

TOWN OF CARY, NORTH CAROLINA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2006

EXHIBIT F

Amounts reported for governmental activities in the Statement of Activities are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$20,046,435)
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. This amount includes current year qualified capital outlay expenditures only.	22,566,512
Governmental funds report capital outlays as expenditures in the year in which they are purchased. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount does not include depreciation related to the internal service funds of \$63,001 (see separate item below).	(16,211,726)
Donated general infrastructure, which does not have an effect on Governmental Funds, is a revenue on the Statement of Activities.	17,644,163
Certain proceeds from the sale of assets that affect Governmental Funds do not constitute a gain on the Statement of Activities.	(590,402)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	18,451,519
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds which does not have an effect on the statement of activities.	6,482,752
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds and is not reported as a liability in the governmental funds.	(1,108,384)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	181,144
Some expenses, like compensatory balance accruals, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Amount includes compensatory balance accruals and health insurance expense for claims incurred but not reported.	662,751
The net expense of certain activities in the internal service funds are reported with governmental activities, but not in the governmental funds.	1,451,075
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$29,482,969</u>

The accompanying notes are an integral part of these basic financial statements.