ 204,900	\$ 548,767	\$ 1,092,559	\$ 1,023,839

City of Jacksonville, North Carolina
Internal Service Funds

Statement 75

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005
With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2005	June 30, 2004
Operating revenues:					
Charges to other funds	\$ 1,126,471	\$ 124,837	\$ 1,807,948	\$ 3,059,256	\$ 2,460,266
Miscellaneous revenue	35	-	3,818	3,853	14,729
Total operating revenues	<u>1,126,506</u>	<u>124,837</u>	<u>1,811,766</u>	<u>3,063,109</u>	<u>2,474,995</u>
Operating expenses:					
Operations	1,066,417	86,341	1,355,628	2,508,386	2,228,439
Depreciation	18,755	-	479,918	498,673	404,585
Total operating expenses	<u>1,085,172</u>	<u>86,341</u>	<u>1,835,546</u>	<u>3,007,059</u>	<u>2,633,024</u>
Operating income (loss)	<u>41,334</u>	<u>38,496</u>	<u>(23,780)</u>	<u>56,050</u>	<u>(158,029)</u>
Nonoperating revenues (expenses):					
Investment earnings	321	5,539	18,631	24,491	7,178
Gain on sale of capital assets	561	-	9,334	9,895	8,963
Interest on long-term debt	(977)	-	(19,143)	(20,120)	(27,741)
Total nonoperating revenues (expenses)	<u>(95)</u>	<u>5,539</u>	<u>8,822</u>	<u>14,266</u>	<u>(11,600)</u>
Income (loss) before transfers	<u>41,239</u>	<u>44,035</u>	<u>(14,958)</u>	<u>70,316</u>	<u>(169,629)</u>
Operating transfers:					
Transfers (out)	-	-	(1,596)	(1,596)	(570)
Total transfers	<u>-</u>	<u>-</u>	<u>(1,596)</u>	<u>(1,596)</u>	<u>(570)</u>
Net income (loss)	41,239	44,035	(16,554)	68,720	(170,199)
Net assets:					
Beginning of year, July 1	<u>297,653</u>	<u>160,865</u>	<u>565,321</u>	<u>1,023,839</u>	<u>1,194,038</u>
End of year, June 30	<u>\$ 338,892</u>	<u>\$ 204,900</u>	<u>\$ 548,767</u>	<u>\$ 1,092,559</u>	<u>\$ 1,023,839</u>

**City of Jacksonville, North Carolina
Internal Service Funds**

Statement 76

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2005	June 30, 2004
Cash flows from operating activities:					
Cash receipts from quasi-external operating transactions	\$ 1,126,506	\$ 124,837	\$ 1,811,766	\$ 3,063,109	\$ 2,474,995
Cash payments for quasi-external operating transactions	(1,304,883)	(85,780)	(1,459,580)	(2,850,243)	(1,944,568)
Net cash provided (used) by operating activities	(178,377)	39,057	352,186	212,866	530,427
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(12,571)	-	(387,862)	(400,433)	(350,436)
Interest paid on long-term debt	(977)	-	(19,143)	(20,120)	(27,741)
Debt issued	51,500	-	90,200	141,700	331,435
Purchase of capital assets	(38,771)	-	(212,605)	(251,376)	(432,734)
Proceeds from sale of assets	561	-	9,334	9,895	8,963
Net cash (used) for capital and related financing activities	(258)	-	(520,076)	(520,334)	(470,513)
Cash flows from investing activities:					
Interest earned on investments	321	5,539	18,631	24,491	7,178
Net cash provided by investing activities	321	5,539	18,631	24,491	7,178
Net (increase) decrease in cash and cash equivalents	(178,314)	44,596	(149,259)	(282,977)	67,092
Cash and cash equivalents, July 1	178,414	163,069	637,521	979,004	911,912
Cash and cash equivalents, June 30	\$ 100	\$ 207,665	\$ 488,262	\$ 696,027	\$ 979,004

Continued on next page.

City of Jacksonville, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

Statement 76,
continued.

With Comparative Totals for the Fiscal Year Ended June 30, 2004

	<u>Fleet Maintenance</u>	<u>City Hall Maintenance</u>	<u>Information Technology Services</u>	<u>Totals</u>	
				<u>June 30, 2005</u>	<u>June 30, 2004</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 41,334	\$ 38,496	\$ (23,780)	\$ 56,050	\$ (158,029)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	18,755	-	479,918	498,673	404,586
Change in assets and liabilities:					
Increase (decrease) in accrued vacation pay	4,510	(147)	12,121	16,484	2,783
(Increase) decrease in prepaid expenses	-	-	2,390	2,390	(2,390)
Increase (decrease) in accounts payable	(8,407)	1,034	(69,263)	(76,636)	88,833
(Increase) decrease in inventories	(8,458)	-	-	(8,458)	32,391
Increase (decrease) in interfund payable	15,402	-	(45,977)	(30,575)	(209,917)
(Increase) decrease in interfund receivable	<u>(241,513)</u>	<u>(326)</u>	<u>(3,223)</u>	<u>(245,062)</u>	<u>372,170</u>
Total adjustments	<u>(219,711)</u>	<u>561</u>	<u>375,966</u>	<u>156,816</u>	<u>688,456</u>
Net cash provided (used) by operating activities	<u>\$ (178,377)</u>	<u>\$ 39,057</u>	<u>\$ 352,186</u>	<u>\$ 212,866</u>	<u>\$ 530,427</u>

City of Jacksonville, North Carolina
Fleet Maintenance Internal Service Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 77

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	<u>2005</u>		Variance Positive (Negative)	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Investment earnings	\$ 900	\$ 321	\$ (579)	\$ 437
Charges for services	869,899	1,126,471	256,572	905,298
Sales of capital assets	-	561	561	1,332
Other operating revenues	-	35	35	14,729
	<u>870,799</u>	<u>1,127,388</u>	<u>256,589</u>	<u>921,796</u>
Expenses:				
Salaries and employee benefits		319,508		267,309
Fuel		7,025		6,159
Utilities		4,649		3,211
Maintenance and repair		630,387		534,685
Other departmental expenses		104,848		108,429
	<u>1,081,036</u>	<u>1,066,417</u>	<u>14,619</u>	<u>919,793</u>
Budgetary appropriations:				
Interest paid	2,024	977	1,047	487
Debt principal	14,069	12,571	1,498	7,182
Debt issued	(51,500)	(51,500)	-	-
Increase (decrease) in inventory	-	8,458	(8,458)	(32,391)
(Increase) decrease in compensated absences payable	-	(4,510)	4,510	(1,784)
Capital outlay	45,256	38,771	6,485	4,600
Appropriated retained earnings	(220,086)	-	(220,086)	-
	<u>(210,237)</u>	<u>4,767</u>	<u>(215,004)</u>	<u>(21,906)</u>
Total expenses	<u>\$ 870,799</u>	<u>\$ 1,071,184</u>	<u>\$ (200,385)</u>	<u>\$ 897,887</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 1,127,388		\$ 921,796
Total expenses		<u>1,071,184</u>		<u>897,887</u>
Excess of revenues over expenses		<u>56,204</u>		<u>23,909</u>
Budgetary appropriations (above):				
Payment of debt principal		12,571		7,182
Debt issued		(51,500)		-
Increase (decrease) in inventory		8,458		(32,391)
(Increase) decrease in compensated absences payable		(4,510)		(1,784)
Capital outlay		38,771		4,600
Total budgetary appropriations		<u>3,790</u>		<u>(22,393)</u>
Depreciation (Statement 75)		<u>(18,755)</u>		<u>(16,381)</u>
Net income (loss) (Statement 75)		<u>\$ 41,239</u>		<u>\$ (14,865)</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
City Hall Maintenance Internal Service Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 78

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	<u>2005</u>		Variance Positive (Negative)	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Investment earnings	\$ 1,700	\$ 5,539	\$ 3,839	\$ 1,560
Charges for services	124,837	124,837	-	103,406
Total revenues	<u>126,537</u>	<u>130,376</u>	<u>3,839</u>	<u>104,966</u>
Expenses:				
Salaries and employee benefits		35,286		31,771
Utilities		34,602		31,227
Maintenance and repair		2,990		4,342
Other departmental expenses		13,463		13,006
Total	<u>132,111</u>	<u>86,341</u>	<u>45,770</u>	<u>80,346</u>
Budgetary appropriations:				
(Increase) decrease in compensated absences payable	-	147	(147)	744
Appropriated retained earnings	(5,574)	-	(5,574)	-
Total budgetary appropriations	<u>(5,574)</u>	<u>147</u>	<u>(5,721)</u>	<u>744</u>
Total expenses	<u>\$ 126,537</u>	<u>\$ 86,488</u>	<u>\$ 40,049</u>	<u>\$ 81,090</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 130,376		\$ 104,966
Total expenses		<u>86,488</u>		<u>81,090</u>
Excess of revenues over expenses		<u>43,888</u>		<u>23,876</u>
Budgetary appropriations (above):				
(Increase) decrease in compensated absences payable		<u>147</u>		<u>744</u>
Total budgetary appropriations		<u>147</u>		<u>744</u>
Net income (Statement 75)		<u>\$ 44,035</u>		<u>\$ 24,620</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Information Technology Services Internal Service Fund
Schedule of Revenues and Expenses--
Budget and Actual (Non-GAAP)

Schedule 79

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ 4,000	\$ 18,631	\$ 14,631	\$ 5,181
Charges for services	1,761,633	1,807,948	46,315	1,451,562
Sales of capital assets	3,000	9,334	6,334	7,631
Other operating revenues	-	3,818	3,818	-
Total revenues	<u>1,768,633</u>	<u>1,839,731</u>	<u>71,098</u>	<u>1,464,374</u>
Expenses:				
Salaries and employee benefits		577,472		454,593
Fuel		149		83
Maintenance and repair		19,315		14,058
Contracted services		53,996		81,029
Other departmental expenses		704,696		678,537
Total	<u>1,662,462</u>	<u>1,355,628</u>	<u>306,834</u>	<u>1,228,300</u>
Budgetary appropriations:				
Interest paid	20,916	19,143	1,773	27,254
Debt principal	388,199	387,862	337	343,254
Debt issued	(90,200)	(90,200)	-	(42,485)
(Increase) decrease in compensated absences payable	-	(12,121)	12,121	(1,743)
Increase (decrease) in prepaid expense	-	(2,390)	2,390	2,390
Capital outlay	116,120	110,895	5,225	15,718
Appropriated retained earnings	(328,864)	-	(328,864)	-
Total budgetary appropriations	<u>106,171</u>	<u>413,189</u>	<u>(307,018)</u>	<u>344,388</u>
Total expenses	<u>\$ 1,768,633</u>	<u>\$ 1,768,817</u>	<u>\$ (184)</u>	<u>\$ 1,572,688</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 1,839,731		\$ 1,464,374
Total expenses		<u>1,768,817</u>		<u>1,572,688</u>
Excess of revenues over (under) expenses		<u>70,914</u>		<u>(108,314)</u>
Budgetary appropriations (above):				
Payment of debt principal		387,862		343,254
Debt issued		(90,200)		(42,485)
(Increase) decrease in compensated absences payable		(12,121)		(1,743)
Increase (decrease) in prepaid expense		(2,390)		2,390
Transfer to General Fund (See Schedule 80)		(1,596)		(570)
Capital outlay		110,895		15,718
Total budgetary appropriations		<u>392,450</u>		<u>316,564</u>
Depreciation (Statement 75)		<u>(479,918)</u>		<u>(388,204)</u>
Net income (loss) (Statement 75)		<u>\$ (16,554)</u>		<u>\$ (179,954)</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Information Technology Services Capital Project Fund
Schedule of Revenues, Expenses and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2005

Schedule 80

	Project	Actual			Variance Positive (Negative)
	Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 3,844	\$ 3,801	\$ 1,609	\$ 5,410	\$ 1,566
Total revenues	<u>3,844</u>	<u>3,801</u>	<u>1,609</u>	<u>5,410</u>	<u>1,566</u>
Expenses:					
Capital outlay:					
Document imaging DP0102	179,321	175,518	3,800	179,318	3
Capital acquisition DP0201	<u>766,116</u>	<u>634,477</u>	<u>96,314</u>	<u>730,791</u>	<u>35,325</u>
Total expenses	<u>945,437</u>	<u>809,995</u>	<u>100,114</u>	<u>910,109</u>	<u>35,328</u>
Revenues (under) expenses	<u>(941,593)</u>	<u>(806,194)</u>	<u>(98,505)</u>	<u>(904,699)</u>	<u>36,894</u>
Other financing sources (uses):					
Debt issued	779,550	779,550	-	779,550	-
Transfers in--					
From Information Technology					
Services Fund	132,669	132,669	-	132,669	-
From General Fund	30,971	30,971	-	30,971	-
Transfers (out)--					
To General Fund	<u>(1,597)</u>	<u>-</u>	<u>(1,596)</u>	<u>(1,596)</u>	<u>1</u>
Total other financing sources (uses)	<u>941,593</u>	<u>943,190</u>	<u>(1,596)</u>	<u>941,594</u>	<u>1</u>
Excess of revenues and other sources over (under) expenses and other uses	<u>\$ -</u>	<u>\$ 136,996</u>	<u>\$ (100,101)</u>	<u>\$ 36,895</u>	<u>\$ 36,895</u>

Governmental Funds Capital Assets

The Governmental Funds Capital Assets account for capital assets used in the operation of Governmental Funds, other than those accounted for in the Proprietary Funds.

City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2005 and 2004

Schedule 81

	2005	2004
Governmental funds capital assets:		
Land	\$ 2,019,330	\$ 1,962,261
Buildings	15,415,947	10,398,537
Equipment	4,250,883	3,874,123
Heavy equipment	584,401	644,132
Vehicles	8,627,491	8,396,048
Infrastructure	19,319,120	16,124,439
Improvements other than buildings	3,655,996	3,615,792
Construction in progress	2,952,610	4,072,150
Total governmental funds capital assets	\$ 56,825,778	\$ 49,087,482
Investment in governmental funds capital assets		
General Fund	\$ 33,755,908	\$ 31,589,463
Capital Project Funds	20,916,580	15,319,376
Non-Major Governmental Funds	1,757,277	1,782,630
Donations, court awards, etc.	396,013	396,013
Total investment in governmental funds capital assets	\$ 56,825,778	\$ 49,087,482

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2005

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Heavy Equipment</u>	<u>Vehicles</u>
General government:					
Mayor and Council	\$ -	\$ -	\$ -	\$ -	\$ -
City Manager	-	-	-	-	-
Personnel	-	-	-	-	-
City Clerk	-	-	-	-	-
Finance	-	-	13,378	-	-
Planning	-	-	73,107	-	51,809
Transportation	-	-	-	-	-
Other-Unclassified	1,333,917	6,550,133	134,622	-	-
Total general government	<u>1,333,917</u>	<u>6,550,133</u>	<u>221,107</u>	<u>-</u>	<u>51,809</u>
Public works:					
Inspections	-	-	24,889	-	136,962
Public works	-	-	-	-	19,929
Engineering	-	-	-	-	14,361
Maintenance	38,503	10,689	89,357	50,566	260,449
Steets Powell Bill	67,500	100,209	48,610	408,815	482,632
Street Non-Powell Bill	-	-	212,686	14,441	774,698
Total public works	<u>106,003</u>	<u>110,898</u>	<u>375,542</u>	<u>473,822</u>	<u>1,689,031</u>
Public safety:					
Police	-	524,156	3,011,464	5,995	2,906,318
Animal control	-	22,173	-	-	-
Fire	27,000	2,134,776	437,715	18,111	2,234,076
Total public safety	<u>27,000</u>	<u>2,681,105</u>	<u>3,449,179</u>	<u>24,106</u>	<u>5,140,394</u>
Environmental protection:					
Sanitation	-	40,984	20,432	-	1,527,241
Cultural and recreational:					
Recreation	552,410	5,950,784	184,623	86,473	206,166
Economic development:					
Economic development	-	82,043	-	-	12,850
Construction in progress					
Total governmental funds capital assets	<u>\$ 2,019,330</u>	<u>\$ 15,415,947</u>	<u>\$ 4,250,883</u>	<u>\$ 584,401</u>	<u>\$ 8,627,491</u>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

Infrastructure	Improvements other than buildings	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	13,378
-	-	-	124,916
-	-	-	-
-	103,952	-	8,122,624
-	103,952	-	8,260,918
-	-	-	161,851
-	-	-	19,929
-	-	-	14,361
-	-	-	449,564
17,014,961	-	-	18,122,727
397,460	-	-	1,399,285
17,412,421	-	-	20,167,717
-	13,485	-	6,461,418
-	-	-	22,173
-	-	-	4,851,678
-	13,485	-	11,335,269
-	-	-	1,588,657
1,906,699	3,538,559	-	12,425,714
-	-	-	94,893
-	-	2,952,610	2,952,610
\$ 19,319,120	\$ 3,655,996	\$ 2,952,610	\$ 56,825,778

City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2005

Schedule 83

	Capital Assets 2004	Additions	Deductions	Transfers	Capital Assets 2005
General Government:					
Mayor and Council	\$ -	\$ -	\$ -	\$ -	\$ -
City Manager	-	-	-	-	-
Personnel	-	-	-	-	-
City Clerk	-	-	-	-	-
Finance	13,378	-	-	-	13,378
Planning	124,916	-	-	-	124,916
Transportation	-	-	-	-	-
Other-Unclassified	3,296,635	4,825,989	-	-	8,122,624
Total General Government	3,434,929	4,825,989	-	-	8,260,918
Public Works:					
Inspections	144,926	35,102	18,177	-	161,851
Public Works	9,263	19,929	9,263	-	19,929
Engineering	30,617	-	16,256	-	14,361
Maintenance	373,898	130,475	54,809	-	449,564
Streets	15,917,339	2,274,325	68,937	-	18,122,727
Streets Non-Powell Bill	1,222,082	177,203	-	-	1,399,285
Total Public Works	17,698,125	2,637,034	167,442	-	20,167,717
Public Safety:					
Police	6,140,408	921,777	600,767	-	6,461,418
Animal Control	22,173	-	-	-	22,173
Fire	4,834,047	55,347	37,716	-	4,851,678
Total Public Safety	10,996,628	977,124	638,483	-	11,335,269
Environmental Protection:					
Sanitation	1,594,820	243,336	249,499	-	1,588,657
Cultural and Recreational:					
Recreation	11,195,937	1,238,176	8,399	-	12,425,714
Economic Development:					
Economic Development	94,893	-	-	-	94,893
Construction in progress	4,072,150	2,062,538	3,182,078	-	2,952,610
Total governmental funds capital assets	\$ 49,087,482	\$ 11,984,197	\$ 4,245,901	\$ -	\$ 56,825,778

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

Additional Financial Data

This section contains the following:

Additional information on property taxes, interfund transfers, and cash and investments.

- * Schedule of Cash and Investment Balances
- * Schedule of Ad Valorem Taxes Receivable
- * Analysis of Current Tax Levy

City of Jacksonville, North Carolina
Schedule of Cash and Investment Balances
June 30, 2005

Schedule 84

	Amounts Presented on Statements	Cost Value	Fair Value
Cash:			
On hand	\$ 7,570	\$ 7,570	\$ 7,570
In time deposits			
Certificates of deposit	156,594	156,594	156,594 (a)
NOW, SuperNOW, and money market	<u>2,005,753</u>	<u>2,005,753</u>	<u>2,005,753</u>
Total cash	<u>2,169,917</u>	<u>2,169,917</u>	<u>2,169,917</u>
Other Investments:			
North Carolina Capital Management Trust	13,597,278	13,597,278	13,597,278
U.S. Government Agencies (GNMA)	1,464	1,464	1,407
[Registered in the City's name and held by the City's agent in the City's name]			
U.S. Government Agencies (FHLB & FNMA)	15,617,625	15,617,625	15,453,692
[Registered in the City's name and held by the City's agent in the City's name]			
Commercial Paper	6,656,190	6,656,190	6,686,000
[Held by the City's Agent in the City's name]			
Total other investments	<u>35,872,557</u>	<u>35,872,557</u>	<u>35,738,377</u>
Total cash and investments	<u>\$ 38,042,474</u>	<u>\$ 38,042,474</u>	<u>\$ 37,908,294</u>
Distribution by Classification:			
Major General:			
Unrestricted		\$ 11,330,475	
Restricted		<u>1,341,232</u>	\$ 12,671,707
Major Capital Projects:			
Unrestricted		3,071,536	
Restricted		<u>1,077,524</u>	4,149,060
Non-Major Governmental:			
Unrestricted		5,985,218	
Restricted		<u>1,841,069</u>	7,826,287
Major Water and Sewer:			
Unrestricted		7,294,670	
Restricted		<u>3,861,848</u>	11,156,518
Non-Major Enterprise			1,123,180
Internal Service:			
Unrestricted			696,027
Trust			<u>419,695</u>
Total			<u>\$ 38,042,474</u>

(a) Note: \$150,000 Certificate of Deposit is a compensating balance requirement and is non-interest bearing.

City of Jacksonville, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2005

Schedule 85

Fiscal Year	Uncollected Balance June 30, 2004	Additions	Collections and Credits	Uncollected Balance June 30, 2005
2004-05	\$ -	\$ 11,599,071	\$ 11,100,980	\$ 498,091
2003-04	402,112	-	288,083	114,029
2002-03	125,223	-	26,465	98,758
2001-02	93,737	-	12,609	81,128
2000-01	72,776	-	5,136	67,640
1999-00	71,707	-	1,278	70,429
1998-99	59,773	-	1,528	58,245
1997-98	47,673	-	1,582	46,091
1996-97	30,317	-	950	29,367
1995-96	28,972	-	664	28,308
1994-95	34,019	-	34,019	-
	\$ 966,309	\$ 11,599,071	\$ 11,473,294	\$ 1,092,086
Less allowance for uncollected ad valorem taxes receivable				157,544
Ad valorem taxes receivable - net				\$ 934,542
Reconcilement with revenues:				
Taxes - ad valorem - general fund		\$ 11,370,414		
Penalties and interest		66,489	\$ 11,436,903	
Reconciling items:				
Discoveries and abatements - net			60,254	
Taxes written off			33,229	
Interest collected			(57,092)	
Total collections and credits per above			\$ 11,473,294	

City of Jacksonville, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2005

Schedule 86

	<u>City-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at					
current year's rate	\$ 1,812,119,322	0.59	\$ 10,691,504	\$ 9,956,970	\$ 734,534
Registered motor vehicles					
taxed at prior year's rate	78,596,994	0.59	463,722	-	463,722
Penalties	-		11,377	11,377	-
	<u>1,890,716,316</u>		<u>11,166,603</u>	<u>9,968,347</u>	<u>1,198,256</u>
Discoveries:					
Current year taxes	73,641,525	0.59	434,485	423,560	10,925
Prior year taxes	-		159,890	157,495	2,395
Total	<u>73,641,525</u>		<u>594,375</u>	<u>581,055</u>	<u>13,320</u>
Abatements	<u>(27,441,970)</u>		<u>(161,907)</u>	<u>(70,779)</u>	<u>(91,128)</u>
Total Property Valuation	<u>\$ 1,936,915,871</u>				
Net Levy			11,599,071	10,478,623	1,120,448
Less uncollected tax at June 30, 2005 (Schedule 91)			<u>(498,091)</u>	<u>(288,703)</u>	<u>(209,388)</u>
Current year's taxes collected			<u>\$ 11,100,980</u>	<u>\$ 10,189,920</u>	<u>\$ 911,060</u>
Percent current year collected			<u>95.71%</u>	<u>97.24%</u>	<u>81.31%</u>

Statistical Section

Schedules presented in the Statistical Section differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. The Statistical Section reflects social and economic data, financial trends and the fiscal capacity of the City.

City of Jacksonville, North Carolina
General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	General Government	Public Works	Public Safety	Environmental Protection	Cultural and Recreational
1996	\$ 3,090,364	\$ 1,989,981	\$ 7,681,503	\$ 1,925,139	\$ 1,071,742
1997	5,766,278	2,243,082	8,439,047	1,675,729	1,002,446
1998	4,609,698	3,124,355	8,830,933	1,851,046	869,696
1999	5,185,459	2,913,605	9,278,156	1,964,929	963,261
2000	5,385,533	3,322,706	10,317,941	2,071,908	1,062,805
2001	4,793,350	4,098,451	11,875,795	2,179,002	1,230,189
2002	4,416,462	3,679,942	11,396,391	2,135,517	1,489,323
2003	4,653,130	3,815,852	11,285,199	2,170,986	1,818,666
2004	5,161,564	6,145,893	12,074,761	2,227,929	2,023,157
2005	5,758,657	5,563,651	13,081,376	1,860,165	2,164,262

Note:

(1) Includes General, Non-Major Governmental, Capital Projects Fund, and Capital Reserve.

City of Jacksonville, North Carolina
General Governmental Revenues by Source (1)
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	Ad Valorem Taxes	Other Taxes and Licenses	Unrestricted Intergovernmental Revenues	Restricted Intergovernmental Revenues	Investment Earnings
1996	\$ 6,089,020	\$ 7,042,622	\$ 1,929,958	\$ 2,920,690	\$ 574,136
1997	6,370,411	8,312,650	2,005,469	3,874,191	546,340
1998	6,846,310	8,572,170	1,830,693	3,000,556	596,095
1999	7,888,989	9,145,906	2,002,161	4,256,492	1,001,011
2000	8,204,862	9,066,849	2,168,580	4,457,946	1,174,399
2001	10,049,040	9,671,876	2,241,270	3,865,696	1,444,109
2002	10,324,962	8,869,216	1,102,515	4,339,988	655,563
2003	10,548,669	9,539,578	2,097,237	4,664,964	393,430
2004	10,975,631	11,956,763	2,261,182	3,948,670	290,558
2005	11,436,903	13,285,661	1,925,113	3,273,205	603,360

Note:

(1) Includes General, Non-Major Governmental, Capital Projects Fund, and Capital Reserve

Table 1

Economic Development	Debt Service	Capital Projects Capitalized	Total
\$ 671,690	\$ 457,567	\$ 3,140,767	\$ 20,028,753
577,522	207,432	3,509,118	23,420,654
652,713	278,791	1,043,906	21,261,138
562,114	477,410	2,264,749	23,609,683
1,069,552	996,052	2,477,422	26,703,919
787,254	1,326,012	3,309,082	29,599,135
609,681	1,819,433	2,891,078	28,437,827
1,522,149	2,468,744	3,075,534	30,810,260
840,173	2,877,947	2,280,202	33,631,626
506,973	2,882,241	4,193,020	36,010,345

Table 2

Sales and Services	Permits and Fees	Miscellaneous	Total
\$ 201,753	\$ 208,589	\$ 203,859	\$ 19,170,627
189,294	175,231	994,014	22,467,600
218,180	231,909	306,012	21,601,925
263,280	407,421	425,287	25,390,547
285,138	460,378	361,416	26,179,568
342,856	379,442	484,611	28,478,900
309,339	369,592	387,383	26,358,558
285,607	414,310	413,923	28,357,718
322,571	556,963	966,217	31,278,555
328,873	674,892	822,192	32,350,199

Note: Property was revaluated in tax year 2000 (Fiscal Year 2001)
(see Table 4 note).

City of Jacksonville, North Carolina
Property Tax Levies and Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	Tax Year	(1) Total Tax Levy	(1) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections
1996	1995	\$ 6,064,988	\$ 5,909,862	97.4	\$ 145,638
1997	1996	6,402,043	6,216,007	97.1	125,934
1998	1997	6,861,287	6,662,127	97.1	148,118
1999	1998	7,948,057	7,713,064	97.0	140,088
2000	1999	8,289,972	8,027,020	96.8	145,583
2001	2000	10,148,926	9,847,945	97.0	161,507
2002	2001	10,448,606	10,087,516	96.5	193,167
2003	2002	10,615,036	10,256,566	96.6	245,661
2004	2003	11,066,894	10,664,781	96.4	256,451
2005	2004	11,599,071	11,100,980	95.7	278,831

Note: Collections do not include interest.

(1) Provided by the Onslow County Tax Administrator/Collector.

City of Jacksonville, North Carolina
Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Table 4

Fiscal Year Ended June 30	(1) Real Property	(1) Personal Property	(1) Public Service Company Property	(1) Total Assessed Value
1996	\$ 892,165,024	\$ 161,293,615	\$ 36,704,260	\$ 1,090,162,899
1997	919,781,889	192,066,760	33,631,855	1,145,480,504
1998	950,987,667	242,675,849	37,320,076	1,230,983,592
1999	978,181,554	252,110,765	39,221,550	1,269,513,869
2000	1,012,113,560	274,200,749	35,338,750	1,321,653,059
2001	1,342,298,871	300,171,863	45,655,823	1,688,126,557
2002	1,388,659,103	325,582,729	49,284,456	1,763,526,288
2003	1,417,401,174	322,413,511	50,196,592	1,790,011,277
2004	1,479,603,368	330,910,250	51,239,483	1,861,753,101
2005	1,530,743,596	349,624,534	56,547,741	1,936,915,871

Note: Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in the tax year 2000 (Fiscal Year 2001).

(1) Provided by the Onslow County Tax Administrator/Collector.

Table 3

	(1) Total Tax Collections	Percent of Total Tax Collections to Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
\$	6,055,500	99.8	\$ 370,363	6.1
	6,341,941	99.1	411,959	6.4
	6,810,245	99.2	438,151	6.4
	7,853,152	98.8	500,244	6.4
	8,172,603	98.6	581,620	7.0
	10,009,452	98.6	683,491	6.7
	10,280,683	98.4	815,535	7.8
	10,502,227	98.9	880,594	8.3
	10,921,232	98.7	966,309	8.7
	11,379,811	98.1	1,092,086	9.4

City of Jacksonville, North Carolina
Property Tax Rates - Direct and All Overlapping Governments
(Per \$100 of Assessed Value)
 Last Ten Fiscal Years
 (Unaudited)

Table 5

Fiscal Year Ended June 30	Name of Government		Total
	City of Jacksonville	Onslow County	
1996	0.553	0.615	1.168
1997	0.553	0.644	1.197
1998	0.553	0.694	1.247
1999	0.623	0.694	1.317
2000	0.623	0.694	1.317
2001	0.590	0.630	1.220
2002	0.590	0.690	1.280
2003	0.590	0.680	1.270
2004	0.590	0.670	1.260
2005	0.590	0.670	1.260

Note: Property was revaluated in tax year 2000 (Fiscal Year 2001)
 (see Table 4 note).

City of Jacksonville, North Carolina
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	(1) Assessed Value	Gross General Bonded Debt	Less Debt Payable From Enterprise Revenues	Net General Bonded Debt
1996	\$ 1,090,162,899	\$ 500,000	\$ 500,000	0
1997	1,145,480,504	400,000	400,000	0
1998	1,230,983,592	300,000	300,000	0
1999	1,269,513,869	200,000	200,000	0
2000	1,321,653,059	100,000	100,000	0
2001	1,688,126,557	0	0	0
2002	1,763,526,288	0	0	0
2003	1,790,011,277	0	0	0
2004	1,861,753,101	0	0	0
2005	1,936,915,871	0	0	0

Note:

- (1) Provided by the Onslow County Tax Administrator/Collector
- (2) NC Office of State Planning, State Demographer
- (3) US Census 2000

City of Jacksonville, North Carolina
Computation of Legal Debt Margin
 June 30, 2005
 (Unaudited)

Table 7

Assessed Value	\$ 1,936,915,871
	x0.08
Debt limit (8 percent of assessed value)	<u>154,953,270</u>
Amount of debt applicable to debt limit:	
Gross Debt:	
Installment purchases	\$ 26,013,851
Loans	<u>15,556,611</u>
Gross Debt	41,570,462
Statutory Deductions:	
Water/Sewer installment purchases	16,168,261
Water/Sewer loans	<u>15,556,611</u>
Total statutory deductions	<u>\$ 31,724,872</u>
Total amount of debt applicable to debt limit (net debt)	<u>9,845,590</u>
Legal debt margin	<u><u>\$ 145,107,680</u></u>

Table 6

Ratio of Net Bonded Debt to Assessed Value	(2) Population	Net General Bonded Debt Per Capita
0.00	75,069	0
0.00	75,527	0
0.00	73,800	0
0.00	74,141	0
0.00	73,988	0
0.00	66,715 (3)	0
0.00	66,176	0
0.00	68,357	0
0.00	72,873	0
0.00	73,531	0

City of Jacksonville, North Carolina
Ratio of Annual Debt Service Expenditures for Bonded Debt
to Total Governmental Expenditures
 Last Ten Fiscal Years
 (Unaudited)

Table 8

Fiscal Year Ended June 30	(2) Total Debt Service	(1) Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures		
	Principal	Interest on Bonds			
1996	\$ 100,000	\$ 35,858	\$ 135,858	\$ 20,028,753	0.68
1997	100,000	30,100	130,100	23,420,684	0.56
1998	100,000	24,600	124,600	21,261,138	0.59
1999	100,000	18,600	118,600	23,609,683	0.50
2000	100,000	12,400	112,400	26,703,919	0.42
2001	100,000	6,200	106,200	29,599,135	0.36
2002	0	0	0	28,437,827	0.00
2003	0	0	0	30,810,260	0.00
2004	0	0	0	33,631,626	0.00
2005	0	0	0	36,010,345	0.00

Note:

(1) Includes General, Non-Major Governmental, Capital Projects Fund, and Capital Reserve.

(2) Total debt service payments made from enterprise fund revenues.

City of Jacksonville, North Carolina
Computation of Direct and Overlapping Debt
General Obligation Bonds
June 30, 2005
(Unaudited)

Table 9

	Gross General Obligation Bonded Debt Outstanding	(1) Exclusions	Net General Obligation Bonded Debt Outstanding	(2) Percentage Applicable to City	Amount Applicable to City
Direct:					
City of Jacksonville	\$ 0	\$ 0	\$ 0	100 %	\$ 0
Overlapping:					
Onslow County	<u>26,755,000</u>	<u>0</u>	<u>26,755,000</u>	31.4 %	<u>8,401,070</u>
Totals	<u>\$ 26,755,000</u>	<u>\$ 0</u>	<u>\$ 26,755,000</u>		<u>\$ 8,401,070</u>

Note:

- (1) Exclusions represent general obligation bonds of the City and County issued for water and sewer utility purposes which are payable from enterprise fund revenues.
- (2) The percentage of overlapping debt is based on the June 30, 2004 assessed valuation of the County of Onslow (\$6,161,946,368) as compared to the June 30, 2004 assessed valuation of the City of Jacksonville (\$1,936,915,871).

City of Jacksonville, North Carolina
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Table 10

Fiscal Year Ended June 30	(1) Population	(2) Per Capita Income	(1) Median Age (Yrs)	(3) School Enrollment	(4) Unemployment Rate Percentage
1996	75,069	15,424	25.11	20,381	3.6 %
1997	75,527	16,900 (8)	25.25 (6)	24,596	3.1
1998	73,800 (5)	21,000	25.42 (6)	24,492	3.6
1999	74,141	22,056	25.25 (6)	25,313	3.3
2000	73,988	22,952	25.19 (6)	25,453	3.8
2001	66,715 (7)	23,945	22.40 (7)	24,867	4.2
2002	66,176	25,317	24.70	25,656	5.5
2003	68,357	26,487	23.96	26,236	6.1
2004	72,873	* (9)	23.75	26,529	4.8
2005	73,531	* (9)	* (9)	27,213	6.0

Note:

- (1) Office of State Planning - State Demographer
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Onslow County Board of Education
- (4) Employment Security Commission of North Carolina
- (5) Revised by the NC Office of State Planning for a decrease in Camp Lejeune barracks
- (6) State Library of North Carolina - Woods and Poole Annual County Profile
- (7) US Census 2000
- (8) US Census Bureau
- (9) Data for fiscal years 2004 and/or 2005 not presently available

City of Jacksonville, North Carolina
Analysis of General Fund Balance
 Last Ten Fiscal Years
 (Unaudited)

Table 11

Fiscal Year Ended June 30	Reserved	Unreserved Designated	Unreserved Undesignated	Total
1996	\$ 3,363,195	\$ 1,025,781	\$ 2,384,597	\$ 6,773,573
1997	3,570,822	1,608,442	3,027,420	8,206,684
1998	3,607,140	823,287	4,647,535	9,077,962
1999	4,136,887	1,396,359	5,635,496	11,168,742
2000	4,068,823	2,247,209	4,730,302	11,046,334
2001	3,995,770	2,360,553	5,801,204	12,157,527
2002	4,817,471	4,150,817	2,039,760	11,008,048
2003	5,722,643	2,715,802	3,625,437	12,063,882
2004	7,250,330	1,260,666	4,745,686	13,256,682
2005	5,987,978	2,704,053	5,383,661	14,075,692

City of Jacksonville, North Carolina
Analysis of General Fund Balance
As a Percentage of Expenditures
 Last Ten Fiscal Years
 (Unaudited)

Table 12

Fiscal Year Ended June 30	General Fund Expenditures	Percent Reserved	Percent Unreserved Designated	Percent Unreserved Undesignated	Percent of Total Fund Balance to Total Expenditures
1996	\$ 16,006,272	21.0 %	6.4 %	14.9 %	42.3 %
1997	19,311,571	18.5	8.3	15.7	42.5
1998	19,440,218	18.6	4.2	23.9	46.7
1999	19,908,030	20.8	7.0	28.3	56.1
2000	22,106,659	18.4	10.2	21.4	50.0
2001	23,211,635	17.2	10.2	25.0	52.4
2002	24,086,150	20.0	17.2	8.5	45.7
2003	25,412,190	22.5	10.7	14.3	47.5
2004	27,290,591	26.6	4.6	17.4	48.6
2005	28,792,449	20.8	9.4	18.7	48.9

City of Jacksonville, North Carolina
Calculation of Debt Service Coverage
Water and Sewer Bonds
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service
1996	\$ 6,138,090 (3)	\$ 2,975,545	\$ 3,162,545
1997	5,903,656	3,738,808	2,164,848
1998	5,508,218	3,844,712	1,663,506
1999	8,849,380	4,235,756	4,613,624
2000	9,624,832	4,378,597	5,246,235
2001	10,221,561	3,955,304	6,266,257
2002	9,259,654	4,226,789	5,032,865
2003	9,319,317	4,680,679	4,638,638
2004	12,166,200	5,051,845	7,114,355
2005	12,647,065	5,527,969	7,119,096

Note:

- (1) Total revenues including interest, other nonoperating revenues, and capital contributions.
- (2) Total operating expenses exclusive of depreciation.
- (3) Net revenue available for debt service divided by total debt service requirements.

City of Jacksonville, North Carolina
Property Value, Construction and Bank Deposits
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	(1) Construction			
	Nonresidential		Residential	
	Number of Units	Value	Number of Units	Value
1996	59	\$ 33,299,013	198	\$ 16,807,238
1997	45	13,373,540	270	16,929,318
1998	174	27,273,084	492	24,946,169
1999	32	31,153,008	356	18,077,939
2000	73	21,959,288	524	27,642,169
2001	15	13,189,489	508	26,379,026
2002	24	10,280,644	363	33,499,588
2003	29	31,096,600	275	29,479,842
2004	50	14,152,563	369	43,977,429
2005	25	15,644,374	404	62,886,546

Note:

- (1) Inspections Division, City of Jacksonville
 - (2) Derived from the FDIC.
 - (3) Provided by the Onslow County Tax Administrator/Collector.
- * Data for current fiscal year not presently available.

Table 13

Bonded Debt Service Requirements (3)			
Principal	Interest	Total	Coverage
\$ 100,000	\$ 35,858	\$ 135,858	23.28
100,000	30,100	130,100	16.64
100,000	24,600	124,600	13.35
100,000	18,600	118,600	38.90
100,000	12,400	112,400	46.67
100,000	6,200	106,200	59.00
0	0	0	0.00
0	0	0	0.00
0	0	0	0.00
0	0	0	0.00

Table 14

(2) Bank Deposits	(3) Property Value
\$ 462,873,000	\$ 1,090,162,899
499,301,000	1,145,480,504
523,629,000	1,230,983,592
530,674,000	1,269,513,869
562,861,000	1,321,653,059
585,289,000	1,688,126,557
611,000,000	1,763,526,288
619,000,000	1,790,011,277
698,000,000	1,861,753,101
*	1,936,915,871

City of Jacksonville, North Carolina
Schedule of Ten Largest Taxpayers
June 30, 2005
(Unaudited)

Table 15

Company	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Crown America Acquisition LP	Commercial Real Estate	\$ 35,323,383	1.82 %
Carolina Telephone & Telegraph	Public Utility	20,449,301	1.06
Jones-Onslow EMC	Public Utility	19,716,500	1.02
Jacksonville Commons LLC	Developer	14,265,909	0.74
Marine Federal Credit Union	Credit Union	13,109,376	0.68
Wal-Mart Real Estate Business Trust	Real Estate	12,688,307	0.66
Progress Energy	Public Utility	12,635,079	0.65
United Dominion Realty Trust	Property Mgt./Real Estate	12,108,482	0.63
Cross Pointe Developers	Developer	11,665,299	0.60
Lima Holding LLC	Commercial Real Estate	9,295,124	0.48
		<u>\$ 161,256,760</u>	<u>8.33 %</u>

Source: Onslow County Tax Administrator/Collector

**City of Jacksonville, North Carolina
Schedule of Insurance in Force
June 30, 2005
(Unaudited)**

Table 16

Type of Coverage	Details of Coverage	Agency	Expiration Date	Annual Premium
Health Insurance		City of Jacksonville and J. Smith Lanier Administrators**	06/30/06	\$232.08 per month per employee
Life Insurance	1 ½ x salary for all employees' coverage (Max. \$50,000)	Prudential	06/30/06	\$.22 per \$1,000
Public Officials Liability	\$3,000,000 annual aggregate \$10,000 deductible-Public Officials	IRFFNC	07/01/06	*
Law Enforcement Liability	\$3,000,000 aggregate \$2,000,000 each occurrence/person \$10,000 deductible-Law Enforcement	IRFFNC	07/01/06	*
General Liability with Broad Form Endorsement	\$2,000,000 each occurrence \$5,000 deductible	IRFFNC	07/01/06	*
Auto Liability	\$2,000,000 each occurrence \$2,500 deductible	IRFFNC	07/01/06	*
Auto-Comp & Collision	Actual cash value or cost of repair minus the deductible as scheduled: \$1,000 for large vehicles, \$500 for autos/pickups	IRFFNC	07/01/06	*
Impounded Auto Collision	\$100,000 coverage \$1,000 deductible deductible for large vehicles,\$500 deductible for autos/pickups	IRFFNC	07/01/06	*
Impounded Auto Comprehensive	\$100,000 coverage \$1,000 deductible for large vehicles, \$500 deductible for auto/pickups	IRFFNC	07/01/06	*
Property - Blanket Coverage	\$57,445,323 cause of loss-special \$2,500 deductible	IRFFNC	07/01/06	*
Municipal Equipment	\$1,513,430 special coverage \$5,000 deductible	IRFFNC	07/01/06	*
Boiler and Machinery	\$5,000,000 maximum \$2,500 deductible	IRFFNC	07/01/06	*
Builders Risk	\$71,000 special \$2,500 deductible	IRFFNC	07/01/06	*
Public Employee bonds/Govt. Crime Coverage	\$300,000 scheduled no deductible \$100,000 blanket \$250 deductible	IRFFNC	07/01/06	*
Computer Equipment and Media	\$2,000,000 reported value \$1,000 deductible	IRFFNC	07/01/06	*
Workers' Compensation	\$25,000 deductible per individual per incident	NCIRMA	07/01/06	*

* The Interlocal Risk Financing Fund of North Carolina (IRFFNC) and the North Carolina Interlocal Risk Management Agency (NCIRMA) are "pooled insurance plans" created by the North Carolina League of Municipalities. Membership is restricted to North Carolina Municipalities and premiums are determined annually on a fiscal year basis. The City's premium for coverage provided under IRFFNC was \$296,378 for the fiscal year ended June 30, 2006, and \$376,734 for NCIRMA.

** J. Smith Lanier Administrators provides contracted third-party claims administration.

City of Jacksonville, North Carolina
Miscellaneous Statistics
June 30, 2005
(Unaudited)

Table 17

Population	73,531
Date of incorporation	Original - December 13, 1842 Reincorporated - January 27, 1849
Form of government	Council/Manager
Area	43.71 square miles
Miles of streets	168.99
Miles of sidewalks	35.91
Number of street lights	2,263
Fire Protection	
Number of stations	4
Number of firefighters and officers	74
Police Protection	
Number of stations	1
Number of police officers	108
Water and Sewer Department	
Number of utility accounts	14,456
Average daily consumption - water	4.484 mgd
Average daily flow - sewer	5.141 mgd
Miles of distribution lines - water	208.0
Miles of distribution lines - sewer	205.0
Number of fire hydrants	1,917
Parks and Recreation	
Number of major parks	20
Number of athletic fields	25
Number of recreation centers	8
Total parks and recreation area	265 acres
Employees	
Full time	454
Part time and Seasonal	40

COMPLIANCE SECTION

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the City. The Single Audit Amendments Act of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, 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 City of Jacksonville, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise City of Jacksonville's basic financial statements, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
August 29, 2005

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

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

Compliance

We have audited the compliance of City of Jacksonville, North Carolina, 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 its major federal program for the year ended June 30, 2005. City of Jacksonville's major federal program is 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 its major federal program is the responsibility of City of Jacksonville's management. Our responsibility is to express an opinion on City of Jacksonville'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 City of Jacksonville'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 City of Jacksonville's compliance with those requirements.

In our opinion, City of Jacksonville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
August 29, 2005

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

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

Compliance

We have audited the compliance of City of Jacksonville, North Carolina, 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 its major State program for the year ended June 30, 2005. City of Jacksonville's major State program is 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 its major State program is the responsibility of City of Jacksonville's management. Our responsibility is to express an opinion on City of Jacksonville'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 City of Jacksonville'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 City of Jacksonville's compliance with those requirements.

In our opinion, City of Jacksonville complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the members of the City Council, management, State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
August 29, 2005

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) 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
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

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

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

Identification of major federal program:

CFDA #	Program Name
14.218	Community Development Entitlement

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

\$ 300,000

Auditee qualified as low-risk auditee? X Yes no

State Awards

Internal control over major State program:

- Material weakness(es) identified? Yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses? Yes X none reported

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

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act? Yes X no

Identification of major State programs:

NC Object #	Program Name
N/A	NonState System Street Aid Allocation

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

Section 2. Financial Statement Findings

None

Section 3. Federal Award Findings and Questioned Costs

None

Section 4. State Award Findings and Questioned Costs

None

CITY OF JACKSONVILLE, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2005**

Section 2. Financial Statement Findings

No corrective action plan is required in the current year.

Section 3. Federal Award Findings and Questioned Costs

No corrective action plan is required in the current year.

Section 4. State Award Findings and Questioned Costs

No corrective action plan is required in the current year.

CITY OF JACKSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2005

There are no prior audit findings (as that term is defined in OMB Circular A-133) that require reporting in this schedule.

CITY OF JACKSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS

For the Fiscal Year Ended June 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through or Grantor's Number	Expenditures		
			Federal Direct and Pass-Through	State	Local
FEDERAL AWARDS					
US Department of Housing & Urban Development					
Direct Program:					
Community Development Entitlement	14.218	B-99MC370014	\$ 417,681	-	-
Pass through: NC Housing Finance Agency					
Affordable Home Ownership	14.239	HM0001	802	-	-
Total US Department & Housing & Urban Development			<u>418,483</u>	-	-
US Department of Justice					
Direct Programs:					
Local Law Enforcement Block Grant	16.592	2001-LBBX3758	17,723	-	251
Bulletproof Vest Partnership Grant	16.607		14,562	-	14,562
Pass through: NC Department of Justice					
2005 Governor's Crime Commission	16.579		75,000	-	112,871
Pass through: Onslow County Board of Education					
School Resource Officer	16.594		173,549	-	127,692
Total US Department of Justice			<u>280,834</u>	-	<u>255,376</u>
US Department of Transportation					
Pass through: NC Department of Transportation					
104-F Transportation Grant	20.205		213,102	-	-
Transportation Enhancement Grant	20.205		2,277	-	-
Total US Department of Transportation			<u>215,379</u>	-	-
Environmental Protection Agency					
Pass through: NC Department of Environment and Natural Resources					
Division of Purchases and Services					
Vulnerability Assessment to Drinking Water Grant	66.474		9,300	-	-
Department of Homeland Security					
Direct Program					
Assistance to Firefighters Grant	97.044		13,733	-	1,526
Pass through: NC Department of Crime Control and Public Safety					
Hazard Mitigation Grant	97.039		49,748	15,945	-
Public Assistance Grants	97.036		12,934	4,312	-
Total US Department of Homeland Security			<u>76,415</u>	<u>20,257</u>	<u>1,526</u>

CITY OF JACKSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS (Continued)

For the Fiscal Year Ended June 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through or Grantor's Number	Expenditures		
			Federal Direct and Pass-Through	State	Local
FEDERAL AWARDS (Continued)					
US Department of Commerce Direct Program National Oceanic and Atmospheric Administration Office of Finance and Administration Chaney Creek Watershed Habitat Grant	11.463		\$ 25,191	\$ -	\$ -
STATE GRANTS (all direct):					
NC Department of Human Resources Division of Youth Services Juvenile Transportation Grant		N/A	-	2,375	2,375
NC Department of Transportation Nonstate System Street Aid Allocation		N/A	-	1,897,140	-
State Maintenance Assistance Program		N/A	-	45,000	56,017
Section 5305 Grant		N/A	-	22,500	-
Total NC Department of Transportation			-	1,964,640	56,017
NC Department of Environment and Natural Resources Clean Water Management Trust Fund		N/A	-	59,379	-
Division of Parks and Recreation Part F Grant		N/A	-	75,476	75,476
NC Coastal Management Program Beach and Water Access Grant		N/A	-	114,824	11,214
Division of Water Quality Environmental Education Fund		N/A	-	2,914	52,976
Division of Purchases and Services Wetlands Restoration Project		N/A	-	5,163	-
Total NC Department of Environment and Natural Resources			-	257,756	139,666
Total expenditures			\$ 1,025,602	\$ 2,245,028	\$ 454,960

CITY OF JACKSONVILLE, NORTH CAROLINA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS
For the Fiscal Year Ended June 30, 2005**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of City of Jacksonville, North Carolina and is presented 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.

Note 2. Outstanding Loans

The City of Jacksonville has outstanding loan balances from federal and State funding sources that are not required to be presented within the Schedule of Expenditures of Federal, State, and Local Awards because there are no continuing requirements beyond repayment of the loan balances in accordance with loan agreement provisions.