

2018



City of
Fayetteville
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
JUNE 30, 2018**

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

**Prepared by the City of Fayetteville
Finance Department**

Brenda J. Powell, CLGFO
Financial Reporting Manager

Jody Picarella
Accounting Manager

Ray Oxendine, CPA
Treasurer

Kim Toon, CLGPO
Purchasing Manager

Ashley Gilmore, LaShanda McLean, Brittany McLaurin & Traci Carraway
Financial Analysts

Jahlesha Gilbert - Accountant

Pamela Stokes - Payroll & Liabilities Manager

Linda Daquil - Collections Division Supervisor

Christine Pressley - Accounts Payable Supervisor

Ashley Bradshaw-Mitchell & Sh'Tavion Inoa - Buyers

Stephanie Pope - Risk Coordinator

Jodi Bates & Samaria Alston - Payroll Technicians

Shirley Hyman, Patricia Best & Andrea Applewhite - Accounting Technicians

Debbie Beutelspacher - Office Assistant II

Jennifer Tackema - Administrative Assistant

Jay C. Toland, CMA - Acting Chief Financial Officer

With Special Thanks

Telly C. Whitfield, Ph.D., Assistant City Manager
Tracey Broyles, Director of Budget and Evaluation
Elizabeth Somerindyke, Director of Internal Audit

City of Fayetteville, North Carolina

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North Carolina

Introductory Section

- Letter of Transmittal
- GFOA Certificate of Achievement
- List of Principal Officials
- Organization Chart

City of Fayetteville, North Carolina

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December 4, 2018

The Honorable Mayor,
Members of the City Council and Residents
City of Fayetteville
Fayetteville, North Carolina

Dear Mayor, Members of the City Council, and Residents:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2018. State law requires that every local government publish a complete set of audited financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. This report complies with these requirements.

The CAFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect City assets and to compile information for the preparation of the City's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

RSM US LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

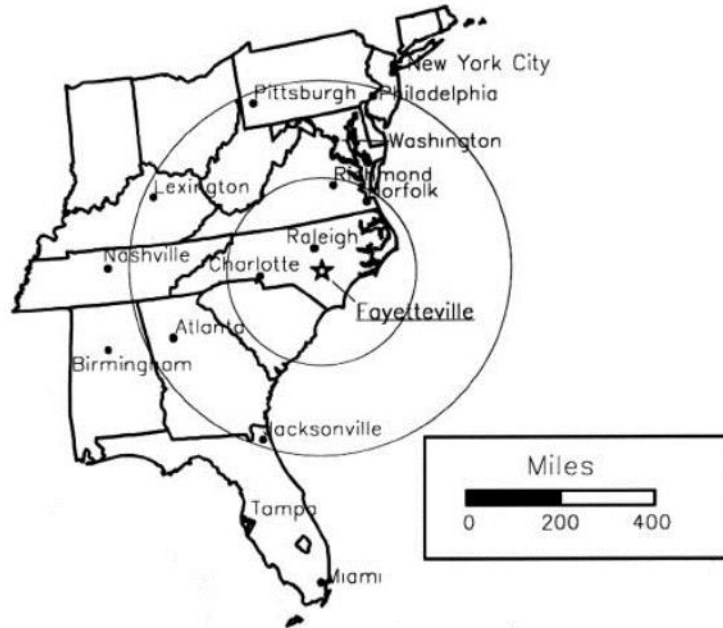
Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

433 Hay Street
Fayetteville, NC 28301-5537
(910) 433-1990 | (910) 433-1948 Fax
www.cityoffayetteville.org

The City of Fayetteville, North Carolina does not discriminate on the basis of race, sex, color, age, national origin, religion, or disability in its employment opportunities, programs, services, or activities.

PROFILE OF THE CITY

The City of Fayetteville (the City) is a thriving community located in the Sandhills region of southeastern North Carolina and is the seat of Cumberland County. The City is surrounded by North Carolina's picturesque sand hills, and is approximately 65 miles south of the City of Raleigh, the State capital. The City is located adjacent to Interstate Highway 95, a major north-south corridor linking the City with New York to the north and Miami to the south. State highways also link the City to the beaches along the southeast coast of the State and to the mountains in the west.



Fayetteville has been recognized three times as an “All-America City” by the National Civic League and is known as a community of “History, Heroes and a Hometown Feeling”. In 2012, the City celebrated the 250th anniversary of its founding. In 1762, the town of Campbellton, located on the Cape Fear River, was chartered by the colonial assembly. In 1778, Campbellton united with the neighboring town of Cross Creek to become Upper and Lower Campbellton. In 1783, the North Carolina General Assembly approved the town's official renaming to Fayetteville in honor of Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

The City encompasses portions of Fort Bragg Army Base, one of the largest military complexes in the world, which significantly adds to the culture of the community and the local economy. Fort Bragg has traditionally been known as the home of the Army's XVIII Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command and 3rd Special Forces Group. In 2011, Fort Bragg also became the headquarters for the Army's combat-ready conventional forces and army reserve following the move of U.S. Army Forces Command (FORSCOM) and U.S. Army Reserve Command (USARC) to the base. The base also encompasses Pope Army Air Field, which provides fixed wing aviation assets, and Simmons Army Airfield, which provides rotary wing aviation assets required to support Fort Bragg's missions.

By population, Fayetteville is the sixth largest municipality in North Carolina with a State certified population estimate of 207,583. Encompassing approximately 150 square miles, the City is the second largest by land mass. The City's population increased by 65.7%, or 79,549, residents between the U.S. Census counts conducted in 2000 and 2010. Much of the population growth resulted from the City's statutory authority to extend its corporate limits through annexation. In September 2005, the City completed an annexation, referred to as "Phase V", of approximately 42,000 residents and 27 square miles. Effective September 1, 2008, the North Carolina General Assembly approved legislation to annex portions of Fort Bragg into the City. This annexation added approximately 26,000 residents and 54 square miles to the City.

The City has a council-manager form of government. Nine members of the City Council are elected from districts and the Mayor is elected at large. Each of the Council Members and the Mayor serve two-year concurrent terms. The City Council has policy making and legislative authority. The Council is responsible for the approval of the budget and appointment of the City Manager, City Attorney, Public Works Commission (PWC) and members of other City boards, committees and commissions. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations and appointing department directors.

The City provides its citizens with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, stormwater drainage systems and other infrastructure, recreation and cultural activities, fixed-route and demand-response transit service, airport service, and electric, water and wastewater utilities.

The Council is required to adopt a budget by July 1st of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Fayetteville's financial planning and control. The annual budget is authorized at the portfolio level in the General Fund, and at the fund level for the Storm Water Management Fund and all other funds.

LOCAL ECONOMY

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

The economy of Fayetteville is greatly stabilized by the presence of Fort Bragg Army Base. Approximately 53,700 uniformed soldiers and airmen are stationed at Fort Bragg, with support from an estimated 14,000 civilian employees and contractors. The post supports a population of roughly 260,000, including military families, contractors, retirees and others. Fort Bragg covers approximately 254 sq. miles, which is nearly 163,000 acres. 146,000 of those acres are dedicated training lands.

In addition to Fort Bragg and the City, substantial employment is also offered in the government sector through Cumberland County Schools, Fayetteville State University, Fayetteville Technical Community College, County of Cumberland and the Veterans Administration. Other major employers in the area include Cape Fear Valley Health Systems, Goodyear Tire & Rubber Inc., with one of the largest tire producing factories in

the world, Wal-Mart Associates Inc., through its distribution center and retail outlets, and Food Lion.

During the past five years, Fayetteville’s annual unemployment rates at fiscal year ended June 30 have steadily improved from a high of 6.5% in 2014 to a low of 5.9% in 2018, according to the Labor and Economic Analysis Division of the North Carolina Department of Commerce. In June 2018, the unemployment rates for Fayetteville, North Carolina and the United States were 5.9%, 3.8% and 3.7%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the following table.

Unemployment Rates*			
Fiscal Year	Fayetteville	North Carolina	United States
2018	5.9	3.8	3.7
2017	6.2	4.6	4.4
2016	6.8	5.1	4.9
2015	6.5	5.7	5.3
2014	6.5	6.3	6.2

* Source of unemployment data is the North Carolina Department of Commerce, Employment Security Commission.

Per capita personal income in Cumberland County increased 1.5% between 2015 and 2016 to \$37,835, as compared to nation-wide (\$49,246, up 1.6%) and state-wide (\$42,244, up 2.1%) statistics for the same period. Growth in compensation for military workers has helped to fuel local per capita income growth over the past decade. Total employment in the Cumberland County region in August 2018 was 119,172.

Over the last year the Fayetteville Cumberland County area saw a significant increase in project announcements. Companies including Booz Allen Hamilton, eClerx, and HBC are expanding operations. Campbell Soup Company is building a 650,000 square foot distribution facility. Nearly every vacant industrial building is seeing interest from perspective tenants or buyers.

During fiscal year 2018, the City issued building permits for 275 new single-family residential units valued at \$61.1 million and 56 new commercial building permits valued at \$141.9 million. For fiscal year 2017, the City issued 249 new residential units valued at \$47.7 million and 52 new commercial building permits valued at \$79.0 million. The primary difference between the two year’s permit construction values is construction of the Downtown Baseball Stadium and Parking Garage and the Campbell Soup Company’s logistics and distribution center in fiscal year 2018.

The City is a major regional trade center in eastern North Carolina, with a significant number and variety of shopping plazas, centers and independent retailers. Evidence of the strong retail sector is reflected by one of the largest shopping areas in Carolinas, a two square mile area located within the city. Cross Creek Mall, the anchor of the shopping district, has more than one million square feet of floor space and four major department stores.

Freedom Town Center a new 450,000-square-foot shopping center began construction during fiscal year 2017. Anchor tenants include Dick’s Sporting Goods, Field and Stream, Hobby Lobby and Home Goods. The 49-acre center, costing \$85 million is at the corner of Cliffdale and Skibo roads, and in a corridor of the city that’s undergoing a lot of commercial development. Development continues at the center and new stores will be opening in 2019.

Taxable sales in Cumberland County for fiscal year 2018 totaled approximately \$4.0 million, which represented a .22% increase over fiscal year 2017. Historical sales for Cumberland County are provided in the following table.

Taxable Sales		
Fiscal Year	Cumberland County	% Change
2018	\$4,049,332,515	.22%
2017	4,040,268,838	5.0
2016	3,848,839,911	4.2
2015	3,693,046,187	5.2
2014	3,509,005,624	(1.4)

Fayetteville's economy remains stable. In 2018, the Policom Corporation ranked the Fayetteville Metropolitan Statistical Area as having the 220th strongest economy of the 383 MSAs nationwide.

The original fiscal year 2018 budget anticipated \$1.7 million reduction in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2017 budget. The decrease principally reflected the impact of maintaining the tax rate of 49.95 compared to increasing the rate following the 2017 property revaluation. During the fiscal year, the City Council approved budget increases of \$13.1 million or 7.9%, bringing the general fund budget for the year to \$180.2 million. Fayetteville’s strong strategic planning process and conservative fiscal management continue to allow the City to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

The City's long-term vision is evident in Fayetteville's strong commitment to neighborhoods, enhancing the local economy, maintaining a vibrant downtown and major corridors, increasing leisure opportunities for its citizens, its diverse culture, rich heritage, and partnership with engaged citizens that have confidence in their local government.

The City Council has committed to key goals and an action agenda consistent with Fayetteville's vision. These goals and targets for action are discussed in the City's strategic plan on the City's website at www.cityoffayetteville.org.

In June 2011, City Council adopted a fund balance policy that establishes a minimum General Fund unassigned fund balance of at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for Cumberland County's recreation programs. The purpose of this policy is to maintain sufficient resources in the General Fund to cover unexpected expenditures and revenue shortfalls. In addition, the City's practice has been to appropriate unassigned fund balance for one-time expenditures or significant capital needs. This goal was achieved in fiscal year 2018 and will be used to develop the fiscal year 2020 operating budget. Fiscal year 2018 unassigned fund balance in the General Fund was \$19.6 million, or 11.6%, of the original fiscal year 2019 General Fund budget of \$169.0 million.

Annually, the City adopts a five-year Capital Improvement Plan for functions such as public safety, parks, transportation, stormwater system, airport and transit. The City also prepares a five-year financial forecast for its General Fund. The purpose of the forecast is to enhance the City's financial planning process. The forecast incorporates the Council-adopted strategic plan, five-year capital improvement plan, capital funding plan, and adopted budget.

In fiscal year 2018 the City dedicated an amount equivalent to 5.43 cents of the 49.95 cent ad valorem tax rate for the capital funding plan. In addition, 1.42 cents were dedicated to fund parks and recreation projects and debt service on \$35 million of general obligation bonds authorized by voters on the March 2016 referendum. Also, certain revenues are specifically earmarked for the repayment of principal and interest on installment financing agreements for facilities and equipment, general obligation debt and future cash funding of major capital improvements.

The City also followed other practices designed to avoid using one-time revenues for recurring expenditures, to ensure an ongoing mix of pay-as-you-go and long-term debt funding of capital needs, and to periodically monitor revenues and expenditures to budget.

During fiscal year 2018 the City accomplished or continued work on significant capital projects, financial and economic development goals including the following:

- \$7.1 million in the resurfacing of streets, construction of sidewalks, and other traffic system improvements.
- A new City fire station was constructed during the year costing \$3.8 million.

- \$4.3 million for part 1 of the City of Fayetteville airport terminal improvement plan funded by federal and state grants.
- \$6.2 million in various stormwater drainage system improvement projects throughout the City.
- During fiscal year 2017 the City signed a Memorandum of Understanding with the Houston Astros for the City to build a baseball stadium and the Astros to provide a Minor League team to play in the stadium for a minimum of 30 years. The City broke ground on the \$52.5 million downtown Minor League Baseball Stadium and parking deck in 2017. At the same time the City partnered for over \$65 million in additional private investment to the Fayetteville downtown area. Bonds were issued during 2018 for construction of the minor league baseball stadium and parking deck. Construction is well underway and is expected to be completed in April 2019.
- The Parks and Recreation Committee continues to plan projects to be financed with general obligation bonds that voters passed in 2016. Construction began on the first of these projects, three splash pads, in summer 2017. Plans for projects in 2019 and beyond include new facilities including additional ball fields, additional splash pads, a skate park, tennis courts, competition facilities, senior centers, and improvements to existing facilities.
- The North Carolina General Assembly enacted the Small Business Enterprise Program, which modified the City's charter. It allows the City to establish a race- and gender-neutral small business enterprise program to promote the development of small businesses in the Fayetteville Metropolitan Statistical Area, and to enhance opportunities for small businesses to participate in City contracts. City staff is developing and implementing this program.
- The City has nationally accredited Police and Fire Departments. Our Emergency Dispatch program is certified by the International Academies of Emergency Dispatch.
- The City made significant strides in community and economic development, having managed more than \$2.3 million in federal grants, including \$1.3 million in community development block grants and \$1.0 million in home investment partnerships programs. The City was also the recipient of over \$20 million in Disaster Recovery and Hazard Mitigation grants during the year. The Disaster Recovery grant will provide much needed assistance to low and moderate income homeowners and businesses who experienced major to severe damage to their homes and businesses as a result of Hurricane Matthew. The Hazard Mitigation Grant Program allocates funds from the Federal Emergency Management Agency through the State of North Carolina Department of Public Safety, Division of Emergency Management to assist with damages caused by Hurricane Matthew.

AWARDS AND ACKNOWLEDGEMENTS

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 Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

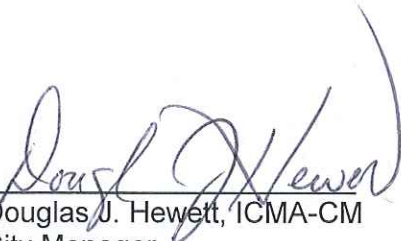
The Government Finance Officers Association of the United States and Canada (GFOA) also presented an award of Distinguished Budget Presentation to the City of Fayetteville for its annual budget for fiscal year 2017 which began July 1, 2017. The fiscal year 2018 budget has been submitted to GFOA to determine its eligibility for another certificate. In order to receive this award, a governmental unit must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device.

Governing, the nation's leading media platform covering politics, policy and management for state and local government leaders, has recognized the City of Fayetteville as the most innovative city in the country. The City was among the top six cities in all but one of the report's seven criteria. The City's use of data and analytics to guide City management and long-term planning along with the City's TRACStat system were key factors in the selection.

The City also received the 2018 Certificate of Excellence in Performance Management awarded by the International City/County Management Association (ICMA). ICMA recognizes communities for their commitment to the principles of performance management and effective communication of their performance data with residents and peer communities.

Credit for this report is given to the Mayor and members of the City Council for their unflinching support of the highest standards of professionalism in the management of Fayetteville's finances. The report is the work of dedicated Finance Department staff. We wish to express our appreciation to members of the department, as well as the entire City staff for their cooperation and assistance.

Respectfully submitted,



Douglas J. Hewett, ICMA-CM
City Manager



Jay Toland
Acting Chief Financial Officer

City of Fayetteville, North Carolina

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fayetteville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Fayetteville, North Carolina

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FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

City Council Members*

*As of June 30, 2018



Mitch Colvin
Mayor
mayor@ci.fay.nc.us



Ted Mohn
Mayor Pro Tem
District 8
tmohn@ci.fay.nc.us



Kathy Jensen
District 1
kjensen@ci.fay.nc.us



Dan Culliton
District 2
dculliton@ci.fay.nc.us



Tisha Waddell
District 3
twaddell@ci.fay.nc.us



D.J. Haire
District 4
dhaire2@nc.rr.com



Johnny Dawkins
District 5
jdawkins@ci.fay.nc.us



William J.L. Crisp
District 6
wjlcrist@aol.com



Larry Wright
District 7
Larry.Wright@ci.fay.nc.us



James William Arp, Jr.
District 9
jarp@ci.fay.nc.us

City Administrative, Legal, and Financial Staff*

*As of June 30, 2018

Doug Hewett
City Manager

Karen McDonald
City Attorney

Kristoff T. Bauer
Deputy City Manager

Jay Reinstein
Assistant City Manager

Telly Whitfield
Assistant City Manager

Jay Toland
Acting Chief Financial Officer

Pamela Megill
City Clerk

City of Fayetteville, North Carolina

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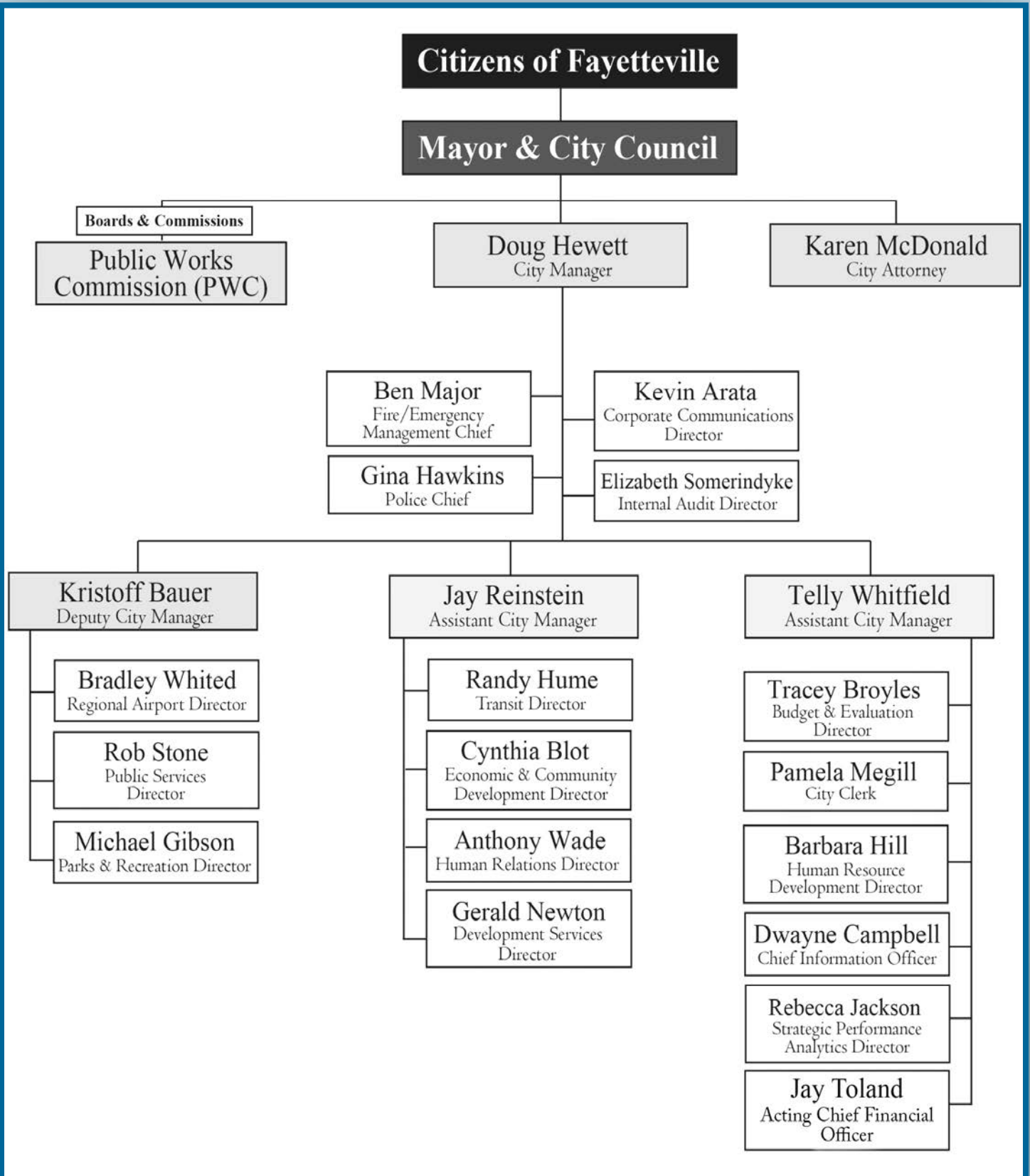


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City of
Fayetteville
North Carolina

Financial Section

- **Report of Independent Auditor**
- **Management's Discussion and Analysis (Unaudited)**
- **Basic Financial Statements**
- **Notes to the Financial Statements**

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Report of Independent Auditor

City of Fayetteville, North Carolina

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Independent Auditor's Report



RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fayetteville, North Carolina (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fayetteville City, North Carolina as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in the year ended June 30, 2018, the City adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page C-1, the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability, the Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll, the Other Postemployment Benefits Retiree Health Plan Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the City's Proportionate Share of Net Pension Liability (Asset) and City of Fayetteville's Contributions on pages G-1 through G-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fayetteville's basic financial statements. The combining and individual fund financial statements and schedules, budgetary schedules, and other supplementary data listed in the table of contents as "Other Supplemental Information," the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act and the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Fayetteville as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated January 20, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The accompanying supplementary information, such as the major governmental and enterprise funds comparative fund statements for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The major governmental and enterprise comparative fund statements have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the major governmental and enterprise comparative fund statements is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

The "Other Supplemental Information" and the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of Fayetteville City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayetteville City's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
December 4, 2018

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Management's Discussion & Analysis

City of Fayetteville, North Carolina

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As management of the City of Fayetteville ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report, and the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$513.6 million (*net position*). Of this amount, unrestricted net position of \$22.6 million is used to meet the government's ongoing obligations to citizens and creditors. The government's total net position decreased by \$9.2 million.
- Net position in the Governmental activities decreased \$10.3 million to \$380.9 million in fiscal year 2018, down from \$391.2 million in fiscal year 2017. By far the largest portion of net assets, \$335.0 million, or 87.9%, reflects the net investment in capital assets less any related debt still outstanding.
- Net position in the Business type activities increased \$1 million to \$132.7 million in fiscal year 2018, up from \$131.6 million in fiscal year 2017. The largest portion of net position, \$109.1 million or 82.2%, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Storm Water Management, Transit, Airport and Environmental Services activities.
- As of the close of fiscal year 2018, the City's governmental funds reported an ending fund balance of \$137.3 million, an increase of \$46.6 million in comparison to the prior year. Approximately 68.3% of total fund balance, or \$93.8 million, is non-spendable or restricted.
- At the end of fiscal year 2018, unassigned fund balance for the General Fund was \$19.6 million or 11.6% of the original fiscal year 2019 General Fund budget (\$169.0 million).
- The City's total debt at fiscal year-end 2018 increased by \$65.5 million.
- During fiscal year 2018, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds from Moody's and Standard & Poor's, respectively.

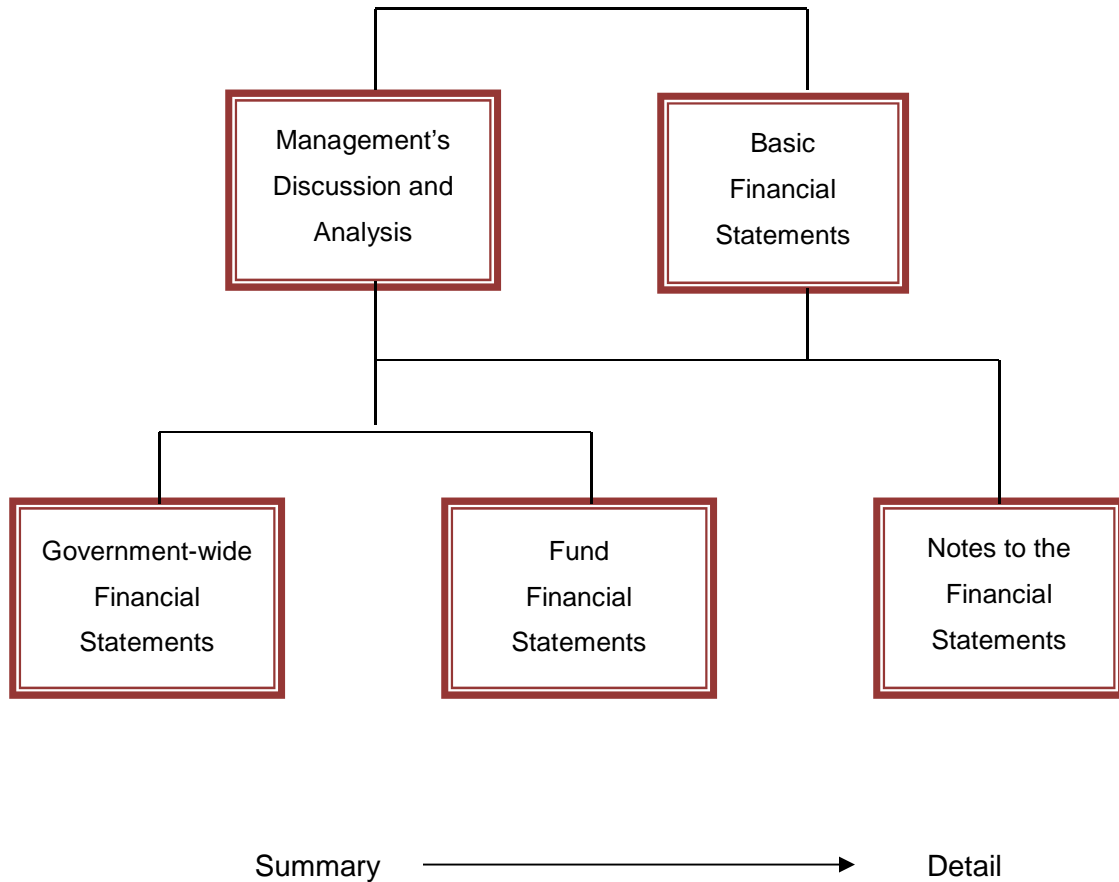
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Fayetteville's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown below. The basic financial statements present two different views of the City, through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the

City. This report includes all funds of the City of Fayetteville, as well as its component units, which are described in the following pages. Note 1 in the financial report includes further discussion of the reporting entity and description of funds.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City of Fayetteville’s financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Fayetteville’s government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

After the notes, **required supplementary information** includes reports concerning the City's progress in funding its obligations to provide Pension Benefits, the Law Enforcement Officers' Special Separation Allowance, and Other Post-Employment Benefits.

Additional **supplementary information** is provided to show details about the City's major and non-major governmental funds, proprietary funds and non-major internal service funds. The governmental and internal service funds are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements include activities for the primary government and its component unit. The primary government function is divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as general administration, public safety, transportation, economic and physical development, and recreation and community facilities. Property and other taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the storm water, airport, transit and environmental services offered by the City of Fayetteville.

The Public Works Commission (PWC) is a legally separate authority, and is presented as a discretely presented component unit. The City appoints the PWC Commissioners, issues PWC's debt, maintains ownership of the PWC capital assets and must approve certain contracts.

The government-wide financial statements are on pages D-1 and D-2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City of Fayetteville's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City of Fayetteville's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. As a result, the governmental

fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Fayetteville adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement on page E-5 of this report uses the budgetary basis of accounting, and except for debt service, is presented using the same format as the legally adopted budget. Note A on the bottom of page E-5 provides a reconciliation of differences between expenditure classifications on the budget basis (page E-5) and the modified accrual basis (E-3). The budgetary statement shows four columns: 1) the original budget as adopted by the City Council, 2) the final budget as amended by the City Council, 3) the actual revenues, expenditures and changes in fund balance, and 4) the difference, or variance, in revenues and expenditures between final budget and actual amounts.

Proprietary Funds – The City of Fayetteville has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its storm water, transit, airport and environmental services operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its insurance and risk management activities. These services benefit both governmental functions and business type activities. These services have been included within their respective predominant activities in the government-wide financial statements.

Fiduciary Funds – Trust funds are used to account for the activities of funds the City holds in trust for others. The City has two private-purpose trust funds.

Agency Funds – Agency funds are used to account for assets the City holds on behalf of others. The City maintains one agency fund that accounts for collections of Red Light Camera fines and distribution of amounts collected to the Cumberland County Schools.

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 are on pages F-1 through F-59 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 pension and other post-employment benefits to its employees. Required supplementary information can be found on pages G-1 through G-5 of this report.

Government-wide Financial Analysis

Net Position. The following is a summary of net position for the City of Fayetteville at June 30, 2018 with comparative data for June 30, 2017. The City's combined net position decreased \$9.2 million, or - 1.8%, from fiscal year 2017. Net position may serve over time as one useful indicator of a government's financial condition. The information below provides a more detailed view of the City's net position.

City of Fayetteville's Net Position (dollars in thousands)

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 129,305	\$ 187,321	\$ 40,120	\$ 39,502	\$ 169,425	\$ 226,823
Capital assets	353,262	362,242	110,604	116,662	463,866	478,904
Total assets	482,567	549,563	150,724	156,164	633,291	705,727
Deferred outflows of resources	22,313	14,918	3,004	1,836	25,317	16,754
Total assets and deferred outflows of resources	504,880	564,481	153,728	158,000	658,608	722,481
Long-term liabilities outstanding	99,186	163,406	15,332	16,655	114,518	180,061
Other liabilities	12,728	16,893	6,557	8,209	19,285	25,102
Total liabilities	111,914	180,299	21,889	24,864	133,803	205,163
Deferred inflows of resources	1,757	3,232	234	460	1,991	3,692
Total liabilities and deferred inflows of resources	113,671	183,531	22,123	25,324	135,794	208,855
Net position:						
Net investment in capital assets	329,435	335,025	101,703	109,091	431,138	444,116
Restricted	54,895	43,763	2,235	3,147	57,130	46,910
Unrestricted	6,879	2,162	27,667	20,437	34,546	22,599
Total net position	\$ 391,209	\$ 380,950	\$ 131,605	\$ 132,675	\$ 522,814	\$ 513,625

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$513.6 million as of June 30, 2018. Net position is reported in three categories: net investment in capital assets of \$444.1 million, restricted net position of \$46.9 million, and unrestricted net position of \$22.6 million.

The net investment in capital assets category is defined as the City's investment in City owned capital assets (e.g. infrastructure, land, buildings, automobiles, 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. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used.

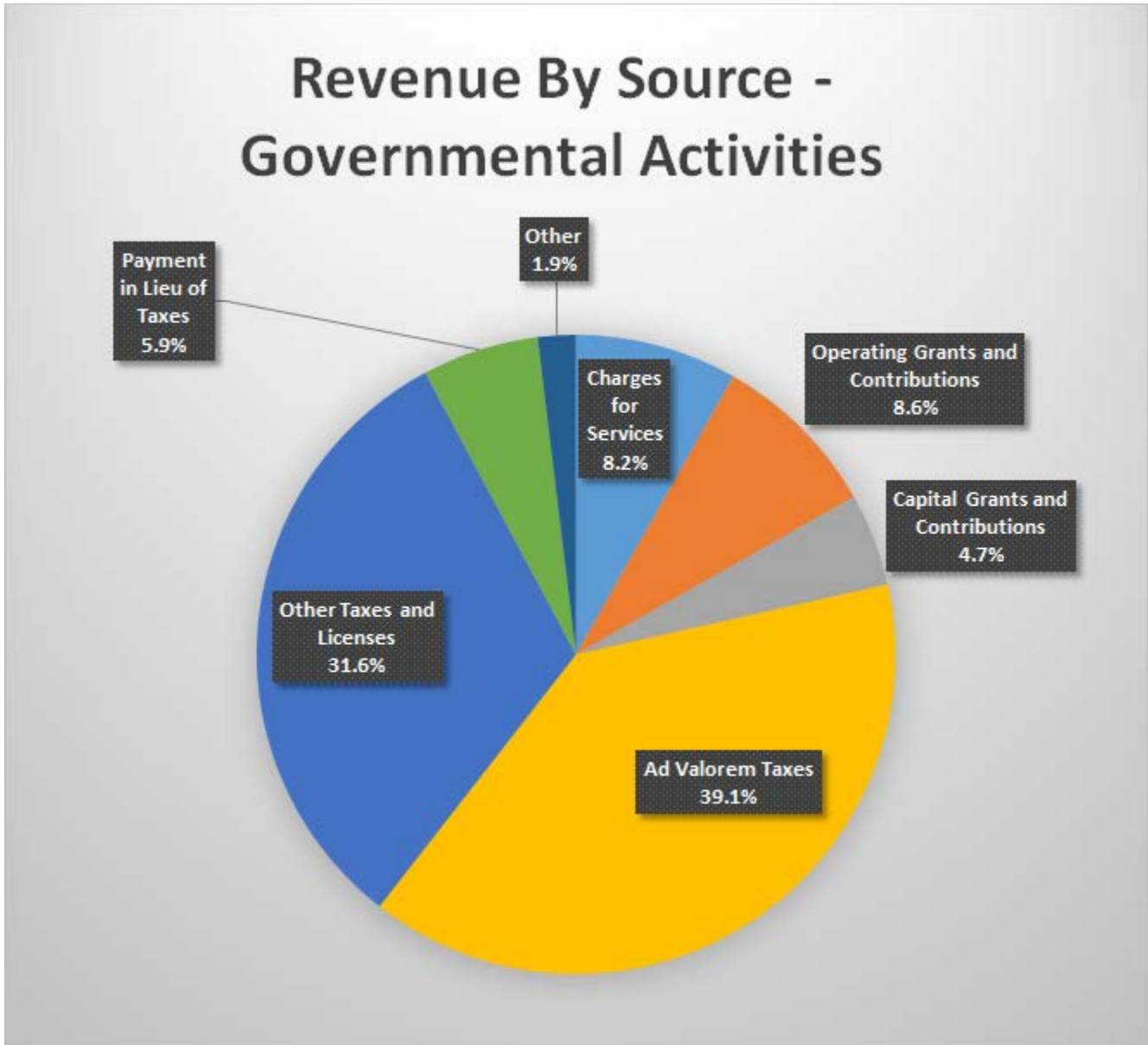
The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2018, \$22.6 million, or 4.4%, of the reported total net position of \$513.6 million, is unrestricted.

City of Fayetteville's Changes in Net Position (*dollars in thousands*)

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for services	\$ 4,479	\$ 14,542	\$ 15,902	\$ 20,566	\$ 20,381	\$ 35,108
Operating grants and contributions	17,331	15,220	8,342	6,219	25,673	21,439
Capital grants and contributions	3,001	8,300	8,942	4,166	11,943	12,466
General revenues:						
Ad valorem taxes	72,113	69,227			72,113	69,227
Other taxes and licenses	54,831	56,058	637	631	55,468	56,689
Payment in lieu of taxes	9,968	10,428			9,968	10,428
Other	5,824	3,420	576	955	6,400	4,375
Total revenues	167,547	177,195	34,399	32,537	201,946	209,732
Expenses:						
Administration	27,171	27,725			27,171	27,725
Public safety	87,298	87,956			87,298	87,956
Transportation	22,297	21,616			22,297	21,616
Economic and physical development	5,786	12,018			5,786	12,018
Recreation and community facilities	15,922	16,081			15,922	16,081
Environmental Protection	758	1,969			758	1,969
Interest on long-term debt	605	845			605	845
Stormwater management			4,662	5,098	4,662	5,098
Transit			10,449	11,297	10,449	11,297
Airport			7,538	7,723	7,538	7,723
Environmental Services			11,763	11,354	11,763	11,354
Total expenses	159,837	168,210	34,412	35,472	194,249	203,682
Increase (decrease) in net position						
before transfers	7,710	8,985	(13)	(2,935)	7,697	6,050
Transfers	(10,368)	(5,864)	10,368	5,864	-	-
Change in net position	(2,658)	3,121	10,355	2,929	7,697	6,050
Net position, beginning	407,640	391,209	121,250	131,608	528,890	522,817
Prior year adjustment	(13,773)	(13,380)	-	(1,862)	(13,773)	(15,242)
Net position, beginning as restated	393,867	377,829	121,250	129,746	515,117	507,575
Net position, ending	\$ 391,209	\$ 380,950	\$ 131,605	\$ 132,675	\$ 522,814	\$ 513,625

Governmental activities: Revenues for the City’s governmental activities were \$177.2 million, while total expenses were \$168.2 million in fiscal year 2018.

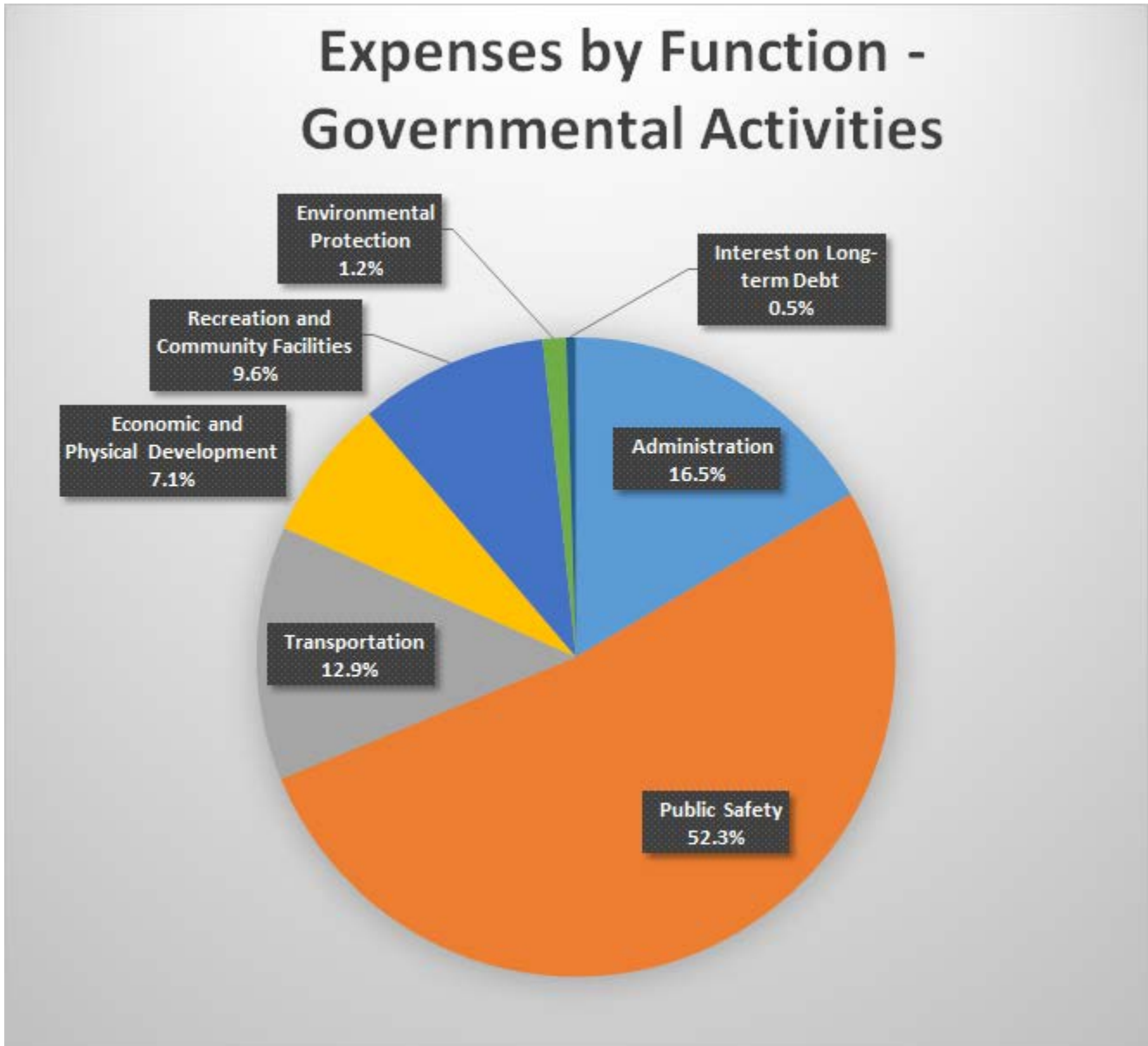


Net position for governmental activities, after transfers out, increased \$3.1 million. Key elements of this change are as follows:

- Of the total governmental revenues during fiscal year 2018, property taxes represent 39.1% which is a 4.0% decrease from fiscal year 2017. The decrease is due to a property revaluation. The City’s fiscal year 2018 tax collection rate was 99.33%. The ad valorem tax rate is 49.95 cents of which 1.35 cents is dedicated to supporting Parks and Recreation bond projects approved in a March 2016 bond referendum.

- Other taxes and licenses including sales tax, local sales tax, utilities sales tax, video franchise tax and vehicle license tax is 31.6% of total governmental revenues and is the second largest revenue item. This revenue item decreased by 1.0% and was directly related to an increase in local sales tax collections during fiscal year 2018.
- Capital grants and contributions increased to \$8.3 million during fiscal year 2018 an increase \$5.3 million from 2017. Most of the increase was related to donations of transportation infrastructure including streets, sidewalks and drainage improvements.
- Other large revenue sources supporting the governmental activities include \$10.4 million for payments in lieu of taxes from PWC.

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- The cost of all governmental activities this year was \$168.2 million as compared to \$159.8 million in fiscal year 2017. These costs were incurred in order to provide municipal services to the citizens of Fayetteville. These services include, but are not limited to: public safety (police, fire, etc.), administrative (city manager, city attorney, finance, human resources, information technology), transportation (street maintenance), and recreation and community facilities.
- The City's four largest governmental programs – public safety (52.3%), administration (16.5%), transportation (12.9%), and recreation and community facilities (9.6% percent), represent 91.3% of the total governmental activities.
- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB 75), was implemented by The City in fiscal year 2018. The scope of this Statement addresses accounting and financial reporting for Other Post-Employment Benefits

(OPEB) that are provided to the employees of state and local governmental employers. GASB 75 requires employers to perform periodic actuarial valuations to determine annual accounting costs and to keep a running tally of the extent to which these amounts are over or under funded. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. The Statement requires that projections of benefit payments incorporate the effects of projected salary changes and service credits as well as projected automatic postemployment benefit changes including automatic cost-of-living-adjustments. In addition GASB 75 requires the effects of ad hoc postemployment benefit changes be included in the projections and that projections of benefit payments include certain taxes or other assessments expected to be imposed on benefit payments. At June 30, 2018 the Net OPEB liability was \$43.4 million for an increase of \$17.8 million or 69.7% from 2017. Of the \$17.8 increase \$2.2 is an increase in enterprise fund obligations. This increase is directly related to the implementation of GASB 75.

Business-type activities: Revenues for the City’s business-type activities were \$32.5 million, while total expenses were \$35.5 million in fiscal year 2018. Both revenues and expenses for the City’s business-type activities were approximately \$34.4 million in fiscal year 2017. With \$5.9 million of transfers from other funds, net position increased to \$132.7 million in 2018, compared to \$131.6 million in 2017.

	Change in Net Position (in thousands)			
	Transit	Airport	Stormwater Management	Environmental Services
2018	\$ 23,376	\$ 68,745	\$ 36,519	\$ 4,035
2017	\$ 25,779	\$ 65,783	\$ 33,646	\$ 6,401
Change	\$ (2,403)	\$ 2,962	\$ 2,873	\$ (2,366)

Transit - The City, federal, and state agencies continue to subsidize transit operations. Net position decreased \$2.4 million in fiscal year 2018 to \$23.4 million. Nearly all of transit’s net position was its \$24.7 million net investment in transit assets. Operating expenses increased by \$.8 million due to Sunday operations and a \$5.1 reduction in capital contributions.

Airport - Net position of the airport fund at the end of the year amounted to \$68.7 million, an increase of \$3.0 million. The increase is primarily due to \$3.7 million in federal contributions for airport enhancements, \$2.1 million in passenger and customer facility charges, offset by \$2.8 million in operating expenses in excess of operating revenues. Net investment in capital assets was \$51.8 million, or 75.4%, of net position.

Storm Water Management - Net position increased in storm water management activities by \$2.9 million, resulting in a net position of \$36.5 million in fiscal year 2018. Net investment in storm water assets, which is capital assets less any related debt still outstanding issued to acquire those assets, increased \$5.7 million to \$26.1 million, or 71.5%, of net position.

Environmental Services - Net position for the environmental services (solid waste removal and recycling) function decreased \$2.4 million in fiscal year 2018 to \$4.0 million. Net investment in assets used to provide solid waste services was \$6.4 million. Transfers from the General Fund of \$2.0 million subsidized the environmental services function.

Financial Analysis of the City's Funds

As noted earlier, 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 usable resources. Such information is useful in assessing the City's financial requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2018, unassigned fund balance of the General Fund was \$19.6 million, while total fund balance was \$69.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 12.0% of total General Fund expenditures and transfers out, while total fund balance represents 42.6% percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an available fund balance of at least 8 percent of annual General Fund expenditures. The City of Fayetteville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for the County Recreation Program. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level within two years.

The fund balance of the City's General Fund increased by \$4.9 million during the current fiscal year. This increase can be primarily attributed to:

- Overall General Fund revenues decreased \$1.6 million in fiscal year 2018. Ad valorem taxes decreased \$2.7 million, sales tax increased \$1.3 million, and PWC made the second of 5 annual \$1.2 million contribution for economic development.
- At \$142.9 million, General Fund expenditures increased \$3.1 million in 2018.
- Net other financing uses of \$10.4 million decreased \$7.1 in 2018. Net other financing uses decreased due to a \$1.6 million reduction in transfers out, a \$5.5 million increase in sales of capital assets, a \$1.2 increase in debt issuance proceeds and a \$1.1 million decrease in transfers in.

PWC's charter was amended on June 30, 2016 and PWC became a legally separate authority. The City levies water and sewer assessments for PWC, as PWC does not have the legal authority to levy assessments. PWC administratively handles these assessments throughout the year. Prior to the charter change, the City approved PWC's budget and reported assessments and accounts in a City enterprise fund. However, with the charter change, assessment revenue and intergovernmental expenditures are now being reported in a special revenue fund since the revenue is committed to PWC. As a result a PWC Assessment Fund has been added to the City's financial statements. The PWC Assessment Fund has \$0 fund balance, as all assessment revenues and interest earnings on assessments is retained by PWC.

The Economic and Physical Development Fund is a new major capital project fund in fiscal year 2018. This fund is used to account for resources used for the construction and improvement of various public facilities including a baseball stadium, parking deck, and other downtown development. The majority of

resources are provided by limited obligation bonds. At the end of fiscal year 2018, total fund balance of the Economic and Physical Development Fund was \$44.1 million, all of which was restricted or committed for those purposes.

At June 30, 2018, the governmental funds of the City reported a combined fund balance of \$137.3 million, reflecting an increase in fund balance of \$46.6 million. In addition to the general fund increase of \$4.9 million, described above, the economic and physical development ending fund balance is \$44.1 million reflecting capital projects not yet complete. The non-major governmental fund balance decreased \$2.4 resulting from increased capital project expenses.

General Fund Budgetary Highlights

The City Council approved a \$167.1 million general fund budget for fiscal year 2018, which represented a \$424,000 or 0.3% decrease from the original budget for fiscal year 2017. The general ad valorem tax rate remained unchanged at 49.95 cents per \$100 value, although the estimated revenue neutral rate following in the January, 2017 property revaluation process was 52.70 cents. Significant appropriation increases in the fiscal year 2018 budget included: a net increase across personnel services accounts of \$752,000, including funding for employee pay adjustments including step pay plans for police, fire and emergency communications personnel and merit increases for other employees and benefit cost adjustments; a \$763,000 increase in contract services expenditures, including \$235,000 for biennial election costs, a \$208,000 increase in anticipated bond counsel and financial advisor services, primarily for a Parks and Recreation bond issuance, \$100,000 for technical assistance for replacement of the City's enterprise resource planning (ERP) system; \$100,000 for a parking study, and \$100,000 for enhanced downtown business district management services; an increase of \$4.6 million in transfers for capital projects, which included \$1.5 million for replacement parking and downtown redevelopment site infrastructure, a net increase of \$2.2 million for transportation related projects, and \$801,000 for design services for a fire station and emergency communications centers planned for construction in future fiscal years; and, a \$713,000 increase in the transfer to subsidize the Transit Fund, including funding for operating costs for the new Multimodal Transit Center and the addition of Sunday bus service. These appropriation increases were offset by appropriation reductions including: the discontinuation of an interfund transfer budgeted at \$3.2 million in fiscal year 2017 for water and sewer extension projects undertaken by the Fayetteville Public Works Commission; a \$3.8 million reduction in the transfer to subsidize the Environmental Services fund resulting from a significant increase in the residential solid waste fee; a total reduction of \$411,000 for capital expenditures, primarily reflecting a reduction of funding for small projects such as park improvements.

The original fiscal year 2018 budget anticipated a \$1.7 million reduction in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2017 budget. The decrease principally reflected the impact of maintaining the tax rate of 49.95 as compared to the estimated revenue neutral rate of 52.70 cents following the January, 2017 property revaluation. Significant revenue increases anticipated in the original fiscal year 2018 budget as compared to fiscal year 2017 original budget included: intergovernmental revenue increases of \$2.0 million in sales tax distributions and \$11.5 million from the Public Works Commission; and an increase of \$2.8 million in anticipated financing proceeds. Revenue decreases anticipated in the original fiscal year 2018 budget include: intergovernmental revenue decreases of \$676,000 from utility tax distributions, \$2.7 million in funding from Cumberland County for the operations of the joint parks and recreation program, and \$622,000 in federal revenues primarily reflecting the expiration of law enforcement grants; interfund transfer reductions of \$12.6 million from the Public Works Commission; and, a \$328,000 decrease in property lease revenues, reflecting the anticipated sale of Festival Park Plaza. The \$5.8 million fund balance appropriation for one-time expenditures for fiscal year 2018 represented a \$2.8 million increase compared to the original \$2.9 million fund balance appropriation originally budgeted in fiscal year 2017.

During the fiscal year, the City Council approved budget increases of \$13.1 million or 7.9%, bringing the general fund budget for fiscal year 2018 to \$180.2 million. The budget increase is primarily related to appropriations of: \$7.9 million for expenditures for which funds were restricted or assigned at June 30, 2017; \$4.1 million for debt service and retirement of the capital lease for Festival Park Plaza due to the delay in the planned sale of the facility from June to December, 2017; \$293,000 for additional funding for the Ann Street bridge repair; \$145,000 to provide local funding for design services for repair of the Devonwood Lower Dam; \$125,000 for preliminary design and evaluation of the planned parking deck for the Hay Street redevelopment site; \$111,000 for additional Hurricane Matthew recovery expenditures; \$92,000 to provide additional local funding for up-fit of the Greyhound leased space at the downtown Multimodal Transit Center; and, \$411,000 for other items. The increases were funded by an additional appropriation of \$7.0 million from fund balance; \$5.5 million in proceeds from the planned sale of the Festival Park Plaza building and a redevelopment parcel on Hay Street; \$466,000 in federal and state intergovernmental revenues related to Hurricane Matthew recovery; and \$199,000 in lease payments from tenants of Festival Park Plaza.

Actual revenues and other financing sources for the general fund totaled \$167.4 million, or \$12.8 million or 7.1% less than the final amended budget. The shortfall largely related to a budgeted fund balance appropriation of \$12.7 million, which is another financing source that is not reflected as current year revenue. Additionally, ad valorem taxes fell short of budget by \$331,000 and unrestricted intergovernmental revenues fell short of budget by \$763,000 primarily due to lower than budgeted distributions of sales tax revenues and utility taxes. These shortfalls were offset by: interest earned on investments that exceeded the budget by \$600,000; sales and services revenues that exceeded the budget by \$230,000 largely due to lease revenues from Festival Park Plaza tenants due to the delayed sale; miscellaneous revenues that exceeded budget by \$105,000 primarily due to indirect cost allocations; and permit and fee revenues that exceeded expectations by \$94,000 primarily due to building permits.

Actual expenditures and other financing uses totaled \$162.5 million, or \$17.6 million or 9.8% less than the final amended budget. The expenditure budget included an anticipated increase in fund balance assigned to future capital of \$5.4 million which is not reflected in actual expenditures, and the final budget retained appropriations of approximately \$2.6 million or 1.5% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year. At the close of the fiscal year, there was approximately \$3.9 million in expenditures budgeted for fiscal year 2018 for which fund balance was restricted for encumbrances and \$2.1 million in additional funding assigned for special purposes at June 30, 2018 to be reappropriated in fiscal year 2019. Other significant expenditure variances as compared to year end projections included a transfer to the Environmental Services Fund that was \$1.3 million lower than anticipated, primarily reflecting the return of \$1.0 million that was transferred from the General Fund in error in fiscal year 2017, and fleet maintenance and fuel expenditures that were \$713,000 less than anticipated with year-end projections.

Actual Revenues Compared to Final Budget - General Fund actual revenues of \$158.2 and final budgeted revenues of \$158.2 were essentially the same for fiscal year 2018.

Actual Expenditures Compared to Budgeted Appropriations – The City budgets General Fund appropriations by portfolio. As shown on the General Fund Budget and Actual Statement on page E-5, expenditures in each portfolio were less than final budgeted appropriations, with overall actuals being \$13.6 less than budget. The following is an analysis of actual expenditures compared to budget by portfolio:

- Community investment portfolio expenditures were \$1.2 million less than budget.

- Operations portfolio expenditures were \$6.6 million less than budget.
- Support services portfolio expenditures were \$1.7 million less than budget.
- Other appropriations, excluding debt service, were \$0.7 million less than budget.
- Debt service expenditures were \$2.6 million less than budget.

Capital Asset and Debt Administration

Capital assets. The City’s capital assets for its governmental and business-type activities as of June 30, 2018 totals \$478.9 million net of accumulated depreciation. These assets include land, construction in progress, infrastructure, buildings, improvements, equipment, furniture, fixtures, computer software, and vehicles.

**City of Fayetteville’s Capital Assets (dollars in thousands)
(net of accumulated depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land and land rights	\$ 42,357	\$ 41,401	\$ 5,562	\$ 5,724	\$ 47,919	\$ 47,125
Construction in progress	8,986	26,555	28,728	19,355	37,714	45,910
Infrastructure	220,641	214,571	39,618	21,317	260,259	235,888
Buildings and improvements	63,745	60,186	2,434	55,483	66,179	115,669
Equipment, furniture and fixtures	5,578	7,732	8	2,532	5,586	10,264
Computer software	821	673	13,022	-	13,843	673
Vehicles	11,133	11,124	21,232	12,251	32,365	23,375
Total	\$ 353,261	\$ 362,242	\$ 110,604	\$ 116,662	\$ 463,865	\$ 478,904

Major capital asset transactions during the year include the following:

- \$7.1 million in the resurfacing of streets, construction of sidewalks, and other traffic system improvement.
- \$4.3 million for part 1 of the City of Fayetteville airport terminal improvement plan funded by federal and state grants.
- \$6.2 million in various stormwater drainage system improvement projects throughout the City.
- A new City fire station was constructed during the year costing \$3.8 million.

Additional information on the City’s capital assets can be found in Note 3 of the Basic Financial Statements.

Long-term Debt. The City issues debt to finance the acquisition and construction of many of its capital assets. As of June 30, 2018 the City had total outstanding debt of \$85.4 million. Limited obligation bonded debt and installment agreements increased and general obligation bonded debt and notes payable decreased. During the year the City issued \$50.5 million in limited obligation bonds to construct a downtown baseball stadium and parking deck. Installment agreements were signed to construct a \$3.6 million fire station, \$4.9 million to purchase vehicles and \$3.2 million to purchase police equipment. A summary of total long-term debt is shown in Figure 5.

Bonded Debt, Installment Agreements and Notes Payable

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
General obligation debt	\$ 3,497,133	\$ 2,967,659	\$ 7,280,000	\$ 6,615,000	\$ 10,777,133	\$ 9,582,659
Limited obligation debt	-	50,520,000	-	-	-	\$ 50,520,000
Installment agreements	20,094,321	22,579,714	1,295,460	2,232,018	21,389,781	24,811,732
Notes payable	225,000	150,000	325,389	300,359	550,389	450,359
Total long-term debt	\$ 23,816,454	\$ 76,217,373	\$ 8,900,849	\$ 9,147,377	\$ 32,717,303	\$ 85,364,750

The City's other long-term obligations are as follows:

- \$20.0 million representing the City's portion of the N.C. Local Government Employers' Retirement System net pension liability, which is managed by the N.C. Department of State Treasurer;
- \$43.4 million net Other Postemployment Benefits (OPEB) liability, which is retiree healthcare benefits for employees hired before July 1, 2014;
- \$15.4 million net Law Enforcement Officers' Special Separation Allowance;
- \$8.8 million compensated absences, a liability for the estimated amount of vacation, compensatory time and banked holiday leave to ultimately be paid;
- \$7.2 million PWC Assessments Payable, which is offset by amounts owed to the City.

The City's general obligation bond credit ratings are Aa1 (Moody's Investor Services) and AA+ (Standard & Poor's).

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property. The legal debt margin for the City is approximately \$1.0 billion. The City has \$35 million parks and recreation bonds authorized but unissued at June 30, 2018.

Additional information regarding the City's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget and Rates

The City Council approved a \$169.6 million general fund budget for fiscal year 2019, which represented a \$2.5 million or 1.5% increase from the original budget for fiscal year 2018. The general ad valorem tax rate remained unchanged at 49.95 cents per \$100 value.

Significant appropriation increases in the fiscal year 2019 budget included: a net increase of \$2.0 million across personnel services accounts, reflecting additional funding for employee pay, medical and retirement benefit cost adjustments, full-year staffing impacts for Sunday bus service; a \$2.5 million increase in operating costs including \$645,000 to purchase a second set of turnout gear for firefighters, \$610,000 for projected fleet maintenance and fuel cost increases, and \$520,000 for increased information technology and police maintenance and licensing agreements; a net increase of \$349,000 for a variety of contracted services; an increase of \$4.5 million in projected debt service expenditures primarily reflecting recent debt issuances for the downtown baseball stadium and parking deck; and an increase of \$503,000 in other charges primarily attributed to a \$250,000 contribution for the North Carolina Civil War and Reconstruction History Center and a projected increase of \$110,000 in reimbursements to Cumberland County and other municipalities for the sales tax and annexation agreements. These appropriation increases were offset by appropriation reductions including: a net reduction of \$158,000 in capital expenditures, and a net reduction in transfers to other funds of \$7.25 million. Significant items impacting the reduction in transfers included: a \$2.5 million reduction in transfers to the environmental services fund due to residential solid waste fee increases; a \$599,000 increase in transfers to support the transit fund; an \$812,000 reduction in transfers to the risk management fund to repay interfund loans; and a net decrease in transfers to capital project funds of \$4.6 million reflecting significant one time project contributions in the prior fiscal year for downtown redevelopment and parking (\$1.5 million), Legend Avenue Extension (\$1.6 million), Sykes Pond Road reconstruction (\$950,000), and the Cape Fear River Trail (\$621,000).

As compared to the original fiscal year 2018 budget, the original fiscal year 2019 budget anticipated the following increases in revenues: a \$110,000 increase in ad valorem taxes, which reflects the expected net impact of reduced taxes on licensed motor vehicles offsetting expected increases in taxes on other real and personal property; an increase of \$825,000 in unrestricted intergovernmental revenues primarily reflecting expected increases of \$812,000 in sales tax revenues and \$510,000 in the payment in lieu of taxes from the Public Works Commission, offset by an expected reduction of \$491,000 in utility tax revenues; a \$2.7 million increase in restricted intergovernmental revenues due to an increase in funding from Cumberland County for the operations of the joint parks and recreation program; a \$946,000 increase in sales and services revenues, primarily reflecting additions of \$250,000 for the first lease payment from the Fayetteville Woodpeckers for the stadium operating agreement, \$278,000 for parking revenue increases related to special event parking and additional leased parking, and \$371,000 for recreation and cultural program expansions and fee increases; a \$101,000 increase in miscellaneous revenues mainly reflecting increased indirect cost allocations; a \$71,000 increase in projected interest on investments; and a \$330,000 increase in transfers from other funds reflecting an interfund loan from the risk management fund for the stadium debt service funding model. The increases are offset by the following projected decreases in revenues as compared to the fiscal year 2018 budget: a decrease of \$48,000 in other tax revenue largely reflecting lower expected receipts on taxes on vehicle and equipment rentals; a \$645,000 decline in permit and fee revenues primarily reflecting lower building permit and inspections activity; and a \$1.1 million decrease in loan proceeds from planned vehicle and equipment financings. The \$5.0 million fund balance appropriation for one-time expenditures for fiscal year 2019 represents a \$719,000 decrease as compared to the original \$5.8 million fund balance appropriation originally budgeted in fiscal year 2018.

The City Council has since approved budget increases of \$6.7 million, or 3.9%, bringing the general fund budget for fiscal year 2019 to \$176.3 million. The vast majority of the increases (\$5.9 million) related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2018. Additional

appropriations included \$750,000 for initial expenditures for Hurricane Florence emergency response and recovery, and \$25,000 for additional expenditures related to Hurricane Matthew recovery. The increases were funded by an additional appropriation of \$5.9 million from fund balance and \$775,000 in federal and state intergovernmental revenues related to hurricane response and recovery.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Acting Chief Financial Officer, City of Fayetteville, 433 Hay Street, Fayetteville, NC 28301. You can also call (910) 433-1682, visit our website www.cityoffayetteville.org/finance or send an email to jtoland@ci.fay.nc.us for more information.

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Basic Financial Statements

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Statement of Net Position
June 30, 2018

	Primary Government			Public Works Commission
	Governmental Activities	Business Type Activities	Total Primary Government	
Assets				
Cash and investments	\$ 88,049,278	\$ 22,139,405	\$ 110,188,683	\$ 119,443,302
Taxes receivable	1,788,394	-	1,788,394	-
Accounts receivable	3,864,389	3,631,358	7,495,747	52,266,548
Assessment receivable	8,202,303	-	8,202,303	-
Due from other governments	19,651,704	-	19,651,704	-
Notes Receivable	236,115	-	236,115	-
Inventories	58,627	357,280	415,907	17,648,384
Prepaid expenses	1,318,135	-	1,318,135	-
Noncurrent portion of note receivable	10,751,034	-	10,751,034	-
Restricted asset - cash and investments	53,357,570	8,073,493	61,431,063	189,351,548
Restricted asset - accounts receivable	15,594	5,300,061	5,315,655	771,116
Collateral pledged in lieu of deposits	-	-	-	496,740
Property held for resale	27,871	-	27,871	-
Other assets	-	-	-	2,952,053
Capital assets:				
Land and construction in progress	67,955,467	25,078,263	93,033,730	88,650,408
Other capital assets, net of depreciation	294,286,590	91,583,425	385,870,015	840,245,883
Total assets	<u>549,563,071</u>	<u>156,163,285</u>	<u>705,726,356</u>	<u>1,311,825,982</u>
Deferred Outflows of Resources				
Charge on refunding	1,560	-	1,560	4,577,990
Regulatory asset - coal ash	-	-	-	9,869,588
OPEB deferrals	1,194,602	176,293	1,370,895	4,061,221
Pension deferrals	13,721,399	1,659,783	15,381,182	12,733,134
Total deferred outflow of resources	<u>14,917,561</u>	<u>1,836,076</u>	<u>16,753,637</u>	<u>31,241,933</u>
Liabilities				
Accounts payable and accrued expenses	12,313,011	3,312,748	15,625,759	39,732,057
Restricted liabilities - accounts payable	2,881,134	1,349,215	4,230,349	23,947,111
Restricted unearned deposits	382,329	1,223,675	1,606,004	-
Unearned deposits	-	-	-	727,552
Unearned revenues	1,317,199	2,323,325	3,640,524	-
Long-term liabilities:				
Due within one year	14,297,765	2,123,099	16,420,864	20,647,014
Due in more than one year	149,107,873	14,531,715	163,639,588	311,816,830
Other liabilities	-	-	-	3,097,492
Total liabilities	<u>180,299,311</u>	<u>24,863,777</u>	<u>205,163,088</u>	<u>399,968,056</u>
Deferred Inflows of Resources				
OPEB deferrals	1,683,669	248,465	1,932,134	1,623,712
Pension deferrals	1,548,189	211,934	1,760,123	247,666
Total deferred inflow of resources	<u>3,231,858</u>	<u>460,399</u>	<u>3,692,257</u>	<u>1,871,378</u>
Net position				
Net investment in capital assets	335,025,076	109,091,148	444,116,224	663,345,766
Restricted for:				
Capital projects	-	3,146,639	3,146,639	1,476,402
Debt service	-	-	-	6,456
Operating projects	-	1,020	1,020	-
Stabilization by State Statute	37,628,527	-	37,628,527	-
Downtown	121,772	-	121,772	-
Recreational and cultural	2,493,282	-	2,493,282	-
Donations	17,508	-	17,508	-
Lake Valley Drive MSD	759	-	759	-
Administration	27,315	-	27,315	-
Public safety	3,430,338	-	3,430,338	-
Economic and physical development	42,392	-	42,392	-
Renewable energy	-	-	-	9,365,765
Other internal restrictions	-	-	-	138,363,342
Unrestricted	2,162,493	20,436,378	22,598,871	128,670,750
Total net position	<u>\$ 380,949,462</u>	<u>\$ 132,675,185</u>	<u>\$ 513,624,647</u>	<u>\$ 941,228,481</u>

City of Fayetteville, North Carolina

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Public Works Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Administration	\$ 27,725,160	\$ 6,883,834	\$ 804,547	\$ 50,869	\$ (19,985,910)	\$ -	\$ (19,985,910)	\$ -
Public safety	87,955,537	3,768,313	3,794,588	225,345	(80,167,291)	-	(80,167,291)	-
Environmental protection	1,968,606	36,165	854,225	483,445	(594,771)	-	(594,771)	-
Transportation	21,615,802	1,115,587	5,601,534	6,763,426	(8,135,255)	-	(8,135,255)	-
Economic and physical development	12,017,640	305,422	3,756,194	199,741	(7,756,283)	-	(7,756,283)	-
Recreation and community facilities	16,080,896	2,433,093	408,590	577,221	(12,661,992)	-	(12,661,992)	-
Interest on long-term debt	845,337	-	-	-	(845,337)	-	(845,337)	-
Total governmental activities	<u>168,208,978</u>	<u>14,542,414</u>	<u>15,219,678</u>	<u>8,300,047</u>	<u>(130,146,839)</u>	<u>-</u>	<u>(130,146,839)</u>	<u>-</u>
Business-type activities:								
Storm water management	5,098,148	7,873,798	33,451	-	-	2,809,101	2,809,101	-
Transit	11,294,000	1,303,820	3,421,241	480,798	-	(6,088,141)	(6,088,141)	-
Airport	7,723,260	4,504,547	2,319,477	3,685,139	-	2,785,903	2,785,903	-
Environmental services	11,353,828	6,883,837	444,840	-	-	(4,025,151)	(4,025,151)	-
Total business-type activities	<u>35,469,236</u>	<u>20,566,002</u>	<u>6,219,009</u>	<u>4,165,937</u>	<u>-</u>	<u>(4,518,288)</u>	<u>(4,518,288)</u>	<u>-</u>
Total primary government	<u>\$ 203,678,214</u>	<u>\$ 35,108,416</u>	<u>\$ 21,438,687</u>	<u>\$ 12,465,984</u>	<u>(130,146,839)</u>	<u>(4,518,288)</u>	<u>(134,665,127)</u>	<u>-</u>
Component Unit								
Public Works Commission	\$ 304,571,683	\$ 334,079,581	\$ 4,456,255	\$ 6,432,684	\$ -	\$ -	\$ -	\$ 40,396,837
Total component unit	<u>\$ 304,571,683</u>	<u>\$ 334,079,581</u>	<u>\$ 4,456,255</u>	<u>\$ 6,432,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,396,837</u>
General revenues:								
Ad valorem taxes					69,226,879	-	69,226,879	-
Other taxes								
Sales tax					41,189,439	-	41,189,439	-
Utilities sales tax					9,801,118	-	9,801,118	-
Telecommunications sales tax					1,209,173	-	1,209,173	-
Piped natural gas sales tax					428,346	-	428,346	-
Video franchise tax					2,157,552	-	2,157,552	-
Vehicle license tax					619,280	630,806	1,250,086	-
Vehicle gross receipts tax					652,459	-	652,459	-
Payment in lieu of taxes					10,428,117	-	10,428,117	-
Unrestricted grants and contributions					904,062	-	904,062	-
Interest earned on investments					1,594,656	414,760	2,009,416	2,632,993
Miscellaneous					920,408	386,524	1,306,932	-
Gain on sale of capital assets					-	154,043	154,043	-
Total general revenues not including transfers					<u>139,131,489</u>	<u>1,586,133</u>	<u>140,717,622</u>	<u>2,632,993</u>
Transfers					(5,863,929)	5,863,929	-	-
Total general revenues and transfers					<u>133,267,560</u>	<u>7,450,062</u>	<u>140,717,622</u>	<u>2,632,993</u>
Change in net position					<u>3,120,721</u>	<u>2,931,774</u>	<u>6,052,495</u>	<u>43,029,830</u>
Net position - beginning, previously reported					391,209,055	131,605,139	522,814,194	916,791,804
Restatement					(13,380,314)	(1,861,728)	(15,242,042)	(18,593,153)
Net position - beginning, restated					<u>377,828,741</u>	<u>129,743,411</u>	<u>507,572,152</u>	<u>898,198,651</u>
Net position - ending					<u>\$ 380,949,462</u>	<u>\$ 132,675,185</u>	<u>\$ 513,624,647</u>	<u>\$ 941,228,481</u>

City of Fayetteville, North Carolina

Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds				Total Governmental Funds
	General	Economic and Physical Development Fund	PWC Assessment Fund	Nonmajor Governmental Funds	
Assets					
Cash and investments	\$ 47,815,154	\$ 4,487,236	\$ -	\$ 13,909,185	\$ 66,211,575
Taxes receivable	1,634,121	-	-	-	1,634,121
Accounts receivable	4,943,887	1,306	288,587	1,485,415	6,719,195
Due from other governments	16,563,412	85,910	-	2,977,583	19,626,905
Interfund receivable	3,874,302	-	-	-	3,874,302
Assessments receivable	851,377	-	7,350,926	-	8,202,303
Prepaid items	1,133,542	-	-	-	1,133,542
Inventories	58,627	-	-	-	58,627
Restricted cash and investments	6,201,476	42,283,036	-	4,873,058	53,357,570
Restricted accounts receivable	13,573	-	-	2,022	15,595
Notes receivable	-	-	-	7,851,029	7,851,029
Property held for resale	-	-	-	27,871	27,871
Total assets	\$ 83,089,471	\$ 46,857,488	\$ 7,639,513	\$ 31,126,163	\$ 168,712,635
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 7,445,226	\$ 19,765	\$ 288,587	\$ 1,937,058	\$ 9,690,636
Interfund payables	-	-	-	3,874,302	3,874,302
Restricted unearned deposits	382,329	-	-	-	382,329
Unearned revenue	3,435	132,448	125,225	1,052,513	1,313,621
Restricted accounts payable and accrued expenses	-	2,599,697	-	281,437	2,881,134
Total liabilities	7,830,990	2,751,910	413,812	7,145,310	18,142,022
Deferred inflows of resources:					
Taxes receivable	1,634,121	-	-	-	1,634,121
Accounts receivable	3,351,486	-	-	-	3,351,486
Assessment receivable	1,104,396	-	7,225,701	-	8,330,097
Prepaid taxes	-	-	-	-	-
Total deferred inflows of resources	6,090,003	-	7,225,701	-	13,315,704
Fund balances:					
Nonspendable					
Inventories	58,627	-	-	-	58,627
Prepays	1,133,542	-	-	-	1,133,542
Restricted					
Stabilization by State Statute	25,672,447	39,607,666	-	21,201,303	86,481,416
For downtown	121,772	-	-	-	121,772
For county recreation	1,733,754	-	-	-	1,733,754
For donations	17,508	-	-	-	17,508
For Lake Valley Drive MSD	759	-	-	-	759
Administration	-	-	-	27,315	27,315
Public safety	-	-	-	3,430,338	3,430,338
Economic and physical development	-	30,441	-	11,951	42,392
Recreation and community facilities	-	-	-	759,528	759,528
Committed					
Administration	-	-	-	2,793,637	2,793,637
Transportation	-	-	-	1,722,632	1,722,632
Economic and physical development	-	4,467,471	-	-	4,467,471
Recreation and community facilities	-	-	-	1,620,480	1,620,480
Law Enforcement Officers' Special Separation Allowance	5,433,945	-	-	-	5,433,945
Assigned					
For subsequent year's expenditures	5,033,560	-	-	-	5,033,560
For special purpose	2,271,747	-	-	-	2,271,747
For capital projects	8,124,237	-	-	-	8,124,237
Unassigned	19,566,580	-	-	(7,586,331)	11,980,249
Total fund balances	69,168,478	44,105,578	-	23,980,853	137,254,909
Total liabilities, deferred inflows of resources and fund balances	\$ 83,089,471	\$ 46,857,488	\$ 7,639,513	\$ 31,126,163	\$ 168,712,635

City of Fayetteville, North Carolina

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds		\$ 137,254,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		362,242,057
Land	\$ 24,864,437	
Right of Way	16,536,438	
Construction in progress	26,554,592	
Infrastructure	480,298,567	
Buildings and improvements	113,752,468	
Furniture and equipment	39,903,711	
Vehicles	38,712,083	
Accumulated depreciation	<u>(378,380,239)</u>	
	<u>\$ 362,242,057</u>	
Deferred inflows of resources for taxes and grant receivables.		13,315,704
Costs of bond issuance are current-period expenditures in the funds, but will be deferred in the statement of net position and amortized over the life of the outstanding debt.		1,560
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		154,274
Internal service funds are used by management to charge insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		19,727,885
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(317,811)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		24,799
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		(163,164,579)
General obligation bonds	\$ (2,967,659)	
Unamortized premium	(4,058)	
Limited obligation bonds	(50,520,000)	
Notes payable	(150,000)	
Obligations under capital leases	(22,579,714)	
Assessments due PWC	(7,225,701)	
Compensated absences liability	(8,065,336)	
Net pension liability (LGERS)	(17,556,576)	
Net pension liability (LEOSSA)	(15,352,794)	
Net OPEB liability	<u>(38,742,741)</u>	
	<u>\$ (163,164,579)</u>	
Contributions to various benefit plans in the current fiscal year that are deferred outflows of resources on the statement of net position. Those plans are:		5,924,402
LGERS pension plan	\$ 4,600,090	
LEOSSA pension plan	444,412	
OPEB plan	879,900	
	<u>\$ 5,924,402</u>	
Pension (LGERS) related deferrals		6,504,092
Pension (LEOSSA) related deferrals		585,671
OPEB related deferrals		<u>(1,303,500)</u>
Net position of governmental activities		<u>\$ 380,949,462</u>

City of Fayetteville, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Fiscal Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General	Economic and Physical Development Fund	PWC Assessment Fund	Nonmajor Governmental Funds	
Revenues					
Ad valorem taxes	\$ 69,236,205	\$ -	\$ -	\$ -	\$ 69,236,205
Other taxes and fees	1,308,855	-	-	-	1,308,855
Unrestricted intergovernmental	66,749,531	-	-	-	66,749,531
Restricted intergovernmental	9,650,558	125,469	-	9,049,612	18,825,639
Assessment revenue	-	-	2,086,287	-	2,086,287
Permits and fees	2,686,636	-	-	-	2,686,636
Sales and services	4,722,334	-	-	-	4,722,334
Miscellaneous	2,800,927	-	-	283,195	3,084,122
Interest earned on investments	995,574	59,626	302,552	159,334	1,517,086
Total revenues	<u>158,150,620</u>	<u>185,095</u>	<u>2,388,839</u>	<u>9,492,141</u>	<u>170,216,695</u>
Expenditures					
Current:					
Administration	26,578,850	-	2,388,839	1,062,760	30,030,449
Public safety	79,869,558	-	-	8,498,510	88,368,068
Environmental protection	343,506	-	-	1,815,244	2,158,750
Transportation	8,991,783	-	-	8,948,069	17,939,852
Economic and physical development	5,032,714	11,760,885	-	2,727,888	19,521,487
Recreation and community facilities	13,017,486	-	-	2,571,718	15,589,204
Debt service:					
Principal	8,346,080	-	-	169,010	8,515,090
Interest	670,369	-	-	6,803	677,172
Total expenditures	<u>142,850,346</u>	<u>11,760,885</u>	<u>2,388,839</u>	<u>25,800,002</u>	<u>182,800,072</u>
Revenues over (under) expenditures	<u>15,300,274</u>	<u>(11,575,790)</u>	<u>-</u>	<u>(16,307,861)</u>	<u>(12,583,377)</u>
Other financing sources (uses)					
Sale of capital assets	5,564,030	-	-	-	5,564,030
Transfers in	-	1,760,000	-	10,656,885	12,416,885
Transfers out	(19,677,171)	-	-	-	(19,677,171)
Issuance of debt	3,673,812	50,520,000	-	6,722,197	60,916,009
Total other financing sources (uses)	<u>(10,439,329)</u>	<u>52,280,000</u>	<u>-</u>	<u>17,379,082</u>	<u>59,219,753</u>
Net change in fund balances	<u>4,860,945</u>	<u>40,704,210</u>	<u>-</u>	<u>1,071,221</u>	<u>46,636,376</u>
Fund balances					
Beginning	<u>64,307,533</u>	<u>3,401,368</u>	<u>-</u>	<u>22,909,631</u>	<u>90,618,532</u>
Ending	<u>\$ 69,168,478</u>	<u>\$ 44,105,578</u>	<u>\$ -</u>	<u>\$ 23,980,852</u>	<u>\$ 137,254,908</u>

City of Fayetteville, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 46,636,376
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.	38,046,963
Depreciation expense	(22,268,487)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(6,798,047)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Decrease in deferred taxes	9,964,218
Increase in accrued interest receivable	77,570
Increase in accrued tax penalties	9,736
Other miscellaneous	(438,352)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Proceeds from capital leases	(10,396,009)
Proceeds from limited obligation bonds	(50,520,000)
Principal repayments	8,515,091
Change in assessments due PWC	(7,225,701)
Change in net OPEB obligation	(866,785)
Change in compensated absences	(324,366)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,590,391
Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities.	739,836
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.	879,900
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Net OPEB expense	(2,726,143)
Net LGERS pension expense	(6,012,114)
Net LEOSSA pension expense	(828,905)
Change in accrued interest payable	(178,524)
Amortization of bond premium	15,955
Amortization of bond issuance costs	(5,596)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of the internal service funds are reported with governmental activities	<u>2,233,714</u>
Change in net position of governmental activities	<u>\$ 3,120,721</u>

City of Fayetteville, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 69,567,282	\$ 69,567,282	\$ 69,236,205	\$ (331,077)
Other taxes	1,351,975	1,351,975	1,308,855	(43,120)
Unrestricted intergovernmental	67,512,145	67,512,145	66,749,531	(762,614)
Restricted intergovernmental	9,107,287	9,573,442	9,650,558	77,116
Permits and fees	2,592,440	2,592,440	2,686,636	94,196
Sales and services	4,293,408	4,492,162	4,722,334	230,172
Miscellaneous	2,695,595	2,695,595	2,800,927	105,332
Interest earned on investments	395,130	395,130	995,574	600,444
Total revenues	<u>157,515,262</u>	<u>158,180,171</u>	<u>158,150,620</u>	<u>(29,551)</u>
Expenditures				
Current:				
Community investment	5,618,218	9,191,578	7,945,912	1,245,666
Operations	103,515,158	106,932,746	100,292,198	6,640,548
Support services and administration	14,594,335	15,339,336	13,666,953	1,672,383
Other appropriations	11,334,703	11,163,060	10,480,141	682,919
Parking	361,480	361,480	349,128	12,352
Central business tax district	245,955	245,955	233,239	12,716
Lake Valley Drive MSD	1,050	1,050	-	1,050
Law enforcement officers' special separation allowance	1,640,453	1,640,453	866,326	774,127
Debt Service:				
Principal	7,913,556	12,671,787	8,346,080	4,325,707
Interest	1,929,252	896,271	670,369	225,902
Total expenditures	<u>147,154,160</u>	<u>158,443,716</u>	<u>142,850,346</u>	<u>15,593,370</u>
Revenues over (under) expenditures	<u>10,361,102</u>	<u>(263,545)</u>	<u>15,300,274</u>	<u>15,563,819</u>
Other financing sources (uses)				
Sale of capital assets	120,000	5,570,000	5,564,030	(5,970)
Issuance of debt	3,673,812	3,673,812	3,673,812	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(19,908,129)	(21,728,429)	(19,677,171)	2,051,258
Appropriated fund balance	5,753,215	12,748,162	-	(12,748,162)
Total other financing sources (uses)	<u>(10,361,102)</u>	<u>263,545</u>	<u>(10,439,329)</u>	<u>(10,702,874)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>4,860,945</u>	<u>\$ 4,860,945</u>
Fund balance				
Beginning			64,307,533	
Ending			<u>\$ 69,168,478</u>	

Note A - Reconciliation of the difference between actual expenditure classifications on a budgetary basis and on a GAAP basis are shown below.

Portfolio:	Function:						Total
	Administration	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Recreation and Community Facilities	
Community investment	\$ 347,641	\$ 2,798,796	\$ -	\$ -	\$ 4,799,475	\$ -	\$ 7,945,912
Operations	2,084,115	76,204,436	343,506	8,642,655	-	13,017,486	100,292,198
Support services	13,666,953	-	-	-	-	-	13,666,953
Other appropriations	10,480,141	-	-	-	-	-	10,480,141
Parking	-	-	-	349,128	-	-	349,128
Central business tax district	-	-	-	-	233,239	-	233,239
Law Enforcement officer's special separation allowance	-	866,326	-	-	-	-	866,326
Totals by function	<u>\$ 26,578,850</u>	<u>\$ 79,869,558</u>	<u>\$ 343,506</u>	<u>\$ 8,991,783</u>	<u>\$ 5,032,714</u>	<u>\$ 13,017,486</u>	<u>\$ 133,833,897</u>

City of Fayetteville, North Carolina

Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Assets						
Current assets						
Cash and investments	\$ -	\$ 10,197,028	\$ 11,942,377	\$ -	\$ 22,139,405	\$ 21,837,705
Accounts receivable	320,842	2,383,907	743,890	182,719	3,631,358	218,055
Inventories	334,473	2,093	-	20,714	357,280	-
Prepaid expenses	-	-	-	-	-	184,592
Interfund receivable	-	2,504,764	-	-	2,504,764	-
Total unrestricted current assets	655,315	15,087,792	12,686,267	203,433	28,632,807	22,240,352
Restricted current assets						
Restricted cash and investments	-	5,271,752	1,225,013	1,576,728	8,073,493	-
Restricted accounts receivable	3,233,380	1,547,427	45,166	474,088	5,300,061	-
Total restricted current assets	3,233,380	6,819,179	1,270,179	2,050,816	13,373,554	-
Total current assets	3,888,695	21,906,971	13,956,446	2,254,249	42,006,361	22,240,352
Noncurrent assets						
Capital assets	24,729,602	51,812,648	33,030,280	7,089,158	116,661,688	-
Total noncurrent assets	24,729,602	51,812,648	33,030,280	7,089,158	116,661,688	-
Total assets	28,618,297	73,719,619	46,986,726	9,343,407	158,668,049	22,240,352
Deferred outflows of resources						
OPEB deferrals	78,237	20,724	28,588	48,744	176,293	5,396
Contributions to pension plan in current fiscal year	703,714	205,289	274,265	476,515	1,659,783	48,343
Total deferred outflows of resources	781,951	226,013	302,853	525,259	1,836,076	53,739
Liabilities and net position						
Current liabilities						
Accounts payable and accrued expenses	993,266	452,062	1,263,844	603,576	3,312,748	2,304,565
Current portion of long term debt	244,890	100,112	785,725	992,372	2,123,099	3,402
Interfund payables	1,537,062	-	-	967,702	2,504,764	-
Total current liabilities	2,775,218	552,174	2,049,569	2,563,650	7,940,611	2,307,967
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	-	1,349,215	-	-	1,349,215	-
Unearned deposits	-	-	1,223,675	-	1,223,675	-
Total current liabilities to be paid from restricted assets	-	1,349,215	1,223,675	-	2,572,890	-
Total current liabilities	2,775,218	1,901,389	3,273,244	2,563,650	10,513,501	2,307,967
Noncurrent liabilities						
Net OPEB obligation	2,039,579	633,509	831,614	947,264	4,451,966	170,832
Net pension liability	1,005,164	288,841	389,715	676,900	2,360,620	66,824
Unearned revenues	-	2,323,325	-	-	2,323,325	3,579
Long-term debt	-	-	6,200,329	1,518,800	7,719,129	-
Total noncurrent liabilities	3,044,743	3,245,675	7,421,658	3,142,964	16,855,040	241,235
Total liabilities	5,819,961	5,147,064	10,694,902	5,706,614	27,368,541	2,549,202
Deferred inflows of resources						
OPEB deferrals	110,267	29,208	40,291	68,699	248,465	7,605
Pension deferrals	93,779	24,016	35,819	58,320	211,934	9,398
Total deferred inflows of resources	204,046	53,224	76,110	127,019	460,399	17,003
Net position						
Net investment in capital assets	24,729,602	51,812,648	26,115,030	6,433,868	109,091,148	-
Restricted net position						
Capital projects	-	3,146,639	-	-	3,146,639	-
Operating projects	-	-	1,020	-	1,020	-
Unrestricted	(1,353,361)	13,786,057	10,402,517	(2,398,835)	20,436,378	19,727,885
Total net position	\$ 23,376,241	\$ 68,745,344	\$ 36,518,567	\$ 4,035,033	\$ 132,675,185	\$ 19,727,885

City of Fayetteville, North Carolina

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2018

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Operating revenues						
Charges for services	\$ 1,162,788	\$ 4,364,950	\$ 7,844,450	\$ 6,658,060	\$ 20,030,248	\$ -
Other revenue from operations	141,032	139,597	29,348	225,777	535,754	568,224
Interfund charges and employee contributions	-	-	-	-	-	19,420,148
Total operating revenues	<u>1,303,820</u>	<u>4,504,547</u>	<u>7,873,798</u>	<u>6,883,837</u>	<u>20,566,002</u>	<u>19,988,372</u>
Operating expenses						
Salaries and employee benefits	6,437,285	1,697,737	2,303,185	4,230,092	14,668,299	425,210
Other operating expenses	3,306,011	1,548,125	1,757,399	6,085,076	12,696,611	19,020,522
Depreciation	1,550,704	4,033,217	823,771	1,017,526	7,425,218	-
Total operating expenses	<u>11,294,000</u>	<u>7,279,079</u>	<u>4,884,355</u>	<u>11,332,694</u>	<u>34,790,128</u>	<u>19,445,732</u>
Operating income (loss)	<u>(9,990,180)</u>	<u>(2,774,532)</u>	<u>2,989,443</u>	<u>(4,448,857)</u>	<u>(14,224,126)</u>	<u>542,640</u>
Nonoperating revenues (expenses)						
Interest earned on investments	19	210,232	203,855	654	414,760	267,124
Federal and State grants	3,421,241	211,792	33,451	138,670	3,805,154	-
Passenger Facility Charges	-	896,082	-	-	896,082	-
Customer Facility Charge	-	1,211,603	-	-	1,211,603	-
Miscellaneous revenue	-	196,752	130,101	59,671	386,524	27,694
Gain (loss) on disposal of capital assets	14,844	-	35,158	104,041	154,043	-
County revenue	-	-	-	306,170	306,170	-
Vehicle fee revenue	630,806	-	-	-	630,806	-
Interest expense	-	-	(213,793)	(18,347)	(232,140)	-
Miscellaneous expense	-	(444,181)	-	(2,787)	(446,968)	-
Total nonoperating revenues (expenses)	<u>4,066,910</u>	<u>2,282,280</u>	<u>188,772</u>	<u>588,072</u>	<u>7,126,034</u>	<u>294,818</u>
Capital contributions	<u>480,798</u>	<u>3,685,139</u>	<u>-</u>	<u>-</u>	<u>4,165,937</u>	<u>-</u>
Income (loss) before transfers	<u>(5,442,472)</u>	<u>3,192,887</u>	<u>3,178,215</u>	<u>(3,860,785)</u>	<u>(2,932,155)</u>	<u>837,458</u>
Other financing sources (uses)						
Transfers in	3,839,962	-	-	2,023,967	5,863,929	1,396,256
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,839,962</u>	<u>-</u>	<u>-</u>	<u>2,023,967</u>	<u>5,863,929</u>	<u>1,396,256</u>
Change in net position	<u>(1,602,510)</u>	<u>3,192,887</u>	<u>3,178,215</u>	<u>(1,836,818)</u>	<u>2,931,774</u>	<u>2,233,714</u>
Total net position, previously reported	<u>25,776,062</u>	<u>65,782,728</u>	<u>33,645,826</u>	<u>6,400,523</u>	<u>131,605,139</u>	<u>17,549,378</u>
Restatement	<u>(797,311)</u>	<u>(230,271)</u>	<u>(305,474)</u>	<u>(528,672)</u>	<u>(1,861,728)</u>	<u>(55,207)</u>
Beginning net position, restated	<u>24,978,751</u>	<u>65,552,457</u>	<u>33,340,352</u>	<u>5,871,851</u>	<u>129,743,411</u>	<u>17,494,171</u>
Total net position, ending	<u>\$ 23,376,241</u>	<u>\$ 68,745,344</u>	<u>\$ 36,518,567</u>	<u>\$ 4,035,033</u>	<u>\$ 132,675,185</u>	<u>\$ 19,727,885</u>

City of Fayetteville, North Carolina

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Operating activities						
Cash received from customers	\$ 1,403,538	\$ 6,447,284	\$ 7,364,149	\$ 8,078,517	\$ 23,293,488	\$ 19,615,283
Cash received for insurance reimbursements	-	-	-	-	-	568,224
Cash paid to or on behalf of employees for services	(6,159,429)	(1,631,089)	(2,210,238)	(4,059,909)	(14,060,665)	(403,689)
Cash paid for goods and services	(2,740,164)	(1,729,242)	(1,462,326)	(5,254,121)	(11,185,853)	(19,166,938)
Net cash provided by (used in) operating activities	(7,496,055)	3,086,953	3,691,585	(1,235,513)	(1,953,030)	612,880
Noncapital financing activities						
Transfers in	3,839,962	-	-	2,023,967	5,863,929	1,396,256
Intergovernmental contributions	3,421,241	211,792	33,451	138,670	3,805,154	-
Cost of debt issuance	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Vehicle revenue fees	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	7,261,203	211,792	33,451	2,162,637	9,669,083	1,396,256
Capital and related financing activities						
Proceeds from sale of capital assets	26,021	-	35,158	128,759	189,938	-
Proceeds from debt issuance	-	-	-	1,326,548	1,326,548	-
Contributed capital received	480,798	3,685,139	-	-	4,165,937	-
Acquisition and construction of capital assets	(623,656)	(5,545,937)	(6,173,100)	(1,176,237)	(13,518,930)	-
Principal paid in debt maturities	-	-	(690,030)	(389,990)	(1,080,020)	-
Interest paid on debt maturities	-	-	(213,793)	(18,347)	(232,140)	-
Net cash provided (used) by capital and related financing activities	(116,837)	(1,860,798)	(7,041,765)	(129,267)	(9,148,667)	-
Investing activities						
Interest and dividends	19	210,232	203,855	654	414,760	267,124
Net cash provided (used) by investing activities	19	210,232	203,855	654	414,760	267,124
Net increase (decrease) in cash and cash equivalents	(351,670)	1,648,179	(3,112,874)	798,511	(1,017,854)	2,276,260
Cash and cash equivalents						
Beginning of year	351,670	13,820,601	16,280,264	778,217	31,230,752	19,561,445
End of year	\$ -	\$ 15,468,780	\$ 13,167,390	\$ 1,576,728	\$ 30,212,898	\$ 21,837,705
Unrestricted cash and cash equivalents	\$ -	\$ 10,197,028	\$ 11,942,377	\$ -	\$ 22,139,405	\$ 21,837,705
Restricted cash and equivalents	-	5,271,752	1,225,013	1,576,728	8,073,493	-
Total cash and cash equivalents	\$ -	\$ 15,468,780	\$ 13,167,390	\$ 1,576,728	\$ 30,212,898	\$ 21,837,705

City of Fayetteville, North Carolina

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2018

	Enterprise Funds				Total	Internal Service Funds
	Transit Funds	Airport Funds	Storm Water Management Fund	Environmental Services Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (9,990,180)	\$ (2,774,532)	\$ 2,989,443	\$ (4,448,857)	\$ (14,224,126)	\$ 542,640
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,550,704	4,033,217	823,771	1,017,526	7,425,218	-
Nonoperating payments for goods and services	-	(444,181)	-	(2,787)	(446,968)	-
Nonoperating receipts from customers	630,806	2,304,437	130,101	365,841	3,431,185	27,694
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(531,088)	(2,668,929)	(449,832)	828,839	(2,821,010)	171,987
(Increase) decrease in inventory	(63,266)	1,409	-	(20,714)	(82,571)	-
(Increase) decrease in prepaid items	-	-	-	-	-	(9,379)
Increase (decrease) in unearned revenues	-	2,307,229	(189,918)	-	2,117,311	(4,546)
Increase (decrease) in accounts payable and accrued liabilities	629,113	261,655	295,073	854,456	2,040,297	(137,037)
Increase (decrease) in accrued compensated absences	9,100	(4,489)	(5,161)	2,993	2,443	(950)
Increase (decrease) LGERS expense	90,268	23,858	32,889	55,988	203,003	6,167
Increase (decrease) Net OPEB expense	178,488	47,279	65,219	111,202	402,188	16,304
Total adjustments	<u>2,494,125</u>	<u>5,861,485</u>	<u>702,142</u>	<u>3,213,344</u>	<u>12,271,096</u>	<u>70,240</u>
Net cash provided by (used in) operating activities	<u>\$ (7,496,055)</u>	<u>\$ 3,086,953</u>	<u>\$ 3,691,585</u>	<u>\$ (1,235,513)</u>	<u>\$ (1,953,030)</u>	<u>\$ 612,880</u>

City of Fayetteville, North Carolina

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018**

	Private-purpose Trusts	Agency Fund
Assets		
Cash and cash equivalents	\$ 1,371,397	\$ 220,026
Accounts receivable	25	-
Total assets	1,371,422	\$ 220,026
Liabilities		
Intergovernmental payable	-	\$ 220,026
Total liabilities	-	\$ 220,026
Net position		
Restricted for pension benefits and other purposes	1,371,422	
Total net position	\$ 1,371,422	

City of Fayetteville, North Carolina

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	<u>Private-purpose Trusts</u>
Additions	
Other contributions	\$ 137,938
Investment earnings	37,862
Total additions	<u>175,800</u>
Deductions	
Benefit payments and premiums	184,479
Total deductions	<u>184,479</u>
Change in net position	(8,679)
Total net position - beginning	<u>1,380,101</u>
Total net position - ending	<u>\$ 1,371,422</u>

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Notes to Financial Statements

City of Fayetteville, North Carolina

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Fayetteville, North Carolina (the "City") was established in 1783. The City operates under a council-manager form of government and provides the following services: administration, public safety, environmental protection, transportation, economic and physical development, recreation and community facilities, wastewater and storm water utilities, transit, airport, and solid waste collection and recycling. The City receives substantial revenues from Federal and State sources. Ad valorem taxes on the City of Fayetteville's citizens represent a significant portion of the general government revenues.

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

A - Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. GASB Statements number 14, 39 and 61 define component units as legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

These statements provide two methods for reporting component units in the financial statements of the primary government: discrete presentation and blending. Discrete presentation means that data will be presented in one or more separate columns to the right of the primary government data columns. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the units provide services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have "substantively identical boards," the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation.

Based on evaluating these characteristics, the following is a brief review of the component units in the City's reporting entity:

Fayetteville Public Works Commission

The Fayetteville Public Works Commission was chartered by the North Carolina General Assembly in 1905. The charter has been amended by the General Assembly since then, most recently on June 30, 2016. As a result of these actions, PWC is now presented as a discretely presented component unit because it is a legally separate authority, but it would be misleading to exclude it from the City's financial statements; the City owns the PWC capital assets, approves certain contracts, issues debt for PWC and appoints the Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

City of Fayetteville Linear Park, Inc.

The City of Fayetteville Linear Park, Inc. is a non-profit corporation formed for the purpose of assisting in the development of the Linear Park downtown. Linear Park, Inc. is shown in a blended presentation as it provides services exclusively to the City. Its operating fund is presented in the accompanying financial statements as a non-major special revenue fund.

B - Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Government-wide Statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Fiduciary funds are not included in these statements.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented, even though the fiduciary is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, parks and recreation, street maintenance, and economic and physical development.

Economic and Physical Development Fund. This capital project fund accounts for construction and improvement of various public facilities of the City including a baseball stadium, parking deck, and other downtown development.

PWC Assessment Fund. The PWC Assessment Fund accounts for the fees assessed by the City for PWC since PWC does not have the power to assess the citizens.

The City reports the following non-major governmental funds:

Special Revenue Funds. Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The Emergency Telephone System Fund accounts for the City's share of the State tax charged to telephone customers to fund the 911 system. The Federal and State Financial Assistance Fund accounts for federal and state grants. The Linear Park Fund accounts for projects associated with development of the Linear Park downtown.

Capital Project Funds. Capital Project Funds account for financial resources to be used for the acquisition or construction of governmental capital assets. The General Government Fund accounts for information technology and other projects supporting the entire government. The Public Safety Fund accounts for projects supporting the public safety services provided by the City. The Transportation Fund accounts for projects to improve transportation and related services throughout the City. The Recreational and Cultural Fund accounts for resources used for the acquisition and construction of facilities, such as parks, recreation centers and museums. The Environmental Protection Fund accounts for projects related to dam restoration and improvements in the City. Resources are provided through intergovernmental revenues, facility financing proceeds and transfers from other funds.

The City reports the following major enterprise funds:

Transit Fund. This fund accounts for operation of the municipal transit system, including capital asset acquisition, construction of transit facilities, and related improvements.

Airport Fund. This fund accounts for the operation and capital asset acquisition of the Fayetteville Regional Airport.

Storm Water Management Fund. This fund accounts for the operation and maintenance of storm water facilities for the customers within the City of Fayetteville.

Environmental Services Fund. This fund accounts for residential solid waste collection and recycling services operations and capital asset acquisition.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

The City reports the following fund types:

Internal Service Funds. Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. The Insurance Fund is used to account for the accumulation and allocation of costs associated with health, workers compensation, and liability claims.

Private-Purpose Trust Funds. These funds are used to account for resources legally held in trust for use by others. The Police Benefit and Firefighter’s Benefit Trust Funds account for resources held in trust for these two groups of individuals. All resources of the funds, including any earnings on invested resources, may be used to support the organizations’ activities. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the Red Light Camera agency fund with accounts for collections of “red light camera” fines in excess of City expenses for the program by agreement with Cumberland County School Board on a monthly basis.

C - Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on all registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles in North Carolina on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Cumberland County and then remitted to and distributed by the State. Sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes including those dedicated for specific purposes are reported as general revenues. Grant revenues which are unearned at year-end are recorded as unearned revenues.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D – Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, selected special revenue, and enterprise funds, including the PWC Assessment fund. All annual appropriations lapse at fiscal year-end. Project and grant ordinances are adopted for the Federal and State Financial Assistance special revenue fund, Linear Park special revenue fund and capital project funds. Enterprise capital project funds are consolidated with the operating funds for reporting purposes. The City's internal service funds are intra-governmental service funds, which operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the portfolio level for the general fund, at the fund level for selected special revenue and proprietary funds, and at the project level for selected special revenue and capital project funds. Any revisions that alter total appropriations at the

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

portfolio, fund or project level, as appropriate, of any fund must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

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

The City's investments with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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.

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

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2017.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Receivables

The receivables in the general fund consist primarily of sales taxes and utility taxes due from the State, which total \$10,863,706 and \$2,939,302, respectively. In addition, motor vehicle ad valorem taxes totaling \$1,350,928 were also due from the State.

The receivables in the enterprise funds consist primarily of customer receivables for services.

Allowance for Uncollectible Receivables

The City recorded an allowance for uncollectible receivables of \$1,464,059 in the federal and state financial assistance fund related to loans associated with grants or other financial assistance that have been awarded.

The City operates enterprise funds that provide credit in the normal course of business to customers primarily located in Fayetteville, North Carolina. The City performs on-going credit evaluations of its customers and maintains allowances for doubtful accounts by using the experience method to estimate collection losses to be incurred. Credit losses, when realized, have been within the range of the City's estimations and historically have not been significant. Other receivables that historically experience uncollectible accounts are also 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.

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2018:

General Fund	
Taxes receivable	\$ 874,250
Accounts receivable	536,672
Assessments receivable	649,370
Special Revenue Funds	
Notes receivable	1,464,059
Assessments receivable	375,155
Enterprise Funds	
Transit Fund - Accounts receivable	83,666
Airport Fund - Accounts receivable	71,390
Solid Waste Recycling Fund - Accounts receivable	93,222
Storm Water Management Fund - Accounts receivable	9,558
Total	\$ 4,157,342

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Interfund receivable” or “Interfund payable” on the balance sheet in the fund financial statements and as “internal balances” on the statement of net position in the government-wide financial statements.

Inventories

Governmental inventories of supplies are valued at cost. Other inventories are valued at the lower of average cost or market. The costs of governmental fund-type inventories, which consist of materials and supplies, are recorded as expenditures when they are consumed rather than when they are purchased. The costs of enterprise fund-type inventories, which consist of fuel, materials and spare parts, are expensed when used rather than when purchased.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items.

Restricted Assets, Restricted Liabilities and Restricted Net Position

In the general, special revenue, capital project and enterprise funds, the City has classified as restricted the assets representing deposits, reserves, capital project appropriations, advance grant funding and unexpended financing proceeds because their use is completely restricted to the purpose for which the financing proceeds were issued or the purpose for which the financing proceeds were set aside. Liabilities due to be repaid from restricted assets are classified as restricted liabilities. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute reduced by liabilities and deferred inflows of resources related to those assets.

The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-13 through F-15. The restriction for “Recreational and Cultural” incorporates restrictions for county recreation and other recreation and community facilities. Restrictions for Downtown and Lake Valley Drive MSD are created by enabling legislation. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

<u>Governmental Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
General Fund	
For downtown	\$ 121,772
For county recreation	1,733,754
For capital projects	4,334,941
For Lake Valley Drive MSD	11,009
Federal and State Financial Assistance Fund	
Unexpended grant proceeds	965,261
General Government Fund	
Unexpended grant proceeds	27,315
Public Safety Fund	
Unexpended grant proceeds	2,340,047
Transportation Fund	
For downtown	235,620
Economic and Physical Development Fund	
Unexpended debt proceeds	42,313,477
Recreational and Cultural Fund	
Unexpended grant proceeds	1,304,815
Total governmental activities - restricted cash and investments	<u>\$ 53,388,011</u>
Restricted Receivables	
General Fund	
For county recreation	\$ 13,573
Recreational and Cultural Fund	
For recreation and community facilities	2,022
Total governmental activities - restricted accounts receivable	<u>\$ 15,595</u>
Restricted Unearned Deposits (general fund)	<u>\$ 382,329</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

<u>Business Type Activities</u>	<u>Externally Restricted</u>
Restricted Cash and Investments	
Storm Water Fund	
Unexpended bond proceeds	\$ 109
Unearned bond deposits	1,224,904
Airport Fund	
Unexpended grant proceeds	5,271,752
Environmental Services Fund	
Unexpended debt proceeds	<u>1,576,728</u>
Total business type activities - restricted cash and investments	<u>\$ 8,073,493</u>
Restricted Accounts Receivable - unexpended federal and state grant proceeds	
Storm Water Fund	\$ 45,166
Airport Fund	1,547,427
Environmental Services Fund	474,088
Transit Fund	<u>3,233,380</u>
Total business type activities - restricted accounts receivable	<u>\$ 5,300,061</u>
Restricted Unearned Deposits (Storm Water Fund)	<u>\$ 1,223,675</u>
Restricted Accounts Payable - unexpended grant proceeds (Airport Fund)	<u>\$ 1,349,215</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2001 and storm water network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

The City holds title to certain PWC capital assets in accordance with PWC's charter. These assets have been reported separately in Note 3. PWC has full use of the assets, and full responsibility for maintenance thereof. The assets are reflected as capital assets in PWC's financial statements.

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

Asset Class	Estimated Useful Lives (Years)
Infrastructure	15 - 60
Buildings	40
Improvements	5 - 15
Vehicles	5 - 20
Furniture and equipment	5 - 10
Computer software	3
Computer equipment	3

Depreciation includes amortization of intangible assets.

PWC's capital assets purchased or constructed since 1958 are recorded at cost. Contributed utility assets are recorded at estimated value at the date of acquisition. Utility assets acquired prior to 1958 are carried on an estimated cost basis. The Utility Plant Systems are depreciated using the straight-line method over the estimated useful lives of 20 to 45 years. Other property and equipment are depreciated over estimated useful lives ranging from 5 to 15 years. All capital assets are depreciated using the straight-line method.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, unamortized bond refunding charges, other post-employment benefits (OPEB) and pension deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category on the statement of net position – prepaid taxes, OPEB and pension deferrals. The City’s governmental funds balance sheet has four items that meet the criterion for this category - taxes receivable, accounts receivable, assessment receivable and prepaid taxes.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to seven (7) weeks 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, including compensatory time and holiday pay, and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for 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 actually taken, no accrual for that sick leave has been made.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - consists of funds that cannot be spent due to their form (e.g. inventories and prepaid amounts) or funds that legally or contractually must be maintained intact.

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

Prepays – portion of fund balance that is not an available resource because it represents future expenses paid in advance, which are not spendable resources.

Restricted Fund Balance - consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Restricted for Stabilization by State Statute - portion of fund balance which is not available for appropriation under State law (G.S. 159-8(a)). This amount includes notes receivable that are restricted for eligible community development purposes.

Restricted for streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for downtown - portion of fund balance available for appropriation for projects in the Central Business District.

Restricted for Lake Valley Drive MSD - portion of fund balance available to pay for drainage improvements in the Lake Valley Drive Municipal Service District.

Restricted for county recreation – portion of fund balance available to pay for the recreational activities of Cumberland County.

Restricted for donations - portion of fund balance that is not available for appropriation because it represents donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

Restricted for economic and physical development – portion of fund balance restricted for parking deck expenditures.

Restricted for recreation and community facilities – portion of fund balance restricted by external grantor for the Veterans Park project.

Restricted for administration – portion of fund balance that is restricted for the City Hall improvement plan.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Law Enforcement Officer’s Separation Allowance – portion of fund balance that will be used for Law Enforcement Officer’s Separation Allowance obligations.

Committed for administration – portion of fund balance committed by City Council for the construction of specific assets held in the capital project funds.

Committed for transportation – portion of fund balance committed by City Council for the construction of specific assets for transportation held in the capital project funds.

Committed for economic and physical development – portion of fund balance committed by City Council for the construction of specific assets for economic development held in the capital project funds.

Committed for recreational and community facilities – portion of fund balance committed by City Council for the construction of specific assets for recreational facilities held in the capital project funds.

Assigned Fund Balance - consists of funds that are set aside with the intent to be used for a specific purpose by the City’s highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The City’s fund balance policy delegates the authority to assign funds to the City Manager.

Subsequent year’s expenditures - portion of fund balance that is appropriated in the adopted 2018 - 2019 budget ordinance that is not already classified as restricted or committed.

Special purposes - portion of fund balance identified for specific uses in the general fund and special revenue funds. The amount reflects Council assigned funding for future transportation and technology projects, police operations and equipment, a revolving loan fund, and transit and parks

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

and recreation activities; and, City Manager and Council assigned funding for initiatives to be completed in future years.

Capital projects - portion of fund balance that is assigned to capital related projects.

Unassigned Fund Balance - consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The general fund is the only fund that reports a positive unassigned fund balance amount.

Fund Balance Policy

The City of Fayetteville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Fayetteville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least 10% of the succeeding year's general fund expenditure budget, excluding the budget for the County Recreation Program. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level within two years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

G - Upcoming Pronouncements

GASB Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, "Fiduciary Activities." This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." The primary objective of this Statement is to improve the information that is disclosed in notes to government financials statements related to debt, including direct borrowings and direct placements. This Statement also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of the Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period." The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, "Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61." The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquired a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management is in the process of determining what, if any, impact implementation of the above statements may have on the financial statements of the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

H – Pronouncements Implemented

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, “Irrevocable Split-Interest Agreements.” The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2016.

GASB Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73.” The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 85, “Omnibus 2017.” This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, “Certain Debt Extinguishment Issues.” The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2 - Cash, Cash Equivalents and Investments

A – Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance coverage level 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 their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions for compliance. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The City's policy for custodial credit risk associated with deposits is to comply with the applicable North Carolina General Statutes.

The City places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The City from time to time may have amounts on deposit in excess of the insured amounts.

At June 30, 2018, the City's demand deposits had a carrying amount of \$12,806,823 and a bank balance of \$16,931,269. Of the bank balance, Federal Deposit Insurance covered \$250,000 and the remainder was covered by collateral under the Pooling Method.

At June 30, 2018, the City had certificates of deposit totaling \$15,000,000. The entire amount was covered by collateral under the Pooling Method.

The Firefighter's Fund had deposits totaling \$1,370,761.

The City had \$12,275 in the petty cash and change funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2 - Cash, Cash Equivalents and Investments (continued)

B – Investments

The funds of the City of Fayetteville are invested in compliance with the provisions of North Carolina General Statutes 159-30 and 159-31. The City’s Investment Policy is a board-approved policy.

At June 30, 2018, the City investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating*
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 1,988,380	Various	AA+
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	80,241,730	0.09 Years	Unrated
NC Capital Management Trust - Government Portfolio	Amortized Cost	61,791,997	NA	AAAm
Total:		\$ 144,022,107		

* Standard & Poors

All investments valued at fair value are measured using the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Fair Value Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Fair Value Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides for structuring the investment portfolio so that securities mature to meet cash requirements for the ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also the City’s investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities other than Treasuries, Agencies, and North Carolina State and local bonds to a final maturity of no more than three years.

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions’ brokers/dealers and requires them to meet specific financial and registration conditions. The City’s investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and the NC Capital Management Trust Term Portfolio was unrated as of June 30, 2018. The City’s investment in US Agencies (Federal Farm Credit Bank) is rated AA+ by Standard & Poor’s as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2 - Cash, Cash Equivalents and Investments (continued)

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires that investment securities are in the name of the City of Fayetteville and are held by a centralized independent third-party custodian. The City requires that the independent third-party custodian issue a safekeeping receipt to the Chief Financial Officer listing the specific instrument, rate, maturity, and other pertinent information as evidence. All investment security purchases and sales are on a delivery versus payment basis and are made through the independent third-party custodian by written instruction.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$	144,022,107
Cash (demand deposits)		12,806,823
Certificates of deposit		15,000,000
Firefighter's Relief Fund CDs		1,369,963
Petty cash		12,275
Total cash and investments	\$	173,211,167

Totals per Statement of Net Position

Cash and investments - unrestricted	\$	110,188,656
Cash and investments - restricted		61,431,063
Agency		220,026
Private-purpose trust cash and investments		1,371,422
Total cash and investments	\$	173,211,167

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Governmental activities:					
Capital assets not being depreciated					
Land and land rights	\$ 42,357,108	\$ 446,866	\$ (1,427,682)	\$ 24,583	\$ 41,400,875
Construction in progress	8,986,071	27,470,304	(49,207)	(9,852,576)	26,554,592
Total capital assets not being depreciated	51,343,179	27,917,170	(1,476,889)	(9,827,993)	67,955,467
Capital assets being depreciated:					
Infrastructure	473,280,174	6,133,558	-	884,834	480,298,566
Buildings and improvements	114,093,214	353,592	(6,318,094)	5,623,757	113,752,468
Equipment, furniture and fixtures	30,872,328	831,153	(964,830)	3,319,402	34,058,053
Computer software	6,318,199	119,440	(591,980)	-	5,845,659
Vehicles	37,316,791	2,692,049	(1,296,758)	-	38,712,083
Total capital assets being depreciated	661,880,706	10,129,792	(9,171,662)	9,827,993	672,666,829
Less accumulated depreciation for:					
Infrastructure	(252,640,553)	(13,087,624)	-	-	(265,728,177)
Buildings and improvements	(50,347,794)	(4,229,292)	1,011,294	-	(53,565,792)
Equipment, furniture and fixtures	(25,293,970)	(1,996,352)	964,830	-	(26,325,492)
Computer software	(5,496,991)	(267,853)	591,980	-	(5,172,863)
Vehicles	(26,182,949)	(2,687,366)	1,282,401	-	(27,587,915)
Total accumulated depreciation	(359,962,257)	\$ (22,268,487)	\$ 3,850,505	\$ -	(378,380,239)
Total capital assets being depreciated, net	301,918,449				294,286,590
General governmental activity capital assets, net	\$ 353,261,628				\$ 362,242,057

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

Administration	\$ 501,311
Public safety	4,515,846
Environmental protection	217,194
Transportation	13,609,548
Economic and physical development	912,115
Recreation and community facilities	2,512,473
Total depreciation expense	\$ 22,268,487

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3 - Capital Assets (continued)

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Business-type activities:					
Capital assets not being depreciated					
Land and land rights	\$ 5,561,978	\$ 161,524	\$ -	\$ -	\$ 5,723,502
Construction in progress	28,728,464	10,899,569	-	(20,273,272)	19,354,761
Total capital assets not being depreciated	<u>34,290,442</u>	<u>11,061,093</u>	<u>-</u>	<u>(20,273,272)</u>	<u>25,078,263</u>
Capital assets being depreciated:					
Buildings and improvements	90,230,202	420,514	-	19,641,285	110,292,001
Equipment, furniture and fixtures	9,292,306	803,138	(364,123)	(81,202)	9,650,119
Computer software	359,300	-	-	81,203	440,503
Vehicles	27,544,425	1,226,060	(1,477,916)	58,530	27,351,099
Infrastructure	39,236,252	8,074	-	631,986	39,876,312
Total capital assets being depreciated	<u>166,662,485</u>	<u>2,457,786</u>	<u>(1,842,039)</u>	<u>20,331,802</u>	<u>187,610,034</u>
Less accumulated depreciation for:					
Buildings and improvements	(50,613,537)	(4,199,576)	-	4,465	(54,808,648)
Equipment, furniture and fixtures	(6,858,015)	(691,493)	364,123	67,617	(7,117,768)
Computer software	(351,028)	(14,689)	-	(74,786)	(440,503)
Vehicles	(14,522,642)	(1,963,629)	1,442,020	(55,826)	(15,100,077)
Infrastructure	(18,003,782)	(555,831)	-	-	(18,559,613)
Total accumulated depreciation	<u>(90,349,004)</u>	<u>\$ (7,425,218)</u>	<u>\$ 1,806,143</u>	<u>\$ (58,530)</u>	<u>(96,026,609)</u>
Total capital assets being depreciated, net	<u>76,313,481</u>				<u>91,583,425</u>
Business-type activity capital assets, net	<u>\$ 110,603,923</u>				<u>\$ 116,661,688</u>

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

Storm water management	\$ 823,771
Transportation	1,550,704
Airport	4,033,217
Environmental services	1,017,526
Total depreciation expense	<u>\$ 7,425,218</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3 - Capital Assets (continued)

PWC (discretely presented component unit)

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
PWC:					
Capital assets not being depreciated:					
Land and land rights	\$ 17,193,543	\$ 92,859	\$ (30)	\$ 732,875	\$ 18,019,247
Construction in progress	54,056,232	74,055,918	(1,033,354)	(56,447,635)	70,631,161
Total capital assets not being depreciated	<u>71,249,775</u>	<u>74,148,777</u>	<u>(1,033,384)</u>	<u>(55,714,760)</u>	<u>88,650,408</u>
Capital assets being depreciated:					
Electric utility system	455,242,005	1,253,867	(2,448,416)	10,005,750	464,053,206
Water system	367,933,668	78,519	(34,422)	20,731,909	388,709,674
Sewer system	526,167,695	76,693	-	24,384,583	550,628,971
Buildings	55,670,303	48,362	-	162,574	55,881,239
Equipment and machinery	31,712,626	625,983	(200,402)	179,335	32,317,542
Intangibles	26,871,611	475,117	(265,264)	87,806	27,169,270
Computer equipment	23,905,177	445,174	(272,241)	163,135	24,241,245
Vehicles	17,493,244	1,201,594	(553,896)	(332)	18,140,610
Office equipment	1,800,984	(1,053)	(15,258)	-	1,784,673
Total capital assets being depreciated	<u>1,506,797,313</u>	<u>4,204,256</u>	<u>(3,789,899)</u>	<u>55,714,760</u>	<u>1,562,926,430</u>
Less accumulated depreciation for:					
Electric utility system	(258,275,460)	(12,209,116)	1,372,110	-	(269,112,466)
Water system	(136,925,642)	(9,935,751)	13,077	-	(146,848,316)
Sewer system	(195,783,199)	(11,140,273)	-	-	(206,923,472)
Buildings	(27,709,744)	(1,421,722)	-	-	(29,131,466)
Equipment and machinery	(20,854,616)	(1,137,805)	175,896	-	(21,816,525)
Intangibles	(17,284,538)	(1,767,522)	264,622	(24,262)	(18,811,700)
Computer equipment	(16,419,274)	(1,635,614)	271,599	24,262	(17,759,027)
Vehicles	(9,878,088)	(1,346,817)	536,482	-	(10,688,423)
Office equipment	(1,552,879)	(38,930)	2,657	-	(1,589,152)
Total accumulated depreciation:	<u>(684,683,440)</u>	<u>\$ (40,633,550)</u>	<u>\$ 2,636,443</u>	<u>\$ -</u>	<u>(722,680,547)</u>
Total capital assets being depreciated, net	<u>822,113,873</u>				<u>840,245,883</u>
PWC capital assets, net	<u>\$ 893,363,648</u>				<u>\$ 928,896,291</u>

As disclosed in Note 1, the City holds title to certain PWC capital assets in accordance with PWC's charter. PWC has full use of the assets, and full responsibility for maintenance thereof. The assets are reflected as capital assets in PWC's financial statements.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2018:

Governmental activities

	General	Economic and Physical Development	PWC Assessment	Nonmajor Governmental	Internal Service	Subtotal
Accounts payable	\$ 4,593,306	\$ 33,409	\$ 288,587	\$ 1,104,902	\$ 905,447	\$ 6,925,651
Incurring but not reported	-	-	-	-	1,398,930	1,398,930
Contracts payable	-	2,226,291	-	868,318	-	3,094,609
Interest payable	-	-	-	-	-	-
Retainage payable	8,712	359,762	-	245,274	-	613,748
Interfund payable	-	-	-	-	-	-
Salaries and benefits payable	2,843,208	-	-	-	188	2,843,396
Total	<u>\$ 7,445,226</u>	<u>\$ 2,619,462</u>	<u>\$ 288,587</u>	<u>\$ 2,218,494</u>	<u>\$ 2,304,565</u>	<u>14,876,334</u>
Adjustment for interest payable						317,811
						<u>\$ 15,194,145</u>
Reconciliation to accounts payable on the financial statements:						
Unrestricted	\$ 7,445,226	\$ 19,765	\$ 288,587	\$ 1,937,057	\$ 2,304,565	\$ 11,995,200
Restricted	-	2,599,697	-	281,437	-	2,881,134
	<u>\$ 7,445,226</u>	<u>\$ 2,619,462</u>	<u>\$ 288,587</u>	<u>\$ 2,218,494</u>	<u>\$ 2,304,565</u>	<u>14,876,334</u>
Adjustment for interest payable						317,811
						<u>\$ 15,194,145</u>

Business-type activities

	Transit	Airport	Storm Water Management	Environmental Services
Accounts payable	\$ 206,005	\$ 1,607,235	\$ 576,868	\$ 533,151
Incurring but not reported	-	-	-	-
Contracts payable	280,398	39,526	546,810	-
Interest payable	-	-	85,832	1,169
Retainage payable	401,533	128,075	20,864	-
Interfund payable	-	-	-	-
Salaries and benefits payable	105,330	26,441	33,470	69,256
Total	<u>\$ 993,266</u>	<u>\$ 1,801,277</u>	<u>\$ 1,263,844</u>	<u>\$ 603,576</u>
Reconciliation to accounts payable on the financial statements:				
Unrestricted	\$ 993,266	\$ 1,801,277	\$ 1,263,844	\$ 603,576
Restricted	-	-	-	-
	<u>\$ 993,266</u>	<u>\$ 1,801,277</u>	<u>\$ 1,263,844</u>	<u>\$ 603,576</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing power of the City. They are serviced by the general fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2018 are as follows:

Governmental activities

\$8,450,000 Public Improvement Bonds, Series 2005 due in various semi-annual installments through June 1, 2025; interest at various rates between 3.8% and 4.25%.	\$ 2,925,000
\$7,896,115 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	42,659
	2,967,659
Add: Unamortized Premium	4,058
Total governmental general obligation bonds	\$ 2,971,717

B - Limited Obligation Indebtedness (City)

The City has issued limited obligation bonds to provide funds for the construction of a baseball stadium and a downtown parking garage. The bonds are limited obligations of the City and payments thereon shall be limited to funds appropriated for that purpose by the City Council of the City in its sole discretion. Limited obligation bonds outstanding for the year ended June 30, 2018 are as follows:

Governmental activities

\$50,520,000 Taxable limited obligation bonds Series 2018 due in annual installments through June 1, 2038; interest at various rates between 2.87% and 4.24%.	\$ 50,520,000
Total governmental limited obligation bonds	\$ 50,520,000

C - Revenue Bonds (City)

The City has issued revenue bonds, which have been used to finance the construction of facilities used in the City's operations. Resources generated by the facilities' operations are retiring the bonds. Revenue bonds outstanding for the year ended June 30, 2018 are as follows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>\$ 6,615,000</u>
Total revenue bonds	<u>\$ 6,615,000</u>

Interest expense related to the revenue and general obligation bonds totaled \$366,853 for the year ended June 30, 2018. There was no capitalized interest during the year ended June 30, 2018.

The City issued the 2011 series of Storm Water System revenue bonds in August 2011 to acquire, construct, and equip various improvements to the City's natural and structural storm water and drainage system, including, without limitation, erosion control projects, drainage projects, culverts, outfalls, and the acquisition of any related land, rights of way, and equipment. With these bonds, the City pledges income derived from the operation of the storm water system to pay debt service. Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2018
Series 2011 Storm Water System	3.135%	8/11/2011	8/1/2026	\$ 10,595,000	\$ 6,615,000

Revenue bond debt service requirements to maturity are as follows:

Storm water revenue bonds

Year Ended	Principal	Interest	Totals
2019	\$ 690,000	\$ 202,051	\$ 892,051
2020	715,000	180,184	895,184
2021	735,000	157,612	892,612
2022	755,000	134,413	889,413
2023	785,000	110,509	895,509
2024-2027	2,935,000	186,846	3,121,846
	<u>\$ 6,615,000</u>	<u>\$ 971,615</u>	<u>\$ 7,586,615</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

As of June 30, 2018, deposits under the Trust Agreement for the Storm Water Revenue Bonds are held by the Trustee and the City in institutions designated by the City as an official depository. The deposits are held as follows:

City of Fayetteville	\$ 13,036,889
Trustee – NCCMT	<u>208</u>
Total	<u>\$ 13,037,097</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$7,586,615 as of June 30, 2018. These revenue bonds are secured by a covenant to budget and collect revenues in the storm water system sufficient enough to pay the principal and interest requirements. The City has been in compliance with the covenants for the bonds, which required the debt service coverage for parity indebtedness (revenue bonds only, as of June 30, 2018) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Storm Water Management Enterprise Fund.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Storm water fee revenues	\$ 7,844,450	
Other operating revenues	29,348	
Non-operating revenue (expense)	321,705	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	-	
Unrealized gain/(loss) on investments	10,203	
Total revenues		8,205,706
Operating expenses	4,884,355	
Less adjustments for:		
Depreciation	(823,771)	
Change in OPEB accrual	(65,219)	
Total current expenses		3,995,365
Income Available for Debt Service		4,210,341
Unrestricted Cash, 6/30/17 (prior year)	14,865,517	
15% of unrestricted cash		2,229,828
Total resources available for debt service		\$ 6,440,169
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds – Principal	\$ 665,000	
Series 2011 Revenue Bonds – Interest	233,055	
		\$ 898,055
Total Available Resources Debt Service Coverage – Parity Indebtedness		7.17
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Storm Water Note Payable 0196	\$ 11,613	
NC Storm Water Note Payable 0231	13,417	
Series 2011 Revenue Bonds – Principal	665,000	
Series 2011 Revenue Bonds – Interest	233,055	
		\$ 923,085
Income Available for Debt Service Debt Service Coverage – All Indebtedness		4.56
Revenue Bond Covenant Requirement		1.00

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

D - Notes Payable (City)

Notes payable financed by the governmental funds are serviced by the Federal and State Financial Assistance Fund.

On July 23, 2009, the U.S. Department of Housing and Urban Development (HUD) entered into a \$750,000 contract for a Section 108 Loan Guarantee Program Assistance for 10-years with the City. The guaranteed loan funds mature annually on August 1 with semi-annual interest payments. All required payments on the loan are guaranteed by the U.S. Department of Housing and Urban Development in the event that the City is unable to make required payments. During fiscal year 2012, the Series HUD 2011-A was refinanced to fixed rates between 0.31% to 2.05%. The purpose of the note is for the financing of a community development project.

Additionally, in 2010, the City completed two storm water projects which were financed through two federal revolving loans for \$464,503 and \$536,692 administered through the State of North Carolina, Department of Environment and Natural Resources. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal was immediately reduced by one half of the loan amount to \$232,252 and \$268,346 as "Principal Forgiveness." These notes are reported as business-type activities in the Storm Water Management Enterprise Fund. These notes payable are subordinate to the Storm Water Revenue Bonds of the City of Fayetteville.

Notes payable in the accompanying financial statements are comprised of the following:

Governmental activities

\$750,000 HUD Note Payable due in various annual installments of \$75,000 through August 1, 2019; interest rate between .31% to 2.05% paid semi-annually.	<u>\$ 150,000</u>
---	-------------------

Business-type activities

\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	139,351
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non-interest bearing, paid annually on May 1.	<u>161,008</u>
Total business-type notes payable	<u>300,359</u>
Total notes payable	<u>\$ 450,359</u>

Interest expense related to the notes payable obligations totaled \$3,442 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

E - Lease Agreements (City)

The City has entered into lease agreements as lessee for financing certain equipment, vehicles, and fixtures. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the date of their inception.

Capital lease obligations are comprised of the information on the following page.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

Governmental activities

Recreation Center and Fire Station 15 installment obligations payable in various semi-annual installments of approximately \$178,067 in 2019 including fixed interest rate of 4.19%.	\$ 1,503,160
2015 Vehicles installment obligations payable in various monthly installments of approximately \$90,916 in 2019 including fixed interest of 1.2123%.	1,090,990
Radio equipment installment obligations payable in annual installments of approximately \$829,887 in 2019 including interest of 1.772%.	829,887
Downtown Parking Deck installment obligations payable in various semi-annual installments of approximately \$271,667 in 2019 including interest at 5.1%. The City receives a subsidy of 45% of interest cost from the Federal Government reducing the effective interest rate to 3.07%.	3,579,352
2016 Vehicles installment obligations payable in various semi-annual installments of approximately \$241,875 in 2019 including interest of 1.322%.	967,498
Fire Station 19 installment obligations payable in various semi-annual installments of approximately \$102,779 in 2019 including variable rate interest estimated at 1.41%.	1,546,640
City Hall Renovations installment obligations payable in various semi-annual installments of approximately \$149,595 in 2019 including fixed rate interest of 3.05%.	2,335,036
2017 Vehicles installment obligations payable in various semi-annual installments of approximately \$304,995 in 2019 including fixed rate interest of 1.57%.	1,829,972
Fire Station 12 installment obligations payable in various semi-annual installments of approximately \$267,750 in 2019 including fixed rate interest of 2.5%.	4,500,000
2018 Vehicles installment obligations payable in various semi-annual installments of approximately \$489,749 in 2019 including fixed rate interest of 2.91%.	3,917,989
2018 Radio equipment installment obligations payable in semi-annual installments of approximately \$412,085 in 2019 including interest of 2.45%.	3,296,680
	25,397,204
Less: amount representing interest	(2,817,490)
Present value of the minimum lease payments	\$ 22,579,714

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

Business-type activities

2015 Vehicles installment obligations payable in monthly installments of approximately \$12,298 in 2019 including interest of 1.2123%	\$ 147,578
2017 Vehicles installment obligations payable in semi-annual installments of approximately \$129,974 in 2019 including interest of 1.57%	779,843
2018 Vehicles installment obligations payable in semi-annual installments of approximately \$163,302 in 2019 including fixed rate interest of 2.91%.	1,306,418
2018 Radio equipment installment obligations payable in semi-annual installments of approximately \$13,402 in 2019 including interest of 2.45%.	107,223
	2,341,062
Less: amount representing interest	(109,044)
Present value of the minimum lease payments	2,232,018
Total capital lease obligations	\$ 24,811,732

The following is an analysis of leased property under capital leases as of June 30, 2018:

Classes of Property	Cost	Depreciation	Net Book Value
Equipment	\$ 7,273,137	\$ 2,200,875	\$ 5,072,262
Vehicles	12,135,337	4,701,381	7,433,956
Buildings and improvements	17,522,312	3,104,059	14,418,253
	\$ 36,930,786	\$ 10,006,315	\$ 26,924,471

Interest expense related to the capital lease obligations totaled \$548,635 for the year ended June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

F - Changes in Long-Term Obligations (City)

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2018.

Governmental compensated absences and pension liabilities typically have been liquidated in the general fund.

	Balance June 30, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental activities					
General obligation debt	\$ 3,497,133	\$ -	\$ 529,474	\$ 2,967,659	\$ 439,474
Limited obligation debt	-	50,520,000	-	50,520,000	2,530,000
Notes payable	225,000	-	75,000	150,000	75,000
Installment agreements	20,094,322	10,396,009	7,910,617	22,579,714	5,740,331
PWC assessment	5,276,453	4,162,026	2,212,778	7,225,701	-
Compensated absences	7,745,322	6,752,278	6,428,861	8,068,739	5,512,960
Net pension liability (LGERS)	25,492,259	-	7,868,859	17,623,400	
Net pension liability (LEOSSA)	13,966,229	1,386,565	-	15,352,794	
Net OPEB liability	37,335,915	1,577,658	-	38,913,573	
	<u>113,632,633</u>	<u>\$74,794,536</u>	<u>\$25,025,589</u>	<u>163,401,580</u>	<u>14,297,765</u>
Add unamortized premium	20,013			4,058	
Total governmental activities	<u>\$113,652,646</u>			<u>\$ 163,405,638</u>	<u>\$ 14,297,765</u>

	Balance June 30, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Current Portion
Business-type activities					
Revenue bonds	\$ 7,280,000	\$ -	\$ 665,000	\$ 6,615,000	\$ 690,000
Notes payable	325,389	-	25,030	300,359	25,030
Installment agreements	1,295,460	1,326,548	389,990	2,232,018	713,218
Compensated absences	692,408	880,434	877,990	694,852	694,851
Net pension liability (LGERS)	3,479,344	-	1,118,724	2,360,620	-
Net OPEB liability	5,227,341	-	775,376	4,451,965	-
	<u>\$ 18,299,942</u>	<u>\$ 2,206,982</u>	<u>\$ 3,852,110</u>	<u>\$ 16,654,814</u>	<u>\$ 2,123,099</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

F - Changes in Long-Term Obligations (PWC)

The following is a summary of changes in the PWC's long-term obligations for the fiscal year ended June 30, 2018:

	Balance June 30, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Current Portion
Business-type activities					
General obligation debt	\$ 692,867	\$ -	\$ 175,526	\$ 517,341	\$ 175,527
Revenue bonds	263,120,000	2,943,852	20,708,852	245,355,000	16,780,000
Coal ash liability	15,693,819	-	5,824,331	9,869,488	-
Notes payable	25,036,011	-	1,331,724	23,704,287	1,495,026
Unearned deposits	842,455	101,032	215,935	727,552	-
Arbitrage payable	51,806	-	19,513	32,293	-
Compensated absences	3,757,943	3,743,695	3,757,943	3,743,695	2,196,461
Net pension liability (LGERS)	11,984,411	-	3,234,675	8,749,736	-
Net OPEB liability	29,802,092	2,445,027	3,478,456	28,768,663	-
	<u>350,981,404</u>	<u>\$ 9,233,606</u>	<u>\$38,746,955</u>	<u>321,468,055</u>	<u>20,647,014</u>
Add: Unamortized premium	23,660,136			21,625,887	
Less: Unamortized discount	(1,913)			(765)	-
Total business-type activities	<u>\$ 374,639,627</u>			<u>\$ 343,093,177</u>	<u>\$20,647,014</u>

PWC has pledged future utility revenues, net of specified operating expenses to repay \$357,110,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2016. Proceeds from the bonds provided financing for extensions, additions, and capital improvements to or the renewal and replacement of capital assets, or purchasing and installing new equipment for the electric, water, and wastewater systems. The bonds are payable solely from electric, water, and wastewater customer net revenues and are payable through 2041. The total principal and interest remaining to be paid on the bonds is \$341,622,876. Principal and interest paid for the current year and total customer revenues were \$28,428,100 and \$313,540,878, respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system, and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 Bonds. The reserve fund requirements have been met by PWC through funding a reserve fund account with an investment in the full amount of the bond requirement. PWC is in compliance with all such significant covenants at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

G - Maturities of Long-Term Obligations (City)

The following table summarizes the annual requirements to amortize all general long-term debt outstanding (excluding compensated absences and net OPEB liability).

Governmental activities

Year Ended	General Obligation Bonds		Limited Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 439,474	\$ 123,044	\$ 2,530,000	\$ 1,890,250	\$ 75,000	\$ 2,201
2020	439,093	105,465	2,530,000	1,844,389	75,000	769
2021	439,092	87,901	2,530,000	1,769,375	-	-
2022	425,000	69,913	2,530,000	1,689,680	-	-
2023	425,000	52,063	2,530,000	1,607,303	-	-
2024-2038	800,000	49,938	37,870,000	12,530,655	-	-
	2,967,659	488,324	50,520,000	21,331,652	150,000	2,970
Add unamortized premium	4,058	-	-	-	-	-
	\$ 2,971,717	\$ 488,324	\$ 50,520,000	\$ 21,331,652	\$ 150,000	\$ 2,970

Year Ended	Construction and Improvement Installment Obligations		Vehicles and Equipment Installment Obligations		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,152,596	\$ 369,680	\$ 4,587,735	\$ 230,549	\$ 8,784,805	\$ 2,615,724
2020	1,152,596	325,992	2,748,175	149,232	6,944,864	2,425,847
2021	1,152,596	282,178	2,324,007	89,651	6,445,695	2,229,105
2022	1,152,596	238,428	1,767,837	35,830	5,875,433	2,033,851
2023	1,000,363	194,677	-	-	3,955,363	1,854,043
2024-2038	5,541,213	901,272	-	-	44,211,213	13,481,865
	11,151,960	2,312,227	11,427,754	505,262	76,217,373	24,640,435
Add unamortized premium	-	-	-	-	4,058	-
	\$ 11,151,960	\$ 2,312,227	\$ 11,427,754	\$ 505,262	\$ 76,221,431	\$ 24,640,435

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

The following schedule includes the City's expected estimated schedule of maturity for the business-type activities noted above, as well as the annual requirements to amortize all business-type long-term debt outstanding (excluding compensated absences and net OPEB liability).

Business-type activities

Year Ended	Revenue Bonds		Notes Payable		Capitalized Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 690,000	\$ 202,051	\$ 25,030	\$ -	\$ 713,218	\$ 47,717
2020	715,000	180,184	25,030	-	579,711	33,647
2021	735,000	157,612	25,030	-	593,144	20,214
2022	755,000	134,413	25,030	-	345,945	7,465
2023	785,000	110,509	25,030	-	-	-
2024-2038	2,935,000	186,846	175,209	-	-	-
	<u>\$ 6,615,000</u>	<u>\$ 971,615</u>	<u>\$ 300,359</u>	<u>\$ -</u>	<u>\$ 2,232,018</u>	<u>\$ 109,043</u>

Year Ended	Total Debt Due	
	Principal	Interest
2019	\$ 1,428,248	\$ 249,768
2020	1,319,741	213,831
2021	1,353,173	177,826
2022	1,125,975	141,878
2023	810,030	110,509
2024-2038	3,110,209	186,846
	<u>\$ 9,147,376</u>	<u>\$ 1,080,658</u>

H - Legal Debt Margin (City)

The legal debt margin of the City at June 30, 2018 approximated \$1,023,443,944.

I - Authorized but Un-issued Debt (City)

At June 30, 2018, the City had \$35,000,000 Parks and Recreation bonds authorized but un-issued.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5 - Long-Term Obligations (continued)

J – Net Investment in Capital Assets

	City		
	Government Activities	Business-type Activities	PWC
Capital Assets, Net	\$ 362,242,057	\$ 116,661,688	\$ 928,896,291
Less: Long term debt related to capital assets	(76,067,374)	(9,147,376)	(269,576,628)
Less: Unamortized bond premium	(4,058)	-	(21,625,887)
Less: Deferred loss related to unspent bond proceeds	-	-	(149,341)
Less: Retainage related to capital assets	-	-	(686,125)
Add: Deferred bond discount	-	-	765
Add: Deferred loss on bond refunding	-	-	4,577,990
Add: Unspent bond/lease proceeds	48,852,891	1,576,837	21,908,701
Add: Unamortized bond refunding charges	1,560	-	-
Total Net Investment in Capital Assets	\$ 335,025,076	\$ 109,091,149	\$ 663,345,766

Note 6 – Unearned Revenue

The governmental and proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the government-wide financial statement were as follows:

	Unavailable Revenue
Amounts arising from cash:	
Unearned revenue (General)	\$ 3,435
Unearned grant receipts (Special Revenue)	272,155
Unearned assessments (Special Revenue)	125,225
Unearned grant receipts (Capital Projects)	912,806
Prepaid retiree insurance premiums (Internal Service)	3,579
Unearned revenue (Enterprise)	2,323,325
Total	\$ 3,640,525

In addition, the City had \$382,329 and \$1,223,675 of restricted unearned deposits in the general fund and enterprise funds respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7 – Deferred Outflows and Inflows of Resources

In the government-wide financial statements, deferred outflows of resources is the deferred amount for unamortized refunding charges and the contribution to the pension plan at June 30, 2018.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding.

For the City, refunding and defeasance losses of \$1,560 (net of amortization) from the 2002 and 2009 General Obligation Refunding Bonds and the 2005 Revenue Refunding Bonds are also reported as unamortized bond refunding charges in the statement of net position.

City pension plan contributions subsequent to the measurement date and changes in proportion and differences between City contributions and other pension related deferrals were also reported as deferred outflows of resources on the statement of net position at June 30, 2018. The amounts reported totaled \$12,473,467 and \$1,659,783 for governmental activities and business-type activities, respectively, for LGERS.

Deferred inflows of resources in the fund financial statements at year-end are comprised of the following:

	Unavailable Revenue
Taxes receivable, net (General)	\$ 1,634,121
Accounts and notes receivable (General)	3,351,486
Special assessments receivable, net (General)	1,104,396
PWC assessments receivable, net (Special Revenue)	7,225,701
	\$13,315,704

Deferred outflows and inflows of resources in the government-wide financial statements are:

	Outflows	Inflows
Deferred charge on refunding	\$ 1,560	\$ -
Pension deferrals LGERS	14,133,253	1,542,277
Pension deferrals LEOSSA	1,247,932	217,849
OPEB deferrals	1,370,895	1,932,134
	\$16,753,640	\$ 3,692,260

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 8 - Risk Management

The City is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$175,000 per individual and approximately \$14,352,747 for all employees for the policy period ending June 30, 2018), general liability (up to \$500,000 per occurrence), workers' compensation (\$750,000 per occurrence), public officials liability (up to \$500,000 per occurrence), law enforcement liability (\$500,000 per occurrence), and automobile liability (up to \$500,000 per occurrence). The City maintains excess liability insurance (\$10,000,000) to cover catastrophic losses. Property insurance on City buildings is for replacement value (less \$100,000 self-funded retention). The health insurance coverage for individual large claims also includes a second deductible, known as an Aggregating Specific. If one or more claims exceeds the \$175,000, the claims over that amount are applied to the Aggregating Specific deductible of \$161,835. Once that amount has been exhausted, the stop loss policy will reimburse eligible claims in excess of the individual deductible at 100%. Also, the health insurance plan's excess coverage allows expenditures by the City up to 125% of expected claims adjusted for industry standard trend adjustments, and for expenditures by the City of up to \$175,000 per individual. Losses from asserted claims and from un-asserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City carries commercial coverage for all other risks of loss. Within the last three fiscal years, the City had no general liability claims that exceeded the City's retention of \$500,000.

At June 30, 2018, a liability for incurred but not reported claims of \$1,924,296 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City is presented below.

	2018	2017
Liability, beginning	\$ 2,007,032	\$ 3,897,947
Current year claims and changes in estimate	15,777,480	14,408,199
Actual claim payments	(15,860,216)	(16,299,114)
Liability, ending	\$ 1,924,296	\$ 2,007,032

The City carries commercial flood insurance on three properties located at 671 North Eastern Blvd., 225 Ray Avenue, and 300 Bragg Blvd. These properties are covered by separate insurance policies with damage limits of \$500,000 for each building and contents coverage ranging from \$100,000 to \$500,000 per facility, with deductibles ranging from \$1,250 to \$15,000.

In accordance with G.S. 159-29, City employees who have access to \$100 or more of the City's funds at any given time are performance bonded through commercial surety bonds. The City's Chief Financial Officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$100,000 per theft coverage, with a \$1,000 per occurrence deductible.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 9 - Commitments and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant money.

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

The City is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial position, results of operations or cash flows of the City.

The City's bond issues are subject to Federal arbitrage regulations, and the City has elected to review its potential arbitrage liability annually on the bond issue dates. The arbitrage rebate payments are payable on the fifth anniversary of the bond issue date and every fifth year subsequent to that date. Although the actual amount to be paid is not presently determinable, the City believes that an adequate provision for arbitrage payables has been provided for in the accompanying financial statements.

The City has authorized expenditures totaling approximately \$257.3 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, environmental protection, Linear Park, storm water, transit and airport projects. At June 30, 2018, cumulative expenditures to date totaled approximately \$146.7 million leaving an unexpended balance of \$110.6 million for projects that are expected to be completed at various dates in future fiscal years.

Note 10 - Employee Retirement Systems

A – Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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 at www.osc.nc.gov.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.56% for general employees and firefighters. Contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$5,265,753 for the year ended June 30, 2018.

Refunds of Contributions. Employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability of \$19,984,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the City's proportion was 1.30809%, which was a decrease of 0.05699% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$6,896,674. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,151,263	\$ 565,684
Changes of assumptions	2,853,991	-
Net difference between projected and actual earnings on pension plans investments	4,852,137	-
Changes in proportion and differences between City contributions and proportionate share of contributions	10,109	976,593
City contributions subsequent to the measurement date	5,265,753	-
Total	\$ 14,133,253	\$ 1,542,277

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

The City reported \$5,265,753 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ 749,910
2020	5,488,294
2021	2,694,755
2022	(1,607,736)
2023	-
Thereafter	-
	\$ 7,325,223

Actuarial Assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease 6.20%	Discount Rate 7.20%	1% Increase 8.20%
City's proportionate share of the net pension liability (asset)	\$ 59,992,395	\$ 19,984,020	\$ (13,410,395)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

B - Law Enforcement Officers' Special Separation Allowance

Plan Description

The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service, or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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 covers all full-time City law enforcement officers. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	37
Active plan members	<u>436</u>
Total	<u>473</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the general fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The Entry Age Normal actuarial cost method was used in the December 31, 2016, valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary Increases	3.50 to 7.35%, including inflation and productivity factor	
Discount Rate	3.16%	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 on a pay as you go basis through appropriations made in the General Fund operating budget. 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. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$738,031 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$15,352,794. The total pension liability was measured as of December 31, 2017, based on a December 31, 2016, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$1,271,501.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,112	\$ -
Changes of assumptions	756,408	217,849
City benefit payments and plan administrative expense made subsequent to the measurement date	444,412	-
Total	\$ 1,247,932	\$ 217,849

\$444,412 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount Recognized as an Increase or (Decrease) to Pension Expense
2019	\$ 159,429	\$ 51,380	\$ 108,049
2020	159,429	51,380	108,049
2021	159,429	51,380	108,049
2022	159,429	51,380	108,049
2023	159,429	12,329	147,100
Thereafter	6,375	-	6,375
	<u>\$ 803,520</u>	<u>\$ 217,849</u>	<u>\$ 585,671</u>

\$444,412 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16%) or 1-percentage-point higher (4.16%) than the current rate:

	1% Decrease 2.16%	Current Discount Rate 3.16%	1% Increase 4.16%
Total pension liability	\$ 16,629,954	\$ 15,352,794	\$ 14,185,980

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2018
Beginning balance	\$ 13,966,229
Service cost	636,795
Interest on the total pension liability	524,852
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	56,460
Changes of assumptions or other inputs	906,489
Benefit payments	(738,031)
Other changes	-
	-
Ending balance of the total pension liability	\$ 15,352,794

The plan currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). The current mortality rates are based on published tables, and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Total Expense, Liabilities, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 6,896,646	\$ 1,271,501	\$ 8,168,147
Pension Liability	19,983,992	15,352,794	35,336,786
Proportionate share of the net pension liability	1.30809%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,151,263	47,112	1,198,375
Changes of assumptions	2,853,991	756,408	3,610,399
Net difference between projected and actual earnings on plan investments	4,852,137	-	4,852,137
Changes in proportion and differences between contributions and proportionate share of contributions	10,109	-	10,109
Benefit payments and administrative costs paid subsequent to the measurement date	5,265,753	444,412	5,710,165
Deferred Inflows of Resources			
Differences between expected and actual experience	565,684	-	565,684
Changes of assumptions	-	217,849	217,849
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	976,593	-	976,593

C - Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (the “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 for the law enforcement officers to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan.

The City contributed \$1,183,645 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

D – NC 401(k) Plan

The City contributes to the NC 401(k) Plan (401(k)), a defined contribution plan administered by the North Carolina Total Retirement Plans. The City contributes 1% of employee base pay to the 401(k) on behalf of eligible employees. This plan is available to all non-law enforcement employees that are eligible for the NC Retirement System. The City contributed \$491,212 for the year ended June 30, 2018.

E – Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund 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 the Firefighters' and Rescue Squad Workers' Pension Fund. 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 at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefits will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The City's proportionate share of the State's contribution is \$154,297.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10 - Employee Retirement Systems (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$55,985. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017, and at June 30, 2016, was 0%.

For the year ended June 30, 2018, the City recognized pension expense of \$33,762 and revenue of \$33,762 for support provided by the State. At June 30, 2018, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Not applicable
Investment Rate of Return	7.20%, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11 - Other Postemployment Benefits (OPEB)

A - Healthcare Benefits

Plan description. Under the terms of a City resolution, the City (excluding the City's Public Works Commission) administers the Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. For employees hired on or after February 1, 2008, this plan provides postemployment healthcare benefits to retirees of the City, up to the age of 65 or until they are eligible to receive Medicare benefits, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. For employees hired prior to February 1, 2008, employees qualified for similar level benefits after at least five years of creditable service with the City and 10 years of service credit with the System. Employees hired on or after July 1, 2014 are not eligible for this benefit. The City and retirees contribute to the cost of coverage for these benefits through a self-insured plan. Also, the City's retirees can purchase coverage for their eligible dependents at the City's group rates. The City also provides a death benefit through the plan based on the number of years of service at retirement. The City may amend the benefit provisions. A separate report was not issued for the plan.

Membership in the healthcare and life insurance benefit plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active plan members	
Law Enforcement Officers	351
Firefighters	283
General Employees	579
Total	1,983

Total OPEB Liability

The City's total OPEB liability of \$43,365,538 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11 - Other Postemployment Benefits (OPEB) (continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Municipal bond index rate	
Prior measurement date	3.01%
Measurement date	3.56%
Healthcare cost trends	
Pre-medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 42,563,256
Changes for the year:	
Service cost	3,106,495
Interest	1,254,803
Change in benefit terms	-
Difference between expected and actual experi	406,222
Changes of assumptions or other inputs	(2,201,233)
Benefit payments	(1,764,005)
Other	-
Net changes	<u>802,282</u>
Balance at June 30, 2018	<u>\$ 43,365,538</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational morality improvements using Scale MP-2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11 - Other Postemployment Benefits (OPEB) (continued)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB liability	\$ 47,464,006	\$ 43,365,538	\$ 39,671,489

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 6.50%	Current Pre-medicare Rate 7.50%	1% Increase 8.50%
Total OPEB liability	\$ 38,466,122	\$ 43,365,538	\$ 49,206,905

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$4,141,859. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 356,563	\$ -
Changes of assumptions	-	1,932,134
City benefit payments and administrative costs made subsequent to the measurement date	1,014,332	-
Total	\$ 1,370,895	\$ 1,932,134

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11 - Other Postemployment Benefits (OPEB) (continued)

\$1,014,332 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Year ended June 30:			
2019	\$		(219,439)
2020			(219,439)
2021			(219,439)
2022			(219,439)
2023			(219,439)
Thereafter			(478,376)

B – Death Benefits

The City provides regular full-time and part-time employees with a \$3,000 death benefit during their first year of employment, unless the employee already has one year of membership in the North Carolina Retirement System. The benefit is effective on the first day of the month following 30 days of service. If eligible, the death benefit is discontinued after one year of employment, when the employee becomes qualified for the State Death Benefit Plan. The City considers these benefit payments to be immaterial.

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 multiple-employer, State-administered, cost-sharing 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 the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The City considers these contributions to be immaterial.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12 – Interfund Balances and Activity

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2018, consist of the following:

Transfer out:	Transfer in:						Total
	General	Economic and Physical Development	Nonmajor Governmental	Transit	Environmental Services	Internal Service	
General	\$ -	\$ 1,760,000	\$ 10,656,885	\$ 3,839,962	\$ 2,023,967	\$ 1,396,256	\$ 19,677,070
Totals	\$ -	\$ 1,760,000	\$ 10,656,885	\$ 3,839,962	\$ 2,023,967	\$ 1,396,256	\$ 19,677,070

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, and include amounts provided as matching funds for various grant programs.

Transfers totaling \$12,416,885 were made during the fiscal year from the general fund to major and non-major governmental funds. Of this total, transfers for capital projects consisted of: \$8,636,607 for transportation projects including street resurfacing and improvements, street lighting and sidewalk improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$831,686 for general government projects including major facility maintenance projects and computer replacements; \$318,989 for dam restoration projects due to damages caused by Hurricane Matthew; \$842,702 for recreation and cultural projects including parks and trails; and \$1,760,000 for economic development. Additionally, transfers to special revenue funds included \$26,901 transferred for local matches for Federal and State funded programs.

The general fund made transfers to enterprise funds to support environmental services operations and transit system operations, planning functions and capital purchases.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13 – Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total Fund Balance - General Fund	\$ 69,168,478
Less:	
Nonspendable	
Inventories	58,627
Prepays	1,133,542
Restricted	
Stabilization by State Statute	25,672,447
Central Business Tax District	121,772
Cumberland County Recreation District	1,733,754
Donations	17,508
Lake Valley Drive MSD	759
Committed	
Law Enforcement Officer's Separation Allowance	5,433,945
Assigned	
Subsequent years expenditures	5,033,560
Specific purpose assignments	2,271,747
Capital funding plan	8,124,237
Working capital/fund balance policy	16,503,333
Remaining fund balance	\$ 3,063,247

The City's fund balance policy is discussed in Note 1.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

Total Encumbrances	General Fund	Other Major and Non-Major Funds
\$ 52,268,009	\$ 3,890,173	\$ 48,377,836

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 14 – Changes in Accounting Principle Restatements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for governmental activities decreased \$13,380,314 and business-type activities decreased \$1,861,728.

Note 15 - Related Party Transactions

PWC operates as a discretely presented component unit of the City of Fayetteville, North Carolina. As such, the Commission provides fleet maintenance, electric and water/wastewater services to the City. Services, which are billed and paid monthly, totaled \$1,936,356 in 2018. In addition, intergovernmental transactions are made in amounts as determined by the respective governing Boards. Net intergovernmental transactions with PWC amounted to \$7,171,862 in 2018. Balances due to/from PWC at June 30, 2018, were as follows:

Receivables (due from PWC)	\$	1,368,718
Payables (due to PWC)	\$	284,374
Assessments (due to PWC)		7,225,701
Assessments interest (due to PWC)		288,587
Total due to PWC	\$	7,798,662

Note 16 – Subsequent Events

Management has evaluated subsequent events through December 4, 2018, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. Based upon this evaluation, management determined that the following event requires disclosure in the financial statements.

Hurricane Florence impacted the City over several days beginning on September 13th, 2018. Tropical storm force winds and extensive rainfall amounts resulted in widespread flooding and other damage in the City. To date the City has identified 16 projects with estimated damages totaling \$10.95 million. Most of these losses should be recoverable through FEMA and/or insurance.

The City also has a planned debt issuance of \$13,969,439 scheduled to occur in May of 2019. This will be the first round of the approved but unissued \$35,000,000 Parks and Recreation general obligation bonds.

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FISCAL YEAR ENDED
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Required Supplementary Information

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

Law enforcement officers' special separation allowance

- Schedule of changes in total pension liability

Law enforcement officers' special separation allowance

- Schedule of total pension liability as a percentage of covered payroll

Local Government Employees' Retirement System

- Proportionate share of net pension liability (asset)

Local Government Employees' Retirement System

- City of Fayetteville's contributions

Other post-employment benefit retiree healthcare plan

- Schedule of changes in the total OPEB liability and related ratios

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Last Two Fiscal Years*

Schedule of Changes in Total Pension Liability

	2018	2017
Beginning balance	\$ 13,966,229	\$ 13,773,620
Service cost	636,795	663,903
Interest on the total pension liability	524,852	480,452
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	56,460	-
Changes of assumptions or other inputs	906,489	(320,609)
Benefit payments	(738,031)	(631,137)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 15,352,794</u>	<u>\$ 13,966,229</u>

The amount presented for each fiscal year were determined as of the prior fiscal year ending December 31.

*This schedule is intended to show information for ten years. Additional years will be displayed as it becomes available.

City of Fayetteville, North Carolina

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Two Fiscal Years*

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 15,352,794	\$ 13,966,229
Covered payroll	24,885,304	25,442,283
Total pension liability as a percentage of covered payroll	62%	55%

Notes to the schedules:

The City of Fayetteville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

*This schedule is intended to show information for ten years. Additional years will be displayed as it becomes available.

City of Fayetteville, North Carolina
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	1.30809%	1.36508%	1.37320%	1.91929%	1.86080%
City's proportion of the net pension liability (asset) (\$)	\$ 19,984,020	\$ 28,971,603	\$ 6,162,839	\$ (11,318,942)	\$ 22,429,786
City's covered payroll	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543	\$ 104,285,543
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.50%	38.83%	5.74%	-10.85%	21.51%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

City of Fayetteville, North Carolina

**City of Fayetteville's Contributions
Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,265,753	\$ 6,365,576	\$ 5,145,668	\$ 9,552,218	\$ 7,417,597
Contributions in relation to the contractually required contribution	5,265,753	6,365,576	5,145,668	9,552,218	7,417,597
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 73,736,914	\$ 85,036,524	\$ 74,606,039	\$ 107,418,002	\$ 104,285,543
Contributions as a percentage of covered payroll	7.14%	7.49%	6.90%	8.89%	7.11%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
This schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

City of Fayetteville, North Carolina

**Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018**

Total OPEB Liability	2018
	<hr/>
Service cost	\$ 3,106,495
Interest	1,254,803
Changes of benefit terms	-
Differences between expected and actual experience	406,222
Changes of assumption or other inputs	(2,201,233)
Benefit payments	(1,764,005)
Other changes	-
Net change in total OPEB liability	<hr/> 802,282
Total OPEB liability - beginning	<hr/> 42,563,256
Total OPEB liability - ending	<hr/> <hr/> \$ 43,365,538
Covered payroll	\$ 62,674,010
Total OPEB liability as a percentage of covered payroll	69.19%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

The City of Fayetteville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

This schedule is intended to show information for ten years. Additional years will be displayed as it becomes available.

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
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Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

These statements/schedules provide a more detailed view of the “Basic Financial Statements” as presented in the preceding subsection.

Combining statements are presented where there is more than one fund of a given type. Individual fund statements are presented only if one fund exists in a given fund type.

City of Fayetteville, North Carolina

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**COMPREHENSIVE ANNUAL
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General Fund

The General Fund is the principal fund of the City and is used to account for the receipt and expenditure of resources that are traditionally associated with local governments and that are not required to be accounted for in another fund.

Resources are provided primarily through taxes, intergovernmental revenues and transfers, and are expended for services deemed not susceptible to a user charge financing method.

The Fund is accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Comparative Balance Sheets
General Fund

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 47,815,154	\$ 48,103,223
Taxes receivable	1,634,121	1,723,223
Accounts receivable	4,943,887	1,305,706
Due from other governments	16,563,412	15,980,206
Assessments receivable	851,377	897,141
Interfund receivable	3,874,302	275,696
Inventories	58,627	57,332
Prepaid Items	1,133,542	1,115,857
Restricted accounts receivable	13,573	116,997
Restricted cash and investments	6,201,476	5,171,866
Total assets	<u>\$ 83,089,471</u>	<u>\$ 74,747,247</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 7,445,226	\$ 6,883,082
Restricted unearned deposits	382,329	498,420
Unearned revenue	3,435	6,410
Prepaid taxes	-	9,944
Total liabilities	<u>7,830,990</u>	<u>7,397,856</u>
Deferred inflows of resources		
Taxes receivable	1,634,121	1,664,468
Accounts receivable	3,351,486	229,870
Assessment receivable	1,104,396	1,147,520
Total deferred inflows of resources	<u>6,090,003</u>	<u>3,041,858</u>
Fund balances		
Nonspendable		
For inventories	58,627	57,332
For prepaids	1,133,542	1,115,857
Restricted		
Stabilization by State Statute	25,672,447	23,362,174
For downtown	121,772	108,622
For Lake Valley Drive MSD	759	5,941
For county recreation	1,733,754	4,408,310
For donations	17,508	13,265
Committed		
Law Enforcement Officers' Special Separation Allowance	5,433,945	4,672,755
Assigned		
For subsequent year's expenditures	5,033,560	3,454,259
For special purpose	2,271,747	2,927,980
For capital projects	8,124,237	2,531,973
Unassigned	19,566,580	21,649,065
Total fund balances	<u>69,168,478</u>	<u>64,307,533</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 83,089,471</u>	<u>\$ 74,747,247</u>

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actuals	2017 Actuals
Revenues				
Ad Valorem Taxes				
Current year	\$ 68,985,267	\$ (386,114)	\$ 68,599,153	\$ 71,401,351
Prior years	380,615	21,757	402,372	354,126
Interest and penalties	201,400	33,280	234,680	219,432
Total ad valorem taxes	69,567,282	(331,077)	69,236,205	71,974,909
Other Taxes				
Vehicle license tax	631,065	(500)	630,565	639,089
Privilege license	16,420	9,411	25,831	16,989
Gross receipts tax on rental property	704,490	(52,031)	652,459	698,234
Total Other Taxes	1,351,975	(43,120)	1,308,855	1,354,312
Unrestricted intergovernmental				
Local option sales tax	41,806,724	(617,285)	41,189,439	39,922,499
Payment in lieu of taxes	10,428,117	-	10,428,117	9,966,765
Telecommunications sales tax	1,211,000	(1,827)	1,209,173	1,317,997
Utilities sales tax	10,063,100	(261,982)	9,801,118	9,665,455
Piped natural gas sales tax	241,700	186,646	428,346	333,141
Video franchise fee	2,232,800	(75,248)	2,157,552	2,238,983
Beer and wine tax	924,800	(20,738)	904,062	942,161
County - other	273,896	25,387	299,283	292,259
Local - public safety	312,590	7,235	319,825	277,682
Local - other	17,418	(4,802)	12,616	24,879
Total unrestricted intergovernmental	67,512,145	(762,614)	66,749,531	64,981,821
Restricted intergovernmental				
Federal - public safety	603,352	371,563	974,915	964,297
Federal - other	69,922	197,509	267,431	489,610
Powell Bill allocation	5,330,525	13,872	5,344,397	5,372,792
State - other	133,219	(42,654)	90,565	143,850
State - public safety	119,000	188,112	307,112	278,775
County recreation	1,056,480	(495,469)	561,011	2,360,771
County - other	1,060,944	(155,817)	905,127	563,135
Local - other	1,200,000	-	1,200,000	1,200,000
Total restricted intergovernmental	9,573,442	77,116	9,650,558	11,373,230
Permits and Fees	2,592,440	94,196	2,686,636	2,200,113
Sales and Services				
Property leases	516,983	181,394	698,377	697,302
Engineering/planning services	465,250	(3,289)	461,961	421,167
Public safety services	1,110,484	116,320	1,226,804	1,066,611
Recreation and cultural services	1,698,061	134,742	1,832,803	1,735,367
Parking revenues	139,368	19,043	158,411	150,317
Other fees and services	562,016	(218,038)	343,978	407,871
Total sales and services	4,492,162	230,172	4,722,334	4,478,635
Miscellaneous				
Refunds and sundry	292,745	50,913	343,658	659,339
Indirect cost allocation	2,170,100	155,981	2,326,081	2,235,734
Special use assessment	232,750	(101,562)	131,188	131,824
Total miscellaneous	2,695,595	105,332	2,800,927	3,026,897
Interest earned on investments	395,130	600,444	995,574	388,571
Total revenues	158,180,171	(29,551)	158,150,620	159,778,488

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

Expenditures	Budget	Variance Positive (Negative)	2018 Actuals	2017 Actuals
Current				
Community Investment				
Economic and Community Development				
Salaries and employee benefits	324,594	1,697	322,897	469,135
Other operating expenditures	3,565,728	271,447	3,294,281	633,650
Capital outlay	-	-	-	-
Payments to agencies	482,354	350,001	132,353	147,794
	<u>4,372,676</u>	<u>623,145</u>	<u>3,749,531</u>	<u>1,250,579</u>
Development Services				
Salaries and employee benefits	3,643,997	314,394	3,329,603	3,311,401
Other operating expenditures	825,567	306,430	519,137	546,508
Capital outlay	-	-	-	23,965
Payments to agencies	1,500	1,500	-	1,623
	<u>4,471,064</u>	<u>622,324</u>	<u>3,848,740</u>	<u>3,883,497</u>
Human relations				
Salaries and employee benefits	294,375	4	294,371	290,107
Other operating expenditures	40,763	193	40,570	43,423
Payments to agencies	12,700	-	12,700	27,866
	<u>347,838</u>	<u>197</u>	<u>347,641</u>	<u>361,396</u>
Total Community Investment	9,191,578	1,245,666	7,945,912	5,495,472
Support Services and Administration				
Budget and Evaluation				
Salaries and employee benefits	468,110	69	468,041	422,865
Other operating expenditures	13,885	1,326	12,559	18,825
	<u>481,995</u>	<u>1,395</u>	<u>480,600</u>	<u>441,690</u>
Corporate Communications				
Salaries and employee benefits	716,754	15,506	701,248	709,774
Other operating expenditures	217,060	30,822	186,238	204,222
Capital outlay	36,446	15,007	21,439	39,653
Inventory	103,113	9,964	93,149	91,023
Cost redistribution	(128,800)	(11,844)	(116,956)	(123,509)
	<u>944,573</u>	<u>59,455</u>	<u>885,118</u>	<u>921,163</u>
City Manager's Office				
Salaries and employee benefits	1,936,467	77,703	1,858,764	1,840,581
Other operating expenditures	312,340	28,638	283,702	195,290
Capital outlay	-	-	-	27,044
	<u>2,248,807</u>	<u>106,341</u>	<u>2,142,466</u>	<u>2,062,915</u>
City Attorney's Office				
Salaries and employee benefits	1,000,597	682	999,915	961,930
Other operating expenditures	416,114	56,685	359,429	378,173
Cost redistribution	-	-	-	-
	<u>1,416,711</u>	<u>57,367</u>	<u>1,359,344</u>	<u>1,340,103</u>
Finance				
Salaries and employee benefits	1,609,666	32,222	1,577,444	1,537,829
Other operating expenditures	946,867	305,777	641,090	1,047,354
	<u>2,556,533</u>	<u>337,999</u>	<u>2,218,534</u>	<u>2,585,183</u>
Human Resources Development				
Salaries and employee benefits	1,007,431	44,381	963,050	879,304
Other operating expenditures	229,962	71,085	158,877	156,460
Capital outlay	-	-	-	4,931
	<u>1,237,393</u>	<u>115,466</u>	<u>1,121,927</u>	<u>1,040,695</u>
Information Technology				
Salaries and employee benefits	2,159,982	47,204	2,112,778	2,031,282
Other operating expenditures	3,109,354	717,973	2,391,381	2,392,497
Capital outlay	181,500	69,750	111,750	6,899
Cost redistribution	(70,000)	2,560	(72,560)	(72,560)
	<u>5,380,836</u>	<u>837,487</u>	<u>4,543,349</u>	<u>4,358,118</u>

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actuals	2017 Actuals
Expenditures (continued)				
Current (continued)				
Mayor, Council and City Clerk				
Salaries and employee benefits	493,392	20,600	472,792	446,927
Other operating expenditures	579,096	136,273	442,823	217,879
	<u>1,072,488</u>	<u>156,873</u>	<u>915,615</u>	<u>664,806</u>
Total Support Services and Administration	15,339,336	1,672,383	13,666,953	13,414,673
Operations				
Fire				
Salaries and employee benefits	22,383,456	146,925	22,236,531	22,046,557
Other operating expenditures	3,805,535	240,632	3,564,903	3,620,190
Capital outlay	2,352,379	1,150,796	1,201,583	774,107
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>28,466,370</u>	<u>1,538,353</u>	<u>26,928,017</u>	<u>26,365,854</u>
Parks, Recreation and Maintenance				
Parks and recreation				
Salaries and employee benefits	8,378,093	212,532	8,165,561	8,130,098
Other operating expenditures	5,099,702	669,781	4,429,921	4,459,111
Capital outlay	601,957	359,203	242,754	424,670
Payments to agencies	179,250	-	179,250	179,250
Cost redistribution	(1,395)	(1,395)	-	-
	<u>14,257,607</u>	<u>1,240,121</u>	<u>13,017,486</u>	<u>13,193,129</u>
Cemeteries				
Salaries and employee benefits	122,535	34	122,501	117,721
Other operating expenditures	17,936	3,903	14,033	61,438
Capital outlay	-	-	-	-
	<u>140,471</u>	<u>3,937</u>	<u>136,534</u>	<u>179,159</u>
Urban forestry				
Salaries and employee benefits	177,534	83	177,451	174,018
Other operating expenditures	39,444	9,923	29,521	50,402
	<u>216,978</u>	<u>10,006</u>	<u>206,972</u>	<u>224,420</u>
Public buildings				
Salaries and employee benefits	835,843	5,058	830,785	877,496
Other operating expenditures	1,075,728	119,330	956,398	1,169,663
Capital outlay	177,377	106,338	71,039	-
	<u>2,088,948</u>	<u>230,726</u>	<u>1,858,222</u>	<u>2,047,159</u>
Right of way maintenance				
Salaries and employee benefits	968,112	2,378	965,734	884,178
Other operating expenditures	479,054	128,802	350,252	386,458
Capital outlay	438,848	187,679	251,169	168,952
	<u>1,886,014</u>	<u>318,859</u>	<u>1,567,155</u>	<u>1,439,588</u>
Total parks, recreation and maintenance	18,590,018	1,803,649	16,786,369	17,083,455
Police				
Salaries and employee benefits	41,668,158	611,044	41,057,114	40,964,720
Other operating expenditures	7,650,224	681,087	6,969,137	8,082,121
Capital outlay	2,205,056	957,888	1,247,168	1,645,183
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	-	-	-	-
	<u>51,526,438</u>	<u>2,250,019</u>	<u>49,276,419</u>	<u>50,695,024</u>
Public Services				
Engineering and Construction Management				
Salaries and employee benefits	1,525,928	123,934	1,401,994	1,462,602
Other operating expenditures	343,962	106,202	237,760	292,022
Capital outlay	131,153	3,474	127,679	150,394
	<u>2,001,043</u>	<u>233,610</u>	<u>1,767,433</u>	<u>1,905,018</u>
Streets				
Salaries and employee benefits	2,748,665	98,404	2,650,261	2,760,841
Other operating expenditures	2,832,486	514,516	2,317,970	2,580,441
Capital outlay	482,286	142,450	339,836	232,213
	<u>6,063,437</u>	<u>755,370</u>	<u>5,308,067</u>	<u>5,573,495</u>

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actuals	2017 Actuals
Expenditures (continued)				
Current (continued)				
Real Estate				
Salaries and employee benefits	213,395	52,425	160,970	205,182
Other operating expenditures	48,590	5,142	43,448	24,394
Capital outlay	23,455	1,980	21,475	198
	<u>285,440</u>	<u>59,547</u>	<u>225,893</u>	<u>229,774</u>
Total Public Services	8,349,920	1,048,527	7,301,393	7,708,287
Total Operations	106,932,746	6,640,548	100,292,198	101,852,620
Other Appropriations				
General Government				
Salaries and employee benefits	1,594,877	95,052	1,499,825	1,294,984
Other operating expenditures	1,680,221	399,904	1,280,317	1,605,078
Inventory	1,085,068	1,640	1,083,428	877,191
Capital outlay	138,298	89,137	49,161	2,500,000
Payments to agencies	7,809,214	125,131	7,684,083	7,496,088
Cost redistribution	(1,144,618)	(27,945)	(1,116,673)	(923,639)
	<u>11,163,060</u>	<u>682,919</u>	<u>10,480,141</u>	<u>12,849,702</u>
Total Other Appropriations	11,163,060	682,919	10,480,141	12,849,702
Parking				
Other operating expenditures	361,480	12,352	349,128	329,547
Central business tax district				
Salaries and employee benefits	3,086	114	2,972	24,055
Other operating expenditures	237,869	12,602	225,267	38,529
Capital outlay	5,000	-	5,000	-
	<u>245,955</u>	<u>12,716</u>	<u>233,239</u>	<u>62,584</u>
Total central business tax district	245,955	12,716	233,239	62,584
Lake Valley Drive MSD				
Other operating expenditures	1,050	1,050	-	-
Law Enforcement Officers' Special Separation Allowance				
Salaries and employee benefits	1,640,453	774,127	866,326	747,619
Debt Service				
Operations				
Principal	2,556,312	2,556,312	-	-
Interest	225,900	225,900	-	-
	<u>2,782,212</u>	<u>2,782,212</u>	<u>-</u>	<u>-</u>
Total debt service - operations	2,782,212	2,782,212	-	-
Other Appropriations				
Principal	10,115,475	1,769,395	8,346,080	4,311,911
Interest	670,371	2	670,369	620,834
Issuance cost	-	-	-	70,738
	<u>10,785,846</u>	<u>1,769,397</u>	<u>9,016,449</u>	<u>5,003,483</u>
Total debt service - other appropriations	10,785,846	1,769,397	9,016,449	5,003,483
Total Debt Service	13,568,058	4,551,609	9,016,449	5,003,483
Total Expenditures	158,443,716	15,593,370	142,850,346	139,755,700
Revenues over (under) expenditures	(263,545)	15,563,819	15,300,274	20,022,788
Other Financing Sources (Uses)				
Sale of assets	5,570,000	(5,970)	5,564,030	169,922
Appropriated Fund Balance	12,748,162	(12,748,162)	-	-
Transfers in from other funds	-	-	-	1,067,080
Transfers (out) - Community Investment	(144,750)	30,000	(114,750)	(482,058)
Transfers (out) - Support Services & Administration	(510,149)	-	(510,149)	(884,441)
Transfers (out) - Operations	(10,173,621)	241,535	(9,932,086)	(6,614,435)
Transfers (out) - Other Appropriations	(10,899,909)	1,779,723	(9,120,186)	(13,280,717)
Proceeds from Loans	3,673,812	-	3,673,812	2,440,977
	<u>263,545</u>	<u>(10,702,874)</u>	<u>(10,439,329)</u>	<u>(17,583,672)</u>
Total Other Financing Sources (Uses)	263,545	(10,702,874)	(10,439,329)	(17,583,672)

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2018 Actuals</u>	<u>2017 Actuals</u>
Revenues and Other Financing Sources (Uses)				
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 4,860,945</u>	4,860,945	2,439,116
Fund Balance				
Beginning			<u>64,307,533</u>	<u>61,868,417</u>
Ending			<u>\$ 69,168,478</u>	<u>\$ 64,307,533</u>

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PWC Assessment Fund

The PWC Assessment Fund is a special revenue fund of the City and is used to account for water and sewer fees assessed by the City for PWC since PWC does not have the power to assess the citizens. The revenue is committed to PWC.

The Fund is accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
PWC Assessment Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts For Year Ended June 30, 2017)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2018 Actual</u>	<u>2017 Actual</u>
Revenues				
Assessment revenue	\$ 3,081,600	\$ (995,313)	\$ 2,086,287	\$ 1,162,394
Interest earned on investments	434,400	(131,848)	302,552	301,716
Total revenues	<u>3,516,000</u>	<u>(1,127,161)</u>	<u>2,388,839</u>	<u>1,464,110</u>
Expenditures				
Current				
Administration				
Intergovernmental expense - assessment	3,516,000	1,127,161	2,388,839	1,464,110
Total expenditures	<u>3,516,000</u>	<u>1,127,161</u>	<u>2,388,839</u>	<u>1,464,110</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance				
Beginning			-	-
Ending			<u>\$ -</u>	<u>\$ -</u>

City of Fayetteville, North Carolina

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Economic & Physical Development Fund

The Economic and Physical Development Fund is a major capital project fund used to account for resources used for the acquisition, construction and improvement of public facilities including a baseball stadium, parking deck and other downtown development.

Resources are provided primarily through facility financing proceeds and transfers from other funds.

The Fund is accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Comparative Balance Sheet
Economic and Physical Development Fund

June 30, 2018 and June 30, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 4,487,236	\$ 3,459,040
Accounts receivable	1,306	13,562
Due from other governments	85,910	-
Restricted cash and investments	42,283,036	-
Total assets	<u>\$ 46,857,488</u>	<u>\$ 3,472,602</u>
Liabilities, deferred inflows of resources and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,765	\$ 71,234
Unearned revenue	132,448	-
Restricted accounts payable and accrued expenses	2,599,697	-
Total liabilities	<u>2,751,910</u>	<u>71,234</u>
Fund balances:		
Restricted		
Stabilization by State Statute	39,607,666	2,218,469
Economic and physical development	30,441	-
Committed		
Economic and physical development	4,467,471	1,182,899
Unassigned	-	-
Total fund balances	<u>44,105,578</u>	<u>3,401,368</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,857,488</u>	<u>\$ 3,472,602</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Economic and Physical Development Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ -	\$ 1,251,150	\$ 1,251,150	\$ -	\$ -
State grants	250,000	94,340	94,340	117,552	117,552
County	250,243	250,242	-	-	250,242
Local	92,105	55,122	-	7,917	63,039
Total restricted intergovernmental	<u>592,348</u>	<u>1,650,854</u>	<u>1,345,490</u>	<u>125,469</u>	<u>430,833</u>
Interest earned on investments	<u>-</u>	<u>13,804</u>	<u>13,803</u>	<u>59,626</u>	<u>59,627</u>
Total revenues	<u>592,348</u>	<u>1,664,658</u>	<u>1,359,293</u>	<u>185,095</u>	<u>490,460</u>
Expenditures					
Current					
Economic and physical development					
Texfi Project	895,724	797,631	-	17,034	814,665
HOPE VI	6,526,000	5,983,435	-	134,959	6,118,394
Downtown parking deck	-	5,569,958	5,569,958	-	-
Military Business Park	-	1,251,150	1,251,150	-	-
Murchison Road redevelopment	1,625,000	945,474	-	97,012	1,042,486
Dr. EE Smith House restoration	275,600	3,986	-	214,121	218,107
Affordable Housing	160,000	59,073	-	41,683	100,756
Downtown baseball stadium	37,885,102	464,374	-	9,477,585	9,941,959
Ray Avenue revitalization	-	94,340	94,340	-	-
Downtown redevelopment site	1,495,000	-	-	124,203	124,203
Downtown parking	525,000	-	-	201,983	201,983
Hay Street parking and mixed use	14,845,000	-	-	1,452,305	1,452,305
Total economic and physical development	<u>64,232,426</u>	<u>15,169,421</u>	<u>6,915,448</u>	<u>11,760,885</u>	<u>20,014,858</u>
Debt service					
Principal	-	151,843	151,843	-	-
Interest	-	242,002	242,002	-	-
Total debt service	<u>-</u>	<u>393,845</u>	<u>393,845</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>64,232,426</u>	<u>15,563,266</u>	<u>7,309,293</u>	<u>11,760,885</u>	<u>20,014,858</u>
Revenues over (under) expenditures	<u>(63,640,078)</u>	<u>(13,898,608)</u>	<u>(5,950,000)</u>	<u>(11,575,790)</u>	<u>(19,524,398)</u>
Other financing sources (uses)					
Issuance of debt	50,530,102	5,950,000	5,950,000	50,520,000	50,520,000
Transfers in	13,149,976	11,389,976	-	1,760,000	13,149,976
Transfers out	(40,000)	(40,000)	-	-	(40,000)
Total other financing sources (uses)	<u>63,640,078</u>	<u>17,299,976</u>	<u>5,950,000</u>	<u>52,280,000</u>	<u>63,629,976</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,401,368</u>	<u>\$ -</u>	<u>40,704,210</u>	<u>\$ 44,105,578</u>
Fund balance					
Beginning				3,401,368	
Ending				<u>\$ 44,105,578</u>	

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City of
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Non-major Governmental Funds

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,135,809	\$ 12,773,376	\$ 13,909,185
Accounts receivable	809,020	676,395	1,485,415
Due from other governments	150,560	2,827,023	2,977,583
Restricted cash and investments	965,261	3,907,797	4,873,058
Restricted accounts receivable	-	2,022	2,022
Notes receivable	7,851,029	-	7,851,029
Property held for resale	27,871	-	27,871
Total assets	<u>\$ 10,939,550</u>	<u>\$ 20,186,613</u>	<u>\$ 31,126,163</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 273,005	\$ 1,664,053	\$ 1,937,058
Unearned revenue	272,155	780,358	1,052,513
Restricted accounts payable and accrued expenses	-	281,437	281,437
Interfund payable	-	3,874,302	3,874,302
Total liabilities	<u>545,160</u>	<u>6,600,150</u>	<u>7,145,310</u>
Fund balances:			
Restricted			
Stabilization by State Statute	11,417,451	9,783,852	21,201,303
Administration	-	27,315	27,315
Public safety	1,340,693	2,089,645	3,430,338
For streets - Powell Bill	-	-	-
Recreation and community facilities	-	759,528	759,528
Economic and physical development	11,951	-	11,951
Committed			
Administration	-	2,793,637	2,793,637
Transportation	-	1,722,632	1,722,632
Economic and physical development	-	-	-
Recreation and community facilities	36,374	1,584,106	1,620,480
Unassigned	(2,412,079)	(5,174,252)	(7,586,331)
Total fund balances	<u>10,394,390</u>	<u>13,586,463</u>	<u>23,980,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,939,550</u>	<u>\$ 20,186,613</u>	<u>\$ 31,126,163</u>

City of Fayetteville, North Carolina

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 5,159,014	\$ 3,890,598	\$ 9,049,612
Local	-	-	-
Miscellaneous	106,303	176,892	283,195
Interest earned on investments	129,543	29,791	159,334
Total revenues	5,394,860	4,097,281	9,492,141
Expenditures			
Current			
Administration	-	1,062,760	1,062,760
Public safety	1,786,823	6,711,687	8,498,510
Transportation	-	8,948,069	8,948,069
Economic and physical development	2,727,888	-	2,727,888
Environmental protection	1,346,315	468,929	1,815,244
Recreation and community facilities	68,978	2,502,740	2,571,718
Debt service:			
Principal	169,010	-	169,010
Interest	6,803	-	6,803
Total expenditures	6,105,817	19,694,185	25,800,002
Revenues over (under) expenditures	(710,957)	(15,596,904)	(16,307,861)
Other financing sources (uses)			
Transfers in	26,801	10,630,084	10,656,885
Transfers out	-	-	-
Issuance of debt	-	6,722,197	6,722,197
Total other financing sources (uses)	26,801	17,352,281	17,379,082
Net change in fund balances	(684,156)	1,755,377	1,071,221
Fund balances			
Beginning	11,078,545	11,831,086	22,909,631
Ending	\$ 10,394,389	\$ 13,586,463	\$ 23,980,852

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Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of special revenue sources or to finance specific activities as required by law or administrative regulation.

The following comprise the City's Special Revenue Funds:

- **Emergency Telephone System Fund**
- **Federal and State Financial Assistance Fund**
- **Linear Park Fund**

All Special Revenue Funds are accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$ 771,415	\$ 325,572	\$ 38,822	\$ 1,135,809
Accounts receivable	67,987	740,982	51	809,020
Due from other governments	-	150,303	257	150,560
Restricted cash and investments	-	965,261	-	965,261
Notes receivable	-	7,851,029	-	7,851,029
Property held for resale	-	27,871	-	27,871
Total assets	<u>\$ 839,402</u>	<u>\$ 10,061,018</u>	<u>\$ 39,130</u>	<u>\$ 10,939,550</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 28,964	\$ 241,593	\$ 2,448	\$ 273,005
Unearned revenue	-	272,155	-	272,155
Total liabilities	<u>28,964</u>	<u>513,748</u>	<u>2,448</u>	<u>545,160</u>
Fund balances:				
Restricted				
Stabilization by State Statute	87,403	11,329,740	308	11,417,451
Public safety	723,035	617,658	-	1,340,693
Economic and physical development	-	11,951	-	11,951
Committed				
Recreation and community facilities	-	-	36,374	36,374
Unassigned	-	(2,412,079)	-	(2,412,079)
Total fund balances	<u>810,438</u>	<u>9,547,270</u>	<u>36,682</u>	<u>10,394,390</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 839,402</u>	<u>\$ 10,061,018</u>	<u>\$ 39,130</u>	<u>\$ 10,939,550</u>

City of Fayetteville, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2018

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Revenues				
Restricted intergovernmental	\$ 799,302	\$ 4,359,712	\$ -	\$ 5,159,014
Miscellaneous	-	97,109	9,194	106,303
Interest earned on investments	11,188	117,940	415	129,543
Total revenues	<u>810,490</u>	<u>4,574,761</u>	<u>9,609</u>	<u>5,394,860</u>
Expenditures				
Current:				
Public safety	924,072	862,751	-	1,786,823
Economic and physical development	-	2,727,888	-	2,727,888
Environmental protection	-	1,346,315		1,346,315
Recreation and community facilities	-	66,690	2,288	68,978
Debt Service:				
Principal	94,010	75,000	-	169,010
Interest	3,360	3,443	-	6,803
Total expenditures	<u>1,021,442</u>	<u>5,082,087</u>	<u>2,288</u>	<u>6,105,817</u>
Revenues over (under) expenditures	<u>(210,952)</u>	<u>(507,326)</u>	<u>7,321</u>	<u>(710,957)</u>
Other financing sources (uses)				
Transfers in	-	26,901	(100)	26,801
Total other financing sources (uses)	<u>-</u>	<u>26,901</u>	<u>(100)</u>	<u>26,801</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>(210,952)</u>	<u>(480,425)</u>	<u>7,221</u>	<u>(684,156)</u>
Fund balances				
Beginning	1,021,390	10,027,694	29,461	11,078,545
Ending	<u>\$ 810,438</u>	<u>\$ 9,547,269</u>	<u>\$ 36,682</u>	<u>\$ 10,394,389</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Emergency Telephone System Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts For Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Revenues				
Restricted intergovernmental	\$ 799,301	\$ 1	\$ 799,302	\$ 819,348
Interest earned on investments	3,866	7,322	11,188	5,824
Total revenues	803,167	7,323	810,490	825,172
Expenditures				
Current				
Public safety				
Other operating expenditures	1,031,105	107,033	924,072	940,122
Capital outlay	-	-	-	-
Cost redistribution	-	-	-	-
Total public safety	1,031,105	107,033	924,072	940,122
Debt service				
Principal	94,011	1	94,010	92,374
Interest	3,360	-	3,360	4,997
Total debt service	97,371	1	97,370	97,371
Total expenditures	1,128,476	107,034	1,021,442	1,037,493
Revenues over (under) expenditures	(325,309)	114,357	(210,952)	(212,321)
Other financing sources (uses)				
Appropriated fund balance	325,309	(325,309)	-	-
Transfers in	-	-	-	2,890
Total other financing sources (uses)	325,309	(325,309)	-	2,890
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (210,952)	(210,952)	(209,431)
Fund balance				
Beginning			1,021,390	1,230,821
Ending			<u>\$ 810,438</u>	<u>\$ 1,021,390</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Federal and State Financial Assistance Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 31,164,218	\$ 8,029,060	\$ 2,843,696	\$ 3,311,608	\$ 8,496,972
State grants	5,118,689	2,383,865	1,639,570	1,037,784	1,782,079
County	60,760	62,230	-	10,320	72,550
Total restricted intergovernmental	<u>36,343,667</u>	<u>10,475,155</u>	<u>4,483,266</u>	<u>4,359,712</u>	<u>10,351,601</u>
Miscellaneous	<u>2,264,405</u>	<u>124,247</u>	<u>26,010</u>	<u>97,109</u>	<u>195,346</u>
Interest earned on investments	<u>3,763</u>	<u>525,238</u>	<u>98,443</u>	<u>117,940</u>	<u>544,735</u>
Total revenues	<u>38,611,835</u>	<u>11,124,640</u>	<u>4,607,719</u>	<u>4,574,761</u>	<u>11,091,682</u>
Expenditures					
Current					
Public safety	3,628,853	5,484,999	4,323,835	862,751	2,023,915
Environmental protection	-	-	-	-	-
Economic and physical development	30,224,395	4,214,977	6,227	2,727,888	6,936,638
Environmental protection	4,237,505	138,101	-	1,346,315	1,484,416
Planning and development	-	-	-	-	-
Recreation and community facilities	1,330,587	827,828	-	66,690	894,518
Total current	<u>39,421,340</u>	<u>10,665,905</u>	<u>4,330,062</u>	<u>5,003,644</u>	<u>11,339,487</u>
Debt service	<u>240,761</u>	<u>159,761</u>	<u>-</u>	<u>78,443</u>	<u>238,204</u>
Total expenditures	<u>39,662,101</u>	<u>10,825,666</u>	<u>4,330,062</u>	<u>5,082,087</u>	<u>11,577,691</u>
Revenues over (under) expenditures	<u>(1,050,266)</u>	<u>298,974</u>	<u>277,657</u>	<u>(507,326)</u>	<u>(486,009)</u>
Other financing sources (uses)					
Sale of capital assets	-	7,720	7,720	-	-
Transfers in	1,054,555	1,175,199	83,622	26,901	1,118,478
Transfers out	(4,289)	(373,288)	(368,999)	-	(4,289)
Total other financing sources (uses)	<u>1,050,266</u>	<u>809,631</u>	<u>(277,657)</u>	<u>26,901</u>	<u>1,114,189</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,108,605</u>	<u>\$ -</u>	<u>(480,425)</u>	<u>\$ 628,180</u>
Fund balance					
Beginning				10,027,694	
Ending				<u>\$ 9,547,269</u>	

City of Fayetteville, North Carolina

Schedule of Expenditures by Project
Budget and Actual - Federal and State Financial Assistance Fund

From Inception And For Year Ended June 30, 2018

	Project Authorization	Prior Years	Closed Projects	Current Year	Total to Date
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 1,210,379	\$ 3,980,125	\$ 3,960,239	\$ 470,000	\$ 489,886
Juvenile Restitution	543,595	356,500	-	64,890	421,390
Cumberland County STARS Drug Treatment Court	265,285	237,900	-	-	237,900
2016 Dogwood Festival	-	5,683	5,683	-	-
Fire - USAR Equipment/Training	45,000	44,937	-	-	44,937
Fire - USAR Equipment	30,000	29,879	-	-	29,879
Fire - Safety Awareness	10,000	-	-	5,250	5,250
Fire - Homeland Security	30,000	-	-	5,960	5,960
Cumberland Community Foundation	-	17,782	17,782	-	-
Youth Growth Stock Trust	-	6,978	6,978	-	-
2014 FPD City-wide Gang Prevention	-	57,026	57,026	-	-
2014 Cumberland County STARS	-	62,410	62,410	-	-
2015 Cumberland County STARS	-	70,695	70,695	-	-
Educating Kids About Gun Violence	-	52,536	52,536	-	-
Fayetteville Police Activities League	-	15,686	15,686	-	-
Fayetteville Cyber Crime Project	40,000	37,757	-	-	37,757
FY14 Violent Gang and Gun Crime Reduction	298,132	265,208	-	16,254	281,462
2015 National Sexual Assault Initiative	363,090	139,805	-	106,293	246,098
2016 National Sexual Assault Initiative	793,372	29,292	-	194,104	223,396
Fayetteville Transparency	-	74,800	74,800	-	-
Total public safety	3,628,853	5,484,999	4,323,835	862,751	2,023,915
Economic and physical development					
Community Development Block Grant	4,969,095	2,694,427	-	1,310,085	4,004,512
HOME	4,101,644	1,253,627	-	1,379,532	2,633,159
Fort Bragg Force Reduction	299,563	239,885	-	25,535	265,420
Downtown Public Art Project	34,500	20,811	-	-	20,811
Badges for Baseball 2015 FPD	-	6,227	6,227	-	-
Disaster recovery program	150,000	-	-	1,200	1,200
Downtown urban design plan	100,000	-	-	-	-
Downtown parking management plan	100,000	-	-	-	-
CDBG - Disaster recovery grant	15,325,000	-	-	10,717	10,717
Rural economic development grants	590,000	-	-	-	-
Hazard mitigation grant program	4,554,593	-	-	819	819
Total economic and physical development	30,224,395	4,214,977	6,227	2,727,888	6,936,638
Environmental protection					
Cross Creek debris removal	713,853	138,101	-	498,927	637,028
Multi-Creek debris removal	993,000	-	-	685,000	685,000
Cross Creek cemetery bank	345,697	-	-	-	-
Bones & Beaver Creek debris removal	786,510	-	-	-	-
Cross Creek bank stabilization	1,314,445	-	-	149,577	149,577
Cross Creek grave relocation	84,000	-	-	12,811	12,811
Total environmental protection	4,237,505	138,101	-	1,346,315	1,484,416
Recreation and community facilities					
Wayfinding signage	500,586	398,812	-	-	398,812
Badges for Baseball 2015	-	-	-	-	-
Big Cross Creek Multiuse Trail	800,000	407,325	-	66,690	474,015
Tree Inventory Phase II	30,001	21,691	-	-	21,691
Total recreation and community facilities	1,330,587	827,828	-	66,690	894,518
Total expenditures by project	\$ 39,421,340	\$ 10,665,905	\$ 4,330,062	\$ 5,003,644	\$ 11,339,487

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Linear Park Fund**

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
County grants and contributions	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000
Total restricted intergovernmental	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Miscellaneous					
Other (donations)	1,928,588	1,925,450	-	9,194	1,934,644
Total miscellaneous	<u>1,928,588</u>	<u>1,925,450</u>	<u>-</u>	<u>9,194</u>	<u>1,934,644</u>
Interest earned on investments	<u>47,490</u>	<u>47,490</u>	<u>-</u>	<u>415</u>	<u>47,905</u>
Total revenues	<u>2,106,078</u>	<u>2,102,940</u>	<u>-</u>	<u>9,609</u>	<u>2,112,549</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	2,156,157	2,123,658	-	2,288	2,125,946
Total expenditures	<u>2,156,157</u>	<u>2,123,658</u>	<u>-</u>	<u>2,288</u>	<u>2,125,946</u>
Revenues over (under) expenditures	<u>(50,079)</u>	<u>(20,718)</u>	<u>-</u>	<u>7,321</u>	<u>(13,397)</u>
Other financing sources (uses)					
Transfers in	50,079	50,179	-	(100)	50,079
Total other financing sources (uses)	<u>50,079</u>	<u>50,179</u>	<u>-</u>	<u>(100)</u>	<u>50,079</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 29,461</u>	<u>\$ -</u>	<u>7,221</u>	<u>\$ 36,682</u>
Fund balance					
Beginning				29,461	
Ending				<u>\$ 36,682</u>	

2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Capital Project Funds

Capital Project Funds account for all resources used for the acquisition and construction of major capital facilities other than those financed by the Proprietary Funds.

The following comprise the City's Capital Project Funds:

- **General Government Fund**
- **Public Safety Fund**
- **Transportation Fund**
- **Recreational and Cultural Fund**
- **Recreational and Cultural Bond Fund**
- **Environmental Protection Fund**

All Capital Project Funds are accounted for on the modified accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2018

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Environmental Protection Fund	Total Nonmajor Capital Project Funds
Assets							
Cash and investments	\$ 3,132,467	\$ -	\$ 7,757,113	\$ 1,812,548	\$ -	\$ 71,248	\$ 12,773,376
Accounts receivable	-	33,261	366,630	-	276,504	-	676,395
Due from other governments	234,183	66,976	2,103,502	4,114	85,472	332,776	2,827,023
Restricted cash and investments	27,315	2,340,047	235,620	1,304,815	-	-	3,907,797
Restricted accounts receivable	-	-	-	2,022	-	-	2,022
Total assets	<u>\$ 3,393,965</u>	<u>\$ 2,440,284</u>	<u>\$ 10,462,865</u>	<u>\$ 3,123,499</u>	<u>\$ 361,976</u>	<u>\$ 404,024</u>	<u>\$ 20,186,613</u>
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable and accrued expenses	\$ 27,894	\$ -	\$ 1,543,311	\$ 5,830	\$ 65,605	\$ 21,413	\$ 1,664,053
Unearned revenue	-	-	235,620	544,738	-	-	780,358
Restricted accounts payable and accrued expenses	-	217,265	-	550	-	63,622	281,437
Interfund payables	-	1,662,534	-	-	2,211,768	-	3,874,302
Total liabilities	<u>27,894</u>	<u>1,879,799</u>	<u>1,778,931</u>	<u>551,118</u>	<u>2,277,373</u>	<u>85,035</u>	<u>6,600,150</u>
Fund balances:							
Restricted							
Stabilization by State Statute	545,119	133,371	6,961,302	228,747	933,729	981,584	9,783,852
Administration	27,315	-	-	-	-	-	27,315
Public safety	-	2,089,645	-	-	-	-	2,089,645
Economic and physical development	-	-	-	-	-	-	-
Recreation and community facilities	-	-	-	759,528	-	-	759,528
Committed							
Administration	2,793,637	-	-	-	-	-	2,793,637
Transportation	-	-	1,722,632	-	-	-	1,722,632
Recreation and community facilities	-	-	-	1,584,106	-	-	1,584,106
Unassigned	-	(1,662,531)	-	-	(2,849,126)	(662,595)	(5,174,252)
Total fund balances	<u>3,366,071</u>	<u>560,485</u>	<u>8,683,934</u>	<u>2,572,381</u>	<u>(1,915,397)</u>	<u>318,989</u>	<u>13,586,463</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,393,965</u>	<u>\$ 2,440,284</u>	<u>\$ 10,462,865</u>	<u>\$ 3,123,499</u>	<u>\$ 361,976</u>	<u>\$ 404,024</u>	<u>\$ 20,186,613</u>

City of Fayetteville, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds

Year Ended June 30, 2018

	General Government Fund	Public Safety Fund	Transportation Fund	Recreational and Cultural Fund	Recreational and Cultural Bond Fund	Environmental Protection Fund	Total Nonmajor Capital Project Funds
Revenues							
Restricted intergovernmental	\$ 217,257	\$ 120,964	\$ 2,655,269	\$ 178,179	\$ 250,000	\$ 468,929	\$ 3,890,598
Local	-	-	-	-	-	-	-
Miscellaneous	26,712	-	10,170	73,505	66,505	-	176,892
Interest earned on investments	876	12,542	-	16,373	-	-	29,791
Total revenues	<u>244,845</u>	<u>133,506</u>	<u>2,665,439</u>	<u>268,057</u>	<u>316,505</u>	<u>468,929</u>	<u>4,097,281</u>
Expenditures							
Administration	1,062,760	-	-	-	-	-	1,062,760
Public safety	-	6,711,687	-	-	-	-	6,711,687
Transportation	-	-	8,948,069	-	-	-	8,948,069
Recreational and community facilities	-	-	-	419,373	2,083,367	-	2,502,740
Environmental protection	-	-	-	-	-	468,929	468,929
Total expenditures	<u>1,062,760</u>	<u>6,711,687</u>	<u>8,948,069</u>	<u>419,373</u>	<u>2,083,367</u>	<u>468,929</u>	<u>19,694,185</u>
Debt service	-	-	-	-	-	-	-
Revenues over (under) expenditures	<u>(817,915)</u>	<u>(6,578,181)</u>	<u>(6,282,630)</u>	<u>(151,316)</u>	<u>(1,766,862)</u>	<u>-</u>	<u>(15,596,904)</u>
Other financing sources (uses)							
Issuance of debt	-	6,722,197	-	-	-	-	6,722,197
Transfers in	831,686	-	8,636,607	842,802	-	318,989	10,630,084
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>831,686</u>	<u>6,722,197</u>	<u>8,636,607</u>	<u>842,802</u>	<u>-</u>	<u>318,989</u>	<u>17,352,281</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>13,771</u>	<u>144,016</u>	<u>2,353,977</u>	<u>691,486</u>	<u>(1,766,862)</u>	<u>318,989</u>	<u>1,755,377</u>
Fund balance							
Beginning	3,352,300	416,469	6,329,957	1,880,895	(148,535)	-	11,831,086
Ending	<u>\$ 3,366,071</u>	<u>\$ 560,485</u>	<u>\$ 8,683,934</u>	<u>\$ 2,572,381</u>	<u>\$ (1,915,397)</u>	<u>\$ 318,989</u>	<u>\$ 13,586,463</u>

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Government Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,967,994	\$ 1,519,776	\$ -	\$ 152,608	\$ 1,672,384
State grants	380,853	-	-	64,649	64,649
Total restricted intergovernmental	<u>2,348,847</u>	<u>1,519,776</u>	<u>-</u>	<u>217,257</u>	<u>1,737,033</u>
Miscellaneous					
Other	142,812	116,100	-	26,712	142,812
Interest earned on investments					
	-	-	-	876	876
Total revenues	<u>2,491,659</u>	<u>1,635,876</u>	<u>-</u>	<u>244,845</u>	<u>1,880,721</u>
Expenditures					
Current					
Administration					
Computer replacements	3,712,801	3,020,238	-	46,243	3,066,481
Enterprise-wide GIS	477,162	174,707	-	99,487	274,194
Disaster recovery system	927,318	580,584	-	67,427	648,011
Laserfiche Rio System	162,899	161,711	-	-	161,711
Uninterruptible power supply	58,650	37,878	-	-	37,878
Virtual server expansion	192,034	111,519	-	25,316	136,835
Wireless network expansion	266,622	259,388	-	-	259,388
Building maintenance projects	7,528,132	4,183,417	-	496,868	4,680,285
Parking lot maintenance projects	96,256	-	-	86,805	86,805
Emergency generator connection	137,300	-	-	-	-
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	1,512,276	-	-	1,512,276
Internet telephone system	405,000	386,305	-	-	386,305
Time and attendance system	641,573	561,815	-	296	562,111
E-mail system upgrade	255,052	216,925	-	-	216,925
External website for the City	200,000	127,441	-	23,683	151,124
Org Performance Mgmt System	81,980	80,688	-	-	80,688
Plans review software	108,500	-	-	108,500	108,500
JDE/Laserfiche integration	15,000	-	-	-	-
Laserfiche quickfields	16,410	-	-	-	-
LSDBE tracking software	64,500	-	-	-	-
Collections revenue management system	20,000	-	-	-	-
Centralized data warehouse	15,000	-	-	-	-
Direct fiber connection	62,060	-	-	-	-
Alexander Street facility Hurr Matthew repairs	635,125	251,935	-	94,355	346,290
Cross Creek / 280 Lamon St. Hurr Matthew repairs	275,822	-	-	13,780	13,780
Total expenditures	<u>18,000,596</u>	<u>11,666,827</u>	<u>-</u>	<u>1,062,760</u>	<u>12,729,587</u>
Revenues over (under) expenditures	<u>(15,508,937)</u>	<u>(10,030,951)</u>	<u>-</u>	<u>(817,915)</u>	<u>(10,848,866)</u>
Other financing sources (uses)					
Issuance of debt	3,094,000	1,800,000	-	-	1,800,000
Transfers in	13,159,204	12,327,518	-	831,686	13,159,204
Transfer out	(744,267)	(744,267)	-	-	(744,267)
Total other financing sources (uses)	<u>15,508,937</u>	<u>13,383,251</u>	<u>-</u>	<u>831,686</u>	<u>14,214,937</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,352,300</u>	<u>\$ -</u>	<u>13,771</u>	<u>\$ 3,366,071</u>
Fund balance					
Beginning				3,352,300	
Ending				<u>\$ 3,366,071</u>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Public Safety Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 837,933	\$ 683,588	\$ -	\$ 120,964	\$ 804,552
Local	530,000	529,811	-	-	529,811
Total restricted intergovernmental	<u>1,367,933</u>	<u>1,213,399</u>	<u>-</u>	<u>120,964</u>	<u>1,334,363</u>
Interest earned on investments	<u>-</u>	<u>78</u>	<u>-</u>	<u>12,542</u>	<u>12,620</u>
Total revenues	<u>1,367,933</u>	<u>1,213,477</u>	<u>-</u>	<u>133,506</u>	<u>1,346,983</u>
Expenditures					
Current					
Public Safety					
Fire station #12	4,100,000	290,298	-	3,489,209	3,779,507
Police department CAD and RMS	3,209,917	3,134,326	-	-	3,134,326
Police department 800mhz radios	6,726,694	3,169,870	-	3,101,514	6,271,384
Justice Assistance grants	208,204	84,084	-	96,507	180,591
Homeland security grants	60,000	29,990	-	24,457	54,447
FPD Glassdoor Initiative	1,060,000	1,059,622	-	-	1,059,622
Enhanced security systems	251,851	69,851	-	-	69,851
Police 800MHz radio lease	4,209,433	3,510,922	-	-	3,510,922
Fire hazardous materials response equipment	27,400	27,373	-	-	27,373
Fire call notification and paging system	94,527	94,527	-	-	94,527
Fire Homeland Security mobile command	12,329	12,329	-	-	12,329
Total expenditures	<u>19,960,355</u>	<u>11,483,192</u>	<u>-</u>	<u>6,711,687</u>	<u>18,194,879</u>
Revenues over (under) expenditures	<u>(18,592,422)</u>	<u>(10,269,715)</u>	<u>-</u>	<u>(6,578,181)</u>	<u>(16,847,896)</u>
Other financing sources (uses)					
Issuance of debt	16,800,513	8,929,925	-	6,722,197	15,652,122
Transfers in	4,143,593	4,107,943	-	-	4,107,943
Transfers out	(2,351,684)	(2,351,684)	-	-	(2,351,684)
Total other financing sources (uses)	<u>18,592,422</u>	<u>10,686,184</u>	<u>-</u>	<u>6,722,197</u>	<u>17,408,381</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 416,469</u>	<u>\$ -</u>	<u>144,016</u>	<u>\$ 560,485</u>
Fund balance					
Beginning				416,469	
Ending				<u>\$ 560,485</u>	

City of Fayetteville, North Carolina

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

From Inception And For Year Ended June 30, 2018

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants	\$ 4,793,547	\$ 926,022	\$ -	\$ 1,313,042	\$ 2,239,064
State grants	2,210,174	308,675	-	1,342,227	1,650,902
Total restricted intergovernmental	7,003,721	1,234,697	-	2,655,269	3,889,966
Miscellaneous					
Owner contributions	18,622	126,010	-	10,170	136,180
Other	10,204	10,204	-	-	10,204
Total miscellaneous	28,826	136,214	-	10,170	146,384
Interest earned on investments	6,524	6,589	-	-	6,589
Total revenues	7,039,071	1,377,500	-	2,665,439	4,042,939
Expenditures					
Current					
Transportation					
Thoroughfare streetlights	225,000	41,864	-	27,018	68,882
Sidewalks	2,421,354	453,873	-	326,058	779,931
Municipal agreement projects	1,600,460	891,115	-	6,750	897,865
Comprehensive pedestrian plan	55,000	55,000	-	-	55,000
Comprehensive bicycle plan	95,000	-	-	95,000	95,000
Transportation improvements	18,679,382	8,265,409	-	6,535,977	14,801,386
Rowan Street bridge	382,655	-	-	-	-
Other bridge replacements	2,143,140	192,522	-	198,259	390,781
Railroad cabinet relocation	146,744	90,763	-	-	90,763
Hurricane Matthew repairs	6,297,430	1,427,491	-	1,759,007	3,186,498
Total expenditures	32,046,165	11,418,037	-	8,948,069	20,366,106
Revenues (over) under expenditures	(25,007,094)	(10,040,537)	-	(6,282,630)	(16,323,167)
Other financing sources (uses)					
Transfers in	25,240,154	16,603,554	-	8,636,607	25,240,161
Transfers out	(233,060)	(233,060)	-	-	(233,060)
Total other financing sources (uses)	25,007,094	16,370,494	-	8,636,607	25,007,101
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 6,329,957	\$ -	2,353,977	\$ 8,683,934
Fund balance					
Beginning				6,329,957	
Ending				<u>\$ 8,683,934</u>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Recreational and Cultural Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 1,429,629	\$ 270,307	\$ -	\$ 82,712	\$ 353,019
State grants and contributions	20,009,412	18,370,716	-	95,467	18,466,183
Local	121,043	101,265	-	-	101,265
Total restricted intergovernmental	<u>21,560,084</u>	<u>18,742,288</u>	<u>-</u>	<u>178,179</u>	<u>18,920,467</u>
Miscellaneous					
Other	323,278	688,837	-	48,500	737,337
Donations	309,715	284,710	-	25,005	309,715
Total miscellaneous	<u>632,993</u>	<u>973,547</u>	<u>-</u>	<u>73,505</u>	<u>1,047,052</u>
Interest earned on investments	<u>529,871</u>	<u>564,504</u>	<u>-</u>	<u>16,373</u>	<u>580,877</u>
Total revenues	<u>22,722,948</u>	<u>20,280,339</u>	<u>-</u>	<u>268,057</u>	<u>20,548,396</u>
Expenditures					
Current					
Recreational and community facilities					
Freedom Park	566,385	540,221	-	24,070	564,291
NC State Veterans Park	3,092,641	2,326,095	-	-	2,326,095
NC State Veterans Park #2	14,050,000	13,788,248	-	-	13,788,248
Playground equipment and improvements	734,007	610,491	-	48,050	658,541
Reid Ross track facility	176,404	174,346	-	-	174,346
Rec Trac Software	61,153	47,993	-	1,250	49,243
Cape Fear River Trail Phase 2	6,486,060	3,876,541	-	135,404	4,011,945
Cape Fear River Trail Connector	286,392	976	-	71,365	72,341
NCFS Forestry Program	30,191	28,182	-	-	28,182
Aquatic Center at Westover	2,095,000	2,081,353	-	1,883	2,083,236
Tree Project	159,826	34,829	-	48,608	83,437
Lafayette Park pedestrian bridge	216,907	-	-	48,141	48,141
Mazarick Park play area	55,000	5,638	-	13,007	18,645
Douglas Byrd concession stand	-	117,309	117,309	-	-
Linear Park path, steps and overlook	41,365	-	-	3,693	3,693
Cross Creek/Union St. bridge	64,377	-	-	10,430	10,430
Reid Ross track resurfacing	70,000	-	-	-	-
Land Acquisition Big Cross Creek	52,000	-	-	-	-
College Lakes Aquatic Center	2,778,000	2,762,122	-	-	2,762,122
Hurricane Matthew repairs	328,452	47,913	-	13,472	61,385
Blount's Creek Trail III	93,750	-	-	-	-
Total expenditures	<u>31,437,910</u>	<u>26,442,257</u>	<u>117,309</u>	<u>419,373</u>	<u>26,744,321</u>
Revenues over (under) expenditures	<u>(8,714,962)</u>	<u>(6,161,918)</u>	<u>(117,309)</u>	<u>(151,316)</u>	<u>(6,195,925)</u>
Other financing sources (uses)					
Issuance of debt	-	2,356	-	-	2,356
Sale of capital assets	695,353	738,695	-	-	738,695
Transfers in	8,050,764	7,332,917	117,309	842,802	8,058,410
Transfers out	(31,155)	(31,155)	-	-	(31,155)
Total other financing sources (uses)	<u>8,714,962</u>	<u>8,042,813</u>	<u>117,309</u>	<u>842,802</u>	<u>8,768,306</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,880,895</u>	<u>\$ -</u>	<u>691,486</u>	<u>\$ 2,572,381</u>
Fund balance					
Beginning				1,880,895	
Ending				<u>2,572,381</u>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Recreational and Cultural Bond Fund

From Inception And For Year Ended June 30, 2018

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -
State grants and contributions	250,000	-	-	250,000	250,000
Local	-	-	-	-	-
Total restricted intergovernmental	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Miscellaneous					
Other	70,000	-	-	66,505	66,505
Donations	-	-	-	-	-
Total miscellaneous	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>66,505</u>	<u>66,505</u>
Interest earned on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>316,505</u>	<u>316,505</u>
Expenditures					
Current					
Recreational and community facilities					
Bond program implementation	100,000	95,775	-	840	96,615
Brentwood School Park	100,000	2,752	-	75,698	78,450
Clark Park improvements	175,000	5,794	-	36,826	42,620
Mazarick Park improvements	50,000	-	-	19,944	19,944
Seabrook Park improvements	100,000	34,414	-	34,180	68,594
D. Gilmore Therapeutic Rec Center	200,000	1,952	-	-	1,952
Massey Hill Recreation Center	365,000	5,272	-	344,543	349,815
Kiwanis splash pad	428,125	976	-	427,073	428,049
Cliffdale splash pad	428,125	-	-	3,061	3,061
E.E. Miller splash pad	428,125	800	-	160,882	161,682
Massey Hill splash pad	428,125	800	-	418,271	419,071
Western Senior Center	7,000,000	-	-	129,315	129,315
Downtown skate park	1,000,000	-	-	38,194	38,194
Gilmore splash pad	429,167	-	-	-	-
Myers Rec splash pad	429,167	-	-	341,530	341,530
Downtown stadium splash pad	429,166	-	-	-	-
Senior/Wellness feasibility study	60,000	-	-	53,010	53,010
Total expenditures	<u>12,150,000</u>	<u>148,535</u>	<u>-</u>	<u>2,083,367</u>	<u>2,231,902</u>
Revenues over (under) expenditures	<u>(11,830,000)</u>	<u>(148,535)</u>	<u>-</u>	<u>(1,766,862)</u>	<u>(1,915,397)</u>
Other financing sources (uses)					
Issuance of debt	11,830,000	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>11,830,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (148,535)</u>	<u>\$ -</u>	<u>(1,766,862)</u>	<u>\$ (1,915,397)</u>
Fund balance					
Beginning				(148,535)	
Ending				<u>\$ (1,915,397)</u>	

City of Fayetteville, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Environmental Protection Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 3,935,266	\$ -	\$ -	\$ 351,697	\$ 351,697
State grants and contributions	1,311,755	-	-	117,232	117,232
Total restricted intergovernmental	<u>5,247,021</u>	<u>-</u>	<u>-</u>	<u>468,929</u>	<u>468,929</u>
Total revenues	<u>5,247,021</u>	<u>-</u>	<u>-</u>	<u>468,929</u>	<u>468,929</u>
Expenditures					
Current					
Environmental protection					
Mirror Lake Dam Restoration	2,286,810	-	-	421,654	421,654
Brentwood Lower Dam Restoration	3,279,200	-	-	47,275	47,275
Total expenditures	<u>5,566,010</u>	<u>-</u>	<u>-</u>	<u>468,929</u>	<u>468,929</u>
Revenues over (under) expenditures	<u>(318,989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Issuance of debt	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	318,989	-	-	318,989	318,989
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>318,989</u>	<u>-</u>	<u>-</u>	<u>318,989</u>	<u>318,989</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>318,989</u>	<u>\$ 318,989</u>
Fund balance					
Beginning				-	
Ending				<u>\$ 318,989</u>	

2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Proprietary Funds

- **Enterprise Funds**
- **Internal Service Funds**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

City of Fayetteville, North Carolina

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2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Enterprise Funds

Enterprise Funds account for operations that are either financed or operated in a manner similar to private businesses or for operations that the City has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy, or other purposes.

The following comprise the City's Enterprise Funds:

- **Storm Water Management Fund**
- **Transit Fund**
- **Airport Fund**
- **Environmental Services Fund**

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Storm Water Management Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts for Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Operating revenues				
Charges for services	\$ 7,815,180	\$ 16,921	\$ 7,832,101	\$ 6,823,682
Other revenue from operations	19,670	9,678	29,348	32,264
Total operating revenues	<u>7,834,850</u>	<u>26,599</u>	<u>7,861,449</u>	<u>6,855,946</u>
Operating expenditures				
Salaries and employee benefits	2,376,496	166,258	2,210,238	2,103,530
Other operating expenditures	2,153,892	581,558	1,572,334	1,453,312
Capital outlay	60,092	2,358	57,734	20,522
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>4,665,480</u>	<u>750,174</u>	<u>3,915,306</u>	<u>3,652,364</u>
Operating income (loss)	<u>3,169,370</u>	<u>776,773</u>	<u>3,946,143</u>	<u>3,203,582</u>
Nonoperating revenues (expenditures)				
Federal grants	24,545	543	25,088	31,696
State grants	8,181	182	8,363	10,565
Miscellaneous	120,500	9,601	130,101	120,500
Interest earned on investments	6,840	23,198	30,038	26,141
Debt service - principal payment	(690,030)	-	(690,030)	(670,030)
Interest expense	(223,056)	-	(223,056)	(243,432)
Nonoperating revenues (expenditures)	<u>(753,020)</u>	<u>33,524</u>	<u>(719,496)</u>	<u>(724,560)</u>
Revenues over (under) expenditures	<u>2,416,350</u>	<u>810,297</u>	<u>3,226,647</u>	<u>2,479,022</u>
Other financing sources (uses)				
Sale of capital assets	-	35,158	35,158	-
Transfers out	(3,855,451)	-	(3,855,451)	(3,425,820)
Appropriated fund balance	1,439,101	(1,439,101)	-	-
Total other financing sources (uses)	<u>(2,416,350)</u>	<u>(1,403,943)</u>	<u>(3,820,293)</u>	<u>(3,425,820)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (593,646)</u>	<u>\$ (593,646)</u>	<u>\$ (946,798)</u>
Reconciliation of change in net position				
Total revenues			\$ 8,090,197	\$ 7,044,848
Total expenditures			8,683,843	7,991,646
Subtotal			<u>(593,646)</u>	<u>(946,798)</u>
Depreciation			(823,771)	(800,393)
Change in accrued vacation			5,161	8,144
Net OPEB expense			(65,219)	(33,950)
LGERS expense			(32,889)	(24,634)
Principal payment			690,030	670,030
Capital outlay			57,734	20,522
Unearned revenue			12,349	10,213
Bad debt expense			(1,112)	(553)
Capitalized interest			-	56,077
Accrued interest			9,263	8,425
Subtotal			<u>(148,454)</u>	<u>(86,119)</u>
Change in net position			<u>\$ (742,100)</u>	<u>\$ (1,032,917)</u>

City of Fayetteville, North Carolina

Schedule of Changes in the Status of
Storm Water Management Capital Project Fund

From Inception And For Year Ended June 30, 2018

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants	\$ 1,183,372	\$ 309,500	\$ -	\$ -	\$ 309,500
Local	-	10,499	10,499	-	-
Total restricted intergovernmental	<u>1,183,372</u>	<u>319,999</u>	<u>10,499</u>	<u>-</u>	<u>309,500</u>
Interest earned on investments	233,658	233,657	-	173,817	407,474
Total revenues	<u>1,417,030</u>	<u>553,656</u>	<u>10,499</u>	<u>173,817</u>	<u>716,974</u>
Expenditures					
Current					
Environmental Protection					
Annexation area improvements	-	313,853	313,853	-	-
Bonnie Doone	-	43,232	43,232	-	-
Lyon Rd/Rogers Dr construction	-	150,006	150,006	-	-
Lockwood and Ravenhill	-	216,454	216,454	-	-
Seabrook	-	375,441	375,441	-	-
Spruce St/Forest Hill Dr	-	630,434	630,434	-	-
LaFayette Village/Spruce Dr	-	2,359,199	2,359,199	-	-
Cottonade	-	462,902	462,902	-	-
Buckhead Creek group 1	-	257,981	257,981	-	-
McNeill Circle	-	1,917,162	1,917,162	-	-
Yadkin Rd	3,975,528	1,055,488	-	609,373	1,664,861
Summerhill	-	1,053,818	1,053,818	-	-
Regiment	65,000	7,676	-	41,392	49,068
Spruce St - phase II	527,182	87,988	-	46,623	134,611
Godfrey Outfall	1,001,545	192,706	-	795,346	988,052
Anson Pond	-	322,791	322,791	-	-
Buckhead Creek watershed	888,121	836,025	-	2,544	838,569
Roxie Ave phase I	1,400,230	183,502	-	87,157	270,659
Buckhead Kingsford	1,824,146	1,764,965	-	(38,124)	1,726,841
Bonnie Doone (west outfall 3)	625,407	187,252	-	350,767	538,019
Coventry Rd culvert stream imp	1,348,847	15,129	-	1,544,846	1,559,975
Boonie Doone area 12	142,350	22,514	-	105,380	127,894
Boonie Doone area 5	1,539,272	53,923	-	-	53,923
Godfrey Outfall phase II	686,038	-	-	697,232	697,232
Ferncreek Norwood	112,350	23,832	-	64,282	88,114
Branson Creek restoration at Murray Hill	-	151,253	151,253	-	-
Emergency repair at McGilvary St	278,984	22,237	-	224,871	247,108
Spot repair program	1,177,978	550,410	-	336,846	887,256
Person St innovative stormwater greenscape	581,814	552,013	-	29,800	581,813
Beaver Creek watershed study	550,000	-	-	235,242	235,242
Broyhill Drive drainage improvements	192,490	-	-	12,092	12,092
Bonnie Doone, area 2	589,050	-	-	23,326	23,326
Dry detention Sycamore Dairy Rd	68,000	-	-	-	-
Neville St stormwater improvements	613,344	-	-	56,495	56,495
North St stormwater improvements	1,155,043	-	-	65,929	65,929
Shoreline Drive culvert	777,377	-	-	48,928	48,928
Liberty Hills subdivision drainage	233,855	-	-	153,031	153,031
Market House Square drainage	300,000	-	-	-	-
Raeford Rd sidewalk drainage improvements	78,313	-	-	-	-
Stormwater drainage miscellaneous	3,616,202	1,389,719	-	730,940	2,120,659
Total expenditures	<u>24,348,466</u>	<u>15,199,905</u>	<u>8,254,526</u>	<u>6,224,318</u>	<u>13,169,697</u>
Revenues over (under) expenditures	<u>(22,931,436)</u>	<u>(14,646,249)</u>	<u>(8,244,027)</u>	<u>(6,050,501)</u>	<u>(12,452,723)</u>
Other financing sources (uses)					
Transfers in	20,072,127	16,591,608	508,339	3,855,451	19,938,720
Bond proceeds	2,859,309	10,595,000	7,735,688	-	2,859,312
Total other financing sources (uses)	<u>22,931,436</u>	<u>27,186,608</u>	<u>8,244,027</u>	<u>3,855,451</u>	<u>22,798,032</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 12,540,359</u>	<u>\$ -</u>	<u>\$ (2,195,050)</u>	<u>\$ 10,345,309</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over (under) expenditures				\$ (2,195,050)	
Capital outlay				6,224,318	
Non-capitalizable items				(108,953)	
Change in net position				<u>\$ 3,920,315</u>	

City of Fayetteville, North Carolina

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Transit Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts for Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Operating revenues				
Charges for services	\$ 1,254,024	\$ (91,236)	\$ 1,162,788	\$ 1,279,096
Other revenues from operations	197,597	(56,565)	141,032	94,598
Total operating revenues	<u>1,451,621</u>	<u>(147,801)</u>	<u>1,303,820</u>	<u>1,373,694</u>
Operating expenditures				
Salaries and employee benefits	6,433,018	273,589	6,159,429	5,760,210
Other operating expenditures	3,291,207	323,928	2,967,279	2,658,345
Capital outlay	22,918	22,918	-	94,391
Total operating expenditures	<u>9,747,143</u>	<u>620,435</u>	<u>9,126,708</u>	<u>8,512,946</u>
Operating loss	<u>(8,295,522)</u>	<u>472,634</u>	<u>(7,822,888)</u>	<u>(7,139,252)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	19	19	1,507
Federal grants	2,751,829	(299,829)	2,452,000	2,359,481
State grants	793,216	(21,587)	771,629	812,798
Vehicle fee revenue	632,035	(1,319)	630,716	639,699
Total nonoperating revenues (expenditures)	<u>4,177,080</u>	<u>(322,716)</u>	<u>3,854,364</u>	<u>3,813,485</u>
Revenues over (under) expenditures	<u>(4,118,442)</u>	<u>149,918</u>	<u>(3,968,524)</u>	<u>(3,325,767)</u>
Other financing sources (uses)				
Transfers in	4,133,114	(290,752)	3,842,362	3,848,497
Transfers out	(154,108)	154,108	-	(449,260)
Proceeds from sale of assets	6,000	20,021	26,021	860
Fund balance appropriation	133,436	(133,436)	-	-
Total other financing sources (uses)	<u>4,118,442</u>	<u>(250,059)</u>	<u>3,868,383</u>	<u>3,400,097</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (100,141)</u>	<u>\$ (100,141)</u>	<u>\$ 74,330</u>
Reconciliation of change in net position:				
Total revenues			\$ 9,026,567	\$ 9,036,536
Total expenditures			9,126,708	8,962,206
Subtotal			<u>(100,141)</u>	<u>74,330</u>
Depreciation			(1,550,704)	(1,360,162)
Net OPEB expense			(178,488)	(89,073)
LGERS expense			(90,268)	(65,880)
Change in inventory			1,660	(14,335)
Decrease (increase) in accrued vacation			(9,100)	(4,919)
Bad debt expense			1,267	(10,447)
Unearned revenue			90	(3,232)
Capital outlay			-	94,391
Proceeds from sale of assets			(26,021)	(860)
Gain (loss) on disposal of assets			14,844	860
Subtotal			<u>(1,836,720)</u>	<u>(1,453,657)</u>
Change in net position			<u>\$ (1,936,861)</u>	<u>\$ (1,379,327)</u>

City of Fayetteville, North Carolina

Schedule of Changes in the Status of
Transit Capital Project Fund

From Inception and for Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 15,518,194	\$ 16,313,210	\$ 2,845,659	\$ 437,073	\$ 13,904,624
State grants	1,519,116	1,788,785	344,365	43,725	1,488,145
Miscellaneous	-	43,000	-	-	43,000
Total revenues	<u>17,037,310</u>	<u>18,144,995</u>	<u>3,190,024</u>	<u>480,798</u>	<u>15,435,769</u>
Expenditures					
Improvements & Enhancements (no grant)	426,863	423,555	-	26	423,581
FTA Capital 90.469	-	3,348,903	3,348,903	-	-
FTA Capital 90.514	2,874,240	2,874,237	-	-	2,874,237
FTA 04.0055 Multimodal Transit Center	10,018,750	9,974,579	-	32,941	10,007,520
FTA 04.0054 Veterans Website	38,900	23,599	-	625	24,224
FTA Capital 90.548	503,140	378,765	-	65,777	444,542
FTA 57.x022 Sidewalk New Freedom	121,300	119,971	-	1,329	121,300
FTA 90.567 MMTC Downtown	2,279,375	2,225,051	-	54,323	2,279,374
FTA 90.567 Other Capital	105,038	83,896	-	9,135	93,031
NCDOT 16-AT-004 Advanced Tech	-	118,104	118,104	-	-
FTA 16.X011 Sidewalks	-	120,750	120,750	-	-
FTA 90.592 FY15 Capital	727,583	668,673	-	28,249	696,922
FTA NC-2016-030 FY17 MMTC	645,100	191,720	-	224,976	416,696
MMTC Tenant Improvements	369,205	-	-	159,540	159,540
FTA NC-2016-030 FY17	400,822	314,996	-	54,116	369,112
FTA NC-2016-021 FY17	840,000	-	-	-	-
FTA NC-2017-031 FY17 Capital	854,752	-	-	88,479	88,479
Total expenditures	<u>20,205,068</u>	<u>20,866,799</u>	<u>3,587,757</u>	<u>719,516</u>	<u>17,998,558</u>
Revenues over (under) expenditures	<u>(3,167,758)</u>	<u>(2,721,804)</u>	<u>(397,733)</u>	<u>(238,718)</u>	<u>(2,562,789)</u>
Other financing sources (uses)					
Proceeds from the sale of assets	-	6,250	-	-	6,250
Transfers in	4,232,818	4,497,631	397,733	92,000	4,191,898
Transfers out	(1,065,060)	(1,035,660)	-	(29,400)	(1,065,060)
Total other financing sources (uses)	<u>3,167,758</u>	<u>3,468,221</u>	<u>397,733</u>	<u>62,600</u>	<u>3,133,088</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 746,417</u>	<u>\$ -</u>	<u>\$ (176,118)</u>	<u>\$ 570,299</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over (under) expenditures				\$ (176,118)	
Capital outlay				719,516	
Non-capitalizable items				(95,859)	
Change in net position				<u>\$ 447,539</u>	

City of Fayetteville, North Carolina

Schedule of Changes in the Status of
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 1,603,248	\$ 891,873	\$ 188,115	\$ 196,849	\$ 900,607
State grants	75,548	129,566	88,536	763	41,793
Total intergovernmental	<u>1,678,796</u>	<u>1,021,439</u>	<u>276,651</u>	<u>197,612</u>	<u>942,400</u>
Total revenues	<u>1,678,796</u>	<u>1,021,439</u>	<u>276,651</u>	<u>197,612</u>	<u>942,400</u>
Expenditures					
Current					
Transportation	1,880,746	1,156,402	307,418	245,800	1,094,784
Total expenditures	<u>1,880,746</u>	<u>1,156,402</u>	<u>307,418</u>	<u>245,800</u>	<u>1,094,784</u>
Revenues over (under) expenditures	<u>(201,950)</u>	<u>(134,963)</u>	<u>(30,767)</u>	<u>(48,188)</u>	<u>(152,384)</u>
Other financing sources (uses)					
Transfers in	266,950	297,835	30,767	-	267,068
Transfers out	(65,000)	-	-	(65,000)	(65,000)
Total other financing sources (uses)	<u>201,950</u>	<u>297,835</u>	<u>30,767</u>	<u>(65,000)</u>	<u>202,068</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 162,872</u>	<u>\$ -</u>	<u>\$ (113,188)</u>	<u>\$ 49,684</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				<u>(113,188)</u>	
Change in net position				<u>\$ (113,188)</u>	

City of Fayetteville, North Carolina

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures by project:					
Transportation					
FTA 90.2469	\$ -	\$ 235,144	\$ 235,144	\$ -	\$ -
FTA 90.2514	418,000	410,357	-	7,643	418,000
FTA 26.0008	15,560	-	-	1,051	1,051
FTA 90.2548	350,000	243,422	-	100,749	344,171
FTA 90.2592 FY15 Planning	375,000	65,993	-	115,048	181,041
FTA 16.2011	147,075	122,859	-	-	122,859
FTA 2016-030 FY16 Planning	122,000	6,353	-	86,309	92,662
FTA 2016-014 Elderly & Disabled	480,613	-	-	-	-
NCDOT FY16 Apprentice Intern	-	37,373	37,373	-	-
NCDOT FY17 Apprentice Intern	-	34,901	34,901	-	-
NCDOT FY18 Apprentice Intern	37,498	-	-	-	-
Total transportation	<u>1,945,746</u>	<u>1,156,402</u>	<u>307,418</u>	<u>310,800</u>	<u>1,159,784</u>
Total expenditures by project	<u>\$ 1,945,746</u>	<u>\$ 1,156,402</u>	<u>\$ 307,418</u>	<u>\$ 310,800</u>	<u>\$ 1,159,784</u>

City of Fayetteville, North Carolina

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Airport Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts for Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Operating revenues				
Charges for services	\$ 4,329,282	\$ 35,668	\$ 4,364,950	\$ 4,223,429
Other revenues from operations	186,038	(46,441)	139,597	156,773
Total operating revenues	<u>4,515,320</u>	<u>(10,773)</u>	<u>4,504,547</u>	<u>4,380,202</u>
Operating expenditures				
Salaries and employee benefits	1,752,355	121,266	1,631,089	1,500,935
Other operating expenditures	2,355,809	809,094	1,546,715	1,427,584
Capital outlay	207,500	(156,960)	364,460	122,896
Total operating expenditures	<u>4,315,664</u>	<u>773,400</u>	<u>3,542,264</u>	<u>3,051,415</u>
Operating income (loss)	<u>199,656</u>	<u>762,627</u>	<u>962,283</u>	<u>1,328,787</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	14,472	111,012	125,484	34,667
Miscellaneous	206,737	(9,985)	196,752	209,106
Federal and State grants	110,000	101,792	211,792	107,080
Public safety reimbursements	(444,181)	-	(444,181)	(418,435)
Total nonoperating revenues	<u>(112,972)</u>	<u>202,819</u>	<u>89,847</u>	<u>(67,582)</u>
Revenues over (under) expenditures	<u>86,684</u>	<u>965,446</u>	<u>1,052,130</u>	<u>1,261,205</u>
Other financing sources (uses)				
Transfers in	-	-	-	15,612
Transfers out	(279,808)	279,808	-	-
Appropriated fund balance	193,124	(193,124)	-	-
Total other financing sources (uses)	<u>(86,684)</u>	<u>86,684</u>	<u>-</u>	<u>15,612</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,052,130</u>	<u>\$ 1,052,130</u>	<u>\$ 1,276,817</u>
Reconciliation of change in net position				
Total revenues			\$ 5,038,575	\$ 4,746,667
Total expenditures			<u>3,986,445</u>	<u>3,469,850</u>
Subtotal			<u>1,052,130</u>	<u>1,276,817</u>
Depreciation			(4,033,217)	(3,865,160)
Change in accrued vacation			4,489	(24,935)
Net OPEB expense			(47,279)	(38,918)
LGERS expense			(23,858)	26,712
Change in inventory			(1,410)	(763)
Capital outlay			364,460	122,896
Subtotal			<u>(3,736,815)</u>	<u>(3,780,168)</u>
Change in net position			<u>\$ (2,684,685)</u>	<u>\$ (2,503,351)</u>

City of Fayetteville, North Carolina

Schedule of Changes in the Status of
Airport Capital Project Fund

From Inception and for Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues					
Federal grants	\$ 15,954,624	\$ 10,823,552	\$ 8,772,958	\$ 3,588,398	\$ 5,638,992
State grants	5,997,953	3,361,995	-	96,741	3,458,736
Passenger facility charges	747,481	3,356,152	1,073,128	896,082	3,179,106
Customer facility charges	425,000	2,539,733	-	1,211,603	3,751,336
Investment income	197,606	387,967	-	84,748	472,715
Total revenues	<u>23,322,664</u>	<u>20,469,399</u>	<u>9,846,086</u>	<u>5,877,572</u>	<u>16,500,885</u>
Expenditures					
AIP-41 runway 4/22 paved	-	3,722,459	3,722,459	-	-
AIP-42 airline terminal air	-	5,589,438	5,589,438	-	-
Jetbridge 4 replacement	-	470,334	470,334	-	-
GA fence replacement	175,000	-	-	92,278	92,278
North GA parking	847,426	828,461	-	-	828,461
Runway 4 safety area FAA reimbursement	-	57,239	57,239	-	-
Rental car facility improvements	25,000	9,786	-	-	9,786
Rehabilitation runway 10/28	4,131,793	3,735,550	-	107,490	3,843,040
AIP 43 terminal improvements	3,930,603	3,346,359	-	495,286	3,841,645
Terminal improvements part I	17,618,141	-	-	4,355,615	4,355,615
Aviation fuel farm paving	162,400	-	-	130,808	130,808
Total expenditures	<u>26,890,363</u>	<u>17,759,626</u>	<u>9,839,470</u>	<u>5,181,477</u>	<u>13,101,633</u>
Revenues over (under) expenditures	<u>(3,567,699)</u>	<u>2,709,773</u>	<u>6,616</u>	<u>696,095</u>	<u>3,399,252</u>
Other financing sources (uses)					
Transfers in	3,567,699	4,578,029	379,348	-	4,198,681
Transfers out	-	(385,964)	(385,964)	-	-
Proceeds from sale of assets	-	1,934	-	-	1,934
Total other financing sources (uses)	<u>3,567,699</u>	<u>4,193,999</u>	<u>(6,616)</u>	<u>-</u>	<u>4,200,615</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 6,903,772</u>	<u>\$ -</u>	<u>\$ 696,095</u>	<u>\$ 7,599,867</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 696,095	
Capital outlay				<u>5,181,477</u>	
Change in net position				<u>\$ 5,877,572</u>	

City of Fayetteville, North Carolina

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Environmental Services Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts for Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Operating revenues				
Charges for services	\$ 6,738,669	\$ (130,779)	\$ 6,607,890	\$ 2,720,252
Other revenue from operations	189,943	35,834	225,777	212,640
Total operating revenues	<u>6,928,612</u>	<u>(94,945)</u>	<u>6,833,667</u>	<u>2,932,892</u>
Operating expenditures				
Personnel	4,152,478	92,569	4,059,909	3,841,883
Other operating expenditures	6,303,522	242,333	6,061,189	6,877,521
Capital outlay	1,294,321	213,170	1,081,151	1,387,494
Total operating expenditures	<u>11,750,321</u>	<u>548,072</u>	<u>11,202,249</u>	<u>12,106,898</u>
Operating income (loss)	<u>(4,821,709)</u>	<u>453,127</u>	<u>(4,368,582)</u>	<u>(9,174,006)</u>
Nonoperating revenues (expenditures)				
Federal and State grants	168,106	(29,436)	138,670	2,255,107
County revenue	313,360	(7,190)	306,170	305,715
Miscellaneous	37,100	22,571	59,671	73,887
Interest earned on investments	5,000	(4,748)	252	4,288
Payments to agencies	(2,934)	147	(2,787)	-
Interest expense	(26,329)	7,982	(18,347)	(4,475)
Debt service - principal payment	(389,990)	-	(389,990)	(141,380)
Nonoperating revenues (expenditures)	<u>104,313</u>	<u>(10,674)</u>	<u>93,639</u>	<u>2,493,142</u>
Revenues over (under) expenditures	<u>(4,717,396)</u>	<u>442,453</u>	<u>(4,274,943)</u>	<u>(6,680,864)</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	128,759	128,759	88,875
Transfers in	3,418,538	(1,394,571)	2,023,967	6,519,148
Transfers out	-	-	-	-
Proceeds from loans	1,225,000	-	1,225,000	-
Appropriated fund balance	73,858	(73,858)	-	-
Total other financing sources (uses)	<u>4,717,396</u>	<u>(1,339,670)</u>	<u>3,377,726</u>	<u>6,608,023</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (897,217)</u>	<u>\$ (897,217)</u>	<u>\$ (72,841)</u>
Reconciliation of change in net position				
Total revenues			\$ 10,716,156	\$ 12,179,912
Total expenditures			11,613,373	12,252,753
Subtotal			<u>(897,217)</u>	<u>(72,841)</u>
Depreciation			(1,017,526)	(942,391)
Decrease (increase) in accrued vacation			(2,993)	23,483
Net OPEB expense			(111,202)	(58,662)
LGERS expense			(55,988)	(42,481)
Change in inventory			(17,490)	(18,014)
Proceeds from sale of assets			(128,759)	(88,875)
Gain (loss) on disposal of assets			104,041	(7,541)
Bad debt expense			(502)	(943)
Unearned revenue			50,170	5,304
Capital outlay			1,081,151	1,387,494
Debt principal payment			389,990	141,380
Capital lease proceeds			(1,225,000)	-
Accrued interest			-	(223)
Subtotal			<u>(934,108)</u>	<u>398,531</u>
Change in net position			<u>\$ (1,831,325)</u>	<u>\$ 325,690</u>

City of Fayetteville, North Carolina

Schedule of of Changes in the Status of
Environmental Services Capital Project Fund

From Inception And For Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues					
Interest earned on investments	\$ -	\$ 2,170	\$ -	\$ 402	\$ 2,572
Total revenues	<u>-</u>	<u>2,170</u>	<u>-</u>	<u>402</u>	<u>2,572</u>
Expenditures					
On Board/On Route Systems	477,848	474,104	-	-	474,104
800MHz Radio Lease	101,801	-	-	100,981	100,981
Total expenditures	<u>579,649</u>	<u>474,104</u>	<u>-</u>	<u>100,981</u>	<u>575,085</u>
Revenues over (under) expenditures	<u>(579,649)</u>	<u>(471,934)</u>	<u>-</u>	<u>(100,579)</u>	<u>(572,513)</u>
Other financing sources (uses)					
Transfers in	477,848	477,848	-	-	477,848
Capital lease proceeds	101,801	-	-	101,548	101,548
Total other financing sources (uses)	<u>579,649</u>	<u>477,848</u>	<u>-</u>	<u>101,548</u>	<u>579,396</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 5,914</u>	<u>\$ -</u>	<u>\$ 969</u>	<u>\$ 6,883</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 969	
Capital lease proceeds				(101,548)	
Capital outlay				100,981	
Non-capitalizable items				(5,895)	
Change in net position				<u>\$ (5,493)</u>	

2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Internal Service Funds

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.

The following comprise the City's Internal Service Funds:

- **Insurance Fund**

All Internal Service Funds are accounted for using the accrual basis of accounting.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Insurance Fund

Year Ended June 30, 2018
(With Comparative Actual Amounts for Year Ended June 30, 2017)

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Operating revenues				
Other revenues from operations	\$ 292,600	\$ 275,624	\$ 568,224	\$ 265,690
Interfund charges and employee contributions	20,919,030	(1,498,882)	19,420,148	19,459,180
Total operating revenues	<u>21,211,630</u>	<u>(1,223,258)</u>	<u>19,988,372</u>	<u>19,724,870</u>
Operating expenditures				
Salaries and employee benefits	434,433	30,744	403,689	371,344
Other operating expenditures	22,123,773	3,061,603	19,062,170	19,066,378
Total operating expenditures	<u>22,558,206</u>	<u>3,092,347</u>	<u>19,465,859</u>	<u>19,437,722</u>
Operating income (loss)	<u>(1,346,576)</u>	<u>1,869,089</u>	<u>522,513</u>	<u>287,148</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	98,700	168,424	267,124	117,228
Miscellaneous	-	27,693	27,693	13,779
Total nonoperating revenues (expenditures)	<u>98,700</u>	<u>196,117</u>	<u>294,817</u>	<u>131,007</u>
Revenues over (under) expenditures	<u>(1,247,876)</u>	<u>2,065,206</u>	<u>817,330</u>	<u>418,155</u>
Other financing sources (uses)				
Transfers in	1,173,285	222,971	1,396,256	803,071
Transfers out	-	-	-	(1,142,308)
Appropriated fund balance	74,591	(74,591)	-	-
Total other financing sources (uses)	<u>1,247,876</u>	<u>148,380</u>	<u>1,396,256</u>	<u>(339,237)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,213,586</u>	<u>2,213,586</u>	<u>78,918</u>
Reconciliation to change in net position:				
Total revenues			\$ 21,679,445	\$ 20,658,948
Total expenditures			19,465,859	20,580,031
Subtotal			<u>2,213,586</u>	<u>78,917</u>
Decrease (increase) in accrued vacation			950	385
Change in net OPEB expense			(16,304)	(6,165)
Decrease (increase) in insurance liability			41,648	1,754,374
LGERS expense			(6,167)	(4,472)
Subtotal			<u>20,127</u>	<u>1,744,122</u>
Change in net position			<u>\$ 2,233,713</u>	<u>\$ 1,823,039</u>

City of Fayetteville, North Carolina

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FISCAL YEAR ENDED
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Fiduciary Funds

The following comprise the City's Fiduciary Funds:

- **Private-Purpose Trust Funds**
- **Agency Fund**

The focus of Fiduciary Fund measurement differs among the various types of funds that may be encompassed by this classification.

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Trust & Agency Funds

Trust Funds are used to account for assets held by the City in a trustee capacity.

The following comprise the City's Trust Funds:

- **Private-Purpose Trust Funds**
 - Police Benefit Trust Fund
 - Firefighters' Benefit Trust Fund

- **Agency Fund**
 - Red Light Camera Fund

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Combining Statement of Fiduciary Net Position
 Private-purpose Trust Funds
 June 30, 2018

	<u>Police Benefit Trust Fund</u>	<u>Firefighters' Benefit Trust Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 636	\$ 1,370,761	\$ 1,371,397
Accounts receivable	25	-	25
Total assets	<u>661</u>	<u>1,370,761</u>	<u>1,371,422</u>
Net position			
Restricted for benefits and other purposes	<u>661</u>	<u>1,370,761</u>	<u>1,371,422</u>
Total net position	<u>\$ 661</u>	<u>\$ 1,370,761</u>	<u>\$ 1,371,422</u>

City of Fayetteville, North Carolina

Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds

June 30, 2018

	<u>Police Benefit Trust Fund</u>	<u>Firefighters' Benefit Trust Fund</u>	<u>Total</u>
Additions			
Contributions	\$ 25	\$ 137,913	\$ 137,938
Investment earnings	204	37,658	37,862
Total additions	<u>229</u>	<u>175,571</u>	<u>175,800</u>
Deductions			
Benefit payments and premiums	-	184,479	184,479
Total deductions	<u>-</u>	<u>184,479</u>	<u>184,479</u>
Change in net position	229	(8,908)	(8,679)
Total net position - beginning	<u>432</u>	<u>1,379,669</u>	<u>1,380,101</u>
Total net position - ending	<u>\$ 661</u>	<u>\$ 1,370,761</u>	<u>\$ 1,371,422</u>

City of Fayetteville, North Carolina

Statement of Changes in Assets and Liabilities
Red Light Camera Agency Fund
June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	<u>\$ 131,320</u>	<u>\$ 2,248,897</u>	<u>\$ 2,160,191</u>	<u>\$ 220,026</u>
Liabilities				
Intergovernmental payable	<u>\$ 131,320</u>	<u>\$ 2,248,897</u>	<u>\$ 2,160,191</u>	<u>\$ 220,026</u>

City of Fayetteville, North Carolina

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Other Supplemental Financial Data

The current tax levy and taxes receivable supplemental data is presented to provide a more detailed view. These schedules are not funds and do not measure results of operations.

The Emergency Telephone System Unspent Balance PSAP reconciliation is presented to provide the State 911 board expenditure tracking.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina

Schedule of Current Tax Levy

Year Ended June 30, 2018

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund (Including VTS)	\$ 13,775,928,973	\$ 0.4995	\$ 68,857,310	\$ 62,137,601	\$ 6,719,708
Late Listing Penalties:					
General Fund			33,129	33,129	-
Subtotal			<u>68,890,438</u>	<u>62,170,730</u>	<u>6,719,708</u>
Discoveries:					
General Fund	50,604,955	0.4995	258,921	252,772	6,149
Late Listing Penalties:					
General Fund			59,449	59,449	-
Subtotal			<u>318,370</u>	<u>312,221</u>	<u>6,149</u>
Releases					
General Fund	(52,867,253)	0.4995	(265,674)	(264,072)	(1,602)
Late Listing Penalties:					
General Fund			(26,720)	(26,720)	-
Subtotal			<u>(292,393)</u>	<u>(290,792)</u>	<u>(1,602)</u>
Adjusted Tax Levy			<u>68,916,415</u>	<u>62,192,159</u>	<u>6,724,256</u>
Uncollected Current Year Taxes at 6/30/2018			<u>(500,462)</u>	<u>(457,811)</u>	<u>(42,651)</u>
City-wide Current Year's Taxes Collected			<u>\$ 68,415,952</u>	<u>\$ 61,734,348</u>	<u>\$ 6,681,604</u>
City-wide Current Levy Collection Percentage			<u>99.27%</u>	<u>99.26%</u>	<u>99.37%</u>

City of Fayetteville, North Carolina

Schedule of Taxes Receivable

June 30, 2018

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2018</u>
2018	\$ -	\$ 68,916,415	\$ 68,415,952	\$ 500,462
2017	476,640	(496)	301,358	174,786
2016	128,426	(129)	47,147	81,150
All Prior	1,798,627	(199,852)	53,628	1,545,147
	<u>2,403,693</u>	<u>\$ 68,715,938</u>	<u>\$ 68,818,086</u>	<u>2,301,545</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(856,040)			(869,771)
	<u>\$ 1,547,653</u>			<u>\$ 1,431,775</u>
General Fund Taxes Receivable per the fund financial statements				\$ 1,538,397
Less: CBTD Taxes Receivable				(3,915)
Less: Vehicle License Fee Receivable				(102,707)
General Fund Ad Valorem Taxes Receivable				<u>\$ 1,431,775</u>

**Reconciliation of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 69,236,205
Less Penalties & Interest	(234,680)
Less Taxes - CBTD	(137,305)
Less Taxes - Lake Valley Dr MSD	(46,134)
General Fund Ad Valorem Taxes	<u>\$ 68,818,086</u>

City of Fayetteville, North Carolina

Emergency Telephone System Unspent Fund
PSAP Reconciliation

June 30, 2018

Net Change in Fund Balance, reported on Budget to Actual	\$ (210,952)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>1,021,390</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 810,438</u>

City of Fayetteville, North Carolina

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

Year Ended June 30, 2018
With Comparative Actual Statements for the Year Ended June 30, 2017

	Budget	Variance Positive (Negative)	2018 Actual	2017 Actual
Revenues				
Restricted intergovernmental	\$ 799,301	\$ -	\$ 799,302	\$ 819,348
Interest earned on investments	3,866	7,322	11,188	5,824
Total revenues	<u>803,167</u>	<u>7,322</u>	<u>810,490</u>	<u>825,172</u>
Expenditures				
Current				
Public Safety				
Implemental functions	154,466	22,669	131,797	170,260
Telephone	83,617	36,211	47,406	2,192
Hosted solutions	596,880	29,174	567,706	568,170
Software maintenance	89,607	-	89,607	86,648
Hardware maintenance	164,111	-	164,111	174,100
Training	39,795	18,980	20,815	36,123
Capital outlay	-	-	-	-
Total public safety	<u>1,128,476</u>	<u>107,034</u>	<u>1,021,442</u>	<u>1,037,493</u>
Total expenditures	<u>1,128,476</u>	<u>107,034</u>	<u>1,021,442</u>	<u>1,037,493</u>
Revenues over (under) expenditures	<u>(325,309)</u>	<u>114,357</u>	<u>(210,952)</u>	<u>(212,321)</u>
Other financing sources (uses)				
Appropriated fund balance	325,309	(325,309)	-	-
Transfers in	-	-	-	2,890
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>325,309</u>	<u>(325,309)</u>	<u>-</u>	<u>2,890</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (210,952)</u>	<u>(210,952)</u>	<u>(209,431)</u>
Fund balance				
Beginning			1,021,390	1,230,821
Ending			<u>\$ 810,438</u>	<u>\$ 1,021,390</u>

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FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
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Statistical Section

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

This part of the City of Fayetteville's Comprehensive Annual Financial Report presents detailed information as a context for understanding how the information in the financial statements, note disclosures, and required supplementary information depicts the government's overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance has changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the City's most significant local revenue sources.

Debt Capacity

These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

City of Fayetteville, North Carolina

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City of Fayetteville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 1

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Investment in capital assets	\$ 351,059,848	\$ 349,628,675	\$ 358,665,197	\$ 346,265,466	\$ 348,741,323	\$ 338,558,257	\$ 330,625,569	\$ 338,293,438	\$ 329,434,958	\$ 335,025,076
Restricted for:										
Capital projects	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	35,832,753	26,200,123	27,136,010	29,025,780	43,756,156	41,001,564	54,544,864	43,761,893
Grant compliance	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855	349,930	-
Unrestricted	72,912,216	69,873,837	37,909,246	43,633,514	40,944,759	39,561,009	26,744,127	27,543,627	6,879,303	2,162,493
Total governmental activities net position	<u>\$ 425,857,235</u>	<u>\$ 422,728,293</u>	<u>\$ 432,407,196</u>	<u>\$ 416,099,103</u>	<u>\$ 416,822,092</u>	<u>\$ 407,307,620</u>	<u>\$ 403,056,715</u>	<u>\$ 407,640,484</u>	<u>\$ 391,209,055</u>	<u>\$ 380,949,462</u>
Business-type activities										
Investment in capital assets	\$ 524,262,726	\$ 572,740,121	\$ 612,211,243	\$ 635,244,018	\$ 669,166,547	\$ 709,443,909	\$ 642,548,862	\$ 96,012,428	\$ 101,703,182	\$ 109,091,148
Restricted for:										
Capital projects	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304	1,336,609	-	3,146,639
Debt service	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	-	-	-
Other purposes	-	-	-	-	-	1,020	1,020	1,020	-	1,020
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	148,697,773	162,197,819	186,407,794	259,366,012	248,376,752	231,097,540	256,367,823	23,900,354	29,904,548	20,436,378
Total business-type activities net position	<u>\$ 673,906,606</u>	<u>\$ 735,786,180</u>	<u>\$ 800,421,798</u>	<u>\$ 896,609,379</u>	<u>\$ 919,428,268</u>	<u>\$ 941,731,817</u>	<u>\$ 964,741,089</u>	<u>\$ 121,250,411</u>	<u>\$ 131,607,730</u>	<u>\$ 132,675,185</u>
Primary government										
Investment in capital assets	\$ 875,322,574	\$ 922,368,796	\$ 970,876,440	\$ 981,509,484	\$ 1,017,907,870	\$ 1,048,002,166	\$ 973,174,431	\$ 434,305,866	\$ 431,138,140	\$ 444,116,224
Restricted for:										
Capital projects	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334	63,903,304	1,336,609	-	3,146,639
Debt service	2,743	41,258	41,390	40,952	60,723	108,014	1,920,080	-	-	-
Other purposes	-	-	35,832,753	26,200,123	27,136,010	29,026,800	43,757,176	41,002,584	54,544,864	43,762,913
Grant compliance	1,885,171	3,225,781	-	-	-	162,574	1,930,863	801,855	349,930	-
Unrestricted	221,609,989	232,071,656	224,317,040	302,999,526	289,321,511	270,658,549	283,111,950	51,443,981	36,783,851	22,598,871
Total primary government net position	<u>\$ 1,099,763,841</u>	<u>\$ 1,158,514,473</u>	<u>\$ 1,232,828,994</u>	<u>\$ 1,312,708,482</u>	<u>\$ 1,336,250,360</u>	<u>\$ 1,349,039,437</u>	<u>\$ 1,367,797,804</u>	<u>\$ 528,890,895</u>	<u>\$ 522,816,785</u>	<u>\$ 513,624,647</u>

Note: Due to the City implementing GASB statements 63 and 65 in fiscal year 2013; terminology changes have been updated for compliance.

City of Fayetteville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 2

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities										
Administration	\$ 17,815,439	\$ 19,932,088	\$ 20,762,610	\$ 21,677,385	\$ 22,721,662	\$ 25,568,650	\$ 25,909,939	\$ 28,126,514	\$ 27,154,948	\$ 27,725,160
Public safety	64,355,111	72,106,589	70,903,587	72,118,645	72,692,847	77,282,295	76,505,137	84,190,564	87,298,393	87,955,537
Environmental protection	12,048,837	11,098,182	14,636,753	8,369,933	8,100,683	477,470	458,342	536,121	757,612	1,968,606
Transportation	18,965,600	20,291,431	19,233,330	19,948,019	20,294,164	20,447,440	20,620,224	21,400,512	22,297,364	21,615,802
Economic and physical development	4,532,166	5,371,176	9,323,817	5,568,559	6,300,683	4,714,803	5,541,090	6,573,922	5,785,839	12,017,640
Recreation and community facilities	12,880,611	13,117,175	12,992,237	13,490,480	13,502,165	13,974,381	13,905,171	14,997,725	15,921,506	16,080,896
Debt service:										
Interest and fees	1,981,641	1,693,633	1,585,197	1,464,554	1,157,838	960,294	811,174	708,588	604,659	845,337
Total governmental activities	<u>132,579,405</u>	<u>143,610,274</u>	<u>149,437,531</u>	<u>142,637,575</u>	<u>144,770,042</u>	<u>143,425,333</u>	<u>143,751,077</u>	<u>156,533,946</u>	<u>159,820,321</u>	<u>168,208,978</u>
Business type activities										
Electric	144,714,714	142,995,626	149,700,921	146,116,831	197,553,706	212,158,021	203,441,960	-	-	-
Water and wastewater	65,163,237	69,063,071	60,743,759	65,169,196	68,876,623	70,015,544	75,205,401	-	-	-
Storm water management ¹	N/A	N/A	N/A	2,891,487	3,225,830	4,588,821	4,569,999	4,755,537	4,662,158	5,098,148
Transit	5,975,160	6,230,449	6,847,471	7,664,911	7,721,977	8,339,679	8,886,160	9,401,907	10,449,142	11,294,000
Airport	4,329,383	4,589,767	4,680,624	5,259,583	6,085,394	6,277,135	6,510,834	7,235,478	7,537,690	7,723,260
Environmental services	1,919,318	1,944,210	1,926,760	2,145,150	2,189,613	9,793,149	10,044,425	10,266,780	11,763,102	11,353,828
Total business-type activities	<u>222,101,812</u>	<u>224,823,123</u>	<u>223,899,535</u>	<u>229,247,158</u>	<u>285,653,143</u>	<u>311,172,349</u>	<u>308,658,779</u>	<u>31,659,702</u>	<u>34,412,092</u>	<u>35,469,236</u>
Total primary government	<u>\$ 354,681,217</u>	<u>\$ 368,433,397</u>	<u>\$ 373,337,066</u>	<u>\$ 371,884,733</u>	<u>\$ 430,423,185</u>	<u>\$ 454,597,682</u>	<u>\$ 452,409,856</u>	<u>\$ 188,193,648</u>	<u>\$ 194,232,413</u>	<u>\$ 203,678,214</u>
Program Revenues										
Governmental activities										
<i>Administration</i>										
Charges for services	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970	\$ 994,985	\$ 1,542,466	\$ 1,811,598	\$ 2,087,923	\$ 1,105,173	\$ 6,883,834
Operating grants and contributions	7,264	30,000	31,141	3,585	16,374	32,545	8,485	4,610	5,893,754	804,547
Capital grants and contributions	-	-	-	-	-	-	-	-	-	50,869
<i>Public Safety</i>										
Charges for services	3,512,402	3,648,358	3,906,523	4,473,761	4,837,983	4,095,850	3,423,674	3,652,223	977,480	3,768,313
Operating grants and contributions	1,111,218	2,764,654	3,889,426	3,078,134	2,422,030	1,707,551	3,781,759	3,755,940	1,925,656	3,794,588
Capital grants and contributions	33,802	5,408	560,157	27,563	62,112	79,929	302,007	649,569	1,583,563	225,345
<i>Environmental Protection</i>										
Charges for services	3,494,076	5,321,692	5,313,078	192,595	202,215	59,335	36,020	45,075	-	36,165
Operating grants and contributions	2,330,984	75,000	2,750,040	272,362	24,198	-	6,098	-	-	854,225
Capital grants and contributions	-	520,597	281,056	593,228	758,309	-	-	-	-	483,445
<i>Transportation</i>										
Charges for services	1,048,358	924,384	1,442,076	1,266,686	1,130,521	1,276,526	1,337,933	907,196	150,317	1,115,587
Operating grants and contributions	5,545,029	5,509,654	5,217,073	5,311,546	5,426,591	5,581,480	5,568,092	7,227,243	5,372,792	5,601,534
Capital grants and contributions	85,372	96,757	204,583	3,511,719	3,487,233	1,905,111	173,144	6,622,200	1,234,697	6,763,426
<i>Economic and physical development</i>										
Charges for services	-	70,995	320,748	562,138	512,467	422,997	376,160	479,286	510,298	305,422
Operating grants and contributions	1,826,540	2,396,648	3,067,922	3,061,017	2,990,716	1,911,277	2,702,616	2,186,935	1,706,081	3,756,194
Capital grants and contributions	30,913	383,277	503,614	847,788	103	-	-	3,114	149,452	199,741
<i>Recreation and community facilities</i>										
Charges for services	4,012,612	4,428,944	4,557,373	4,714,656	4,874,495	5,051,290	4,990,974	4,725,666	1,735,367	2,433,093
Operating grants and contributions	35,844	105,460	123,063	140,384	188,446	149,587	218,258	418,295	2,432,942	408,590
Capital grants and contributions	1,312,932	2,642,557	10,696,075	2,004,325	695,162	882,480	1,179,024	1,409,404	33,564	577,221
<i>Interest and fees</i>										
Operating grants and contributions	-	-	318,310	185,825	111,724	104,110	88,737	-	-	-
Total governmental activities programs	<u>25,255,918</u>	<u>29,755,178</u>	<u>44,179,163</u>	<u>31,272,282</u>	<u>28,735,664</u>	<u>24,802,534</u>	<u>26,004,579</u>	<u>34,174,679</u>	<u>24,811,136</u>	<u>38,062,139</u>

Business-type activities										
Electric										
Charges for services	\$ 169,451,426	\$ 173,192,801	\$ 194,811,519	\$ 197,656,327	\$ 211,789,791	\$ 217,853,786	\$ 223,663,832	\$ -	\$ -	\$ -
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,044,143	1,407,440	1,535,614	371,766	889,399	1,297,052	96,819	-	-	-
Water and wastewater										
Charges for services	64,945,746	75,419,483	68,749,604	70,930,218	71,403,280	74,492,496	76,820,546	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	11,598,860	22,835,906	10,618,542	10,780,807	2,914,570	8,143,723	7,708,126	-	-	-
Storm water management¹										
Charges for services	N/A	N/A	N/A	5,183,444	5,247,665	5,283,676	6,224,941	6,792,851	6,866,159	7,873,798
Operating grants and contributions	N/A	N/A	N/A	-	-	-	-	131,991	42,261	33,451
Capital grants and contributions	N/A	N/A	N/A	-	-	-	-	-	177,509	-
Transit										
Charges for services	801,967	839,490	891,454	1,025,180	1,118,149	1,245,135	1,349,877	1,394,009	1,373,694	1,303,820
Operating grants and contributions	2,681,466	2,337,806	2,353,263	2,050,348	2,355,194	2,539,161	2,725,732	3,004,558	3,497,224	3,421,241
Capital grants and contributions	681,884	1,733,733	3,933,065	3,592,128	1,802,682	2,102,218	2,278,449	5,698,273	5,618,316	480,798
Airport										
Charges for services	3,942,522	3,735,652	4,157,463	4,346,702	4,294,042	4,196,444	4,316,716	4,380,202	4,724,908	4,504,547
Operating grants and contributions	-	1,040,076	144,153	138,131	112,888	108,430	110,580	107,080	2,242,093	2,319,477
Capital grants and contributions	6,293,746	3,752,977	3,827,485	7,275,532	6,578,773	2,000,263	5,918,190	6,057,017	3,148,014	3,685,139
Environmental Services										
Charges for services	2,521,038	2,258,683	2,274,461	2,285,018	2,304,395	2,824,521	2,949,501	3,211,073	2,938,196	6,883,837
Operating grants and contributions	263,070	296,121	298,005	299,525	301,250	133,637	135,815	135,056	2,560,822	444,840
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities programs	<u>264,225,868</u>	<u>288,850,168</u>	<u>293,594,628</u>	<u>305,935,126</u>	<u>311,112,078</u>	<u>322,220,542</u>	<u>334,299,124</u>	<u>30,912,110</u>	<u>33,189,196</u>	<u>30,950,948</u>
Total primary government programs	<u>\$ 289,481,786</u>	<u>\$ 318,605,346</u>	<u>\$ 337,773,791</u>	<u>\$ 337,207,408</u>	<u>\$ 339,847,742</u>	<u>\$ 347,023,076</u>	<u>\$ 360,303,703</u>	<u>\$ 65,086,789</u>	<u>\$ 58,000,332</u>	<u>\$ 69,013,087</u>
Net (expense)/revenue										
Governmental activities	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)	\$ (116,034,378)	\$ (118,622,799)	\$ (117,746,498)	\$ (122,359,267)	\$ (135,009,185)	\$ (130,146,839)
Business-type activities	42,124,056	64,027,045	69,695,093	76,687,968	25,458,935	11,048,193	25,640,345	(747,592)	(1,222,896)	(4,518,288)
Total primary government net expense	<u>\$ (65,199,431)</u>	<u>\$ (49,828,051)</u>	<u>\$ (35,563,275)</u>	<u>\$ (34,677,325)</u>	<u>\$ (90,575,443)</u>	<u>\$ (107,574,606)</u>	<u>\$ (92,106,153)</u>	<u>\$ (123,106,859)</u>	<u>\$ (136,232,081)</u>	<u>\$ (134,665,127)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$ 55,406,617	\$ 58,518,101	\$ 59,016,746	\$ 60,130,081	\$ 62,067,430	\$ 64,702,217	\$ 68,090,990	\$ 68,907,943	\$ 72,112,845	\$ 69,226,879
Other taxes	42,524,787	44,482,890	45,850,043	47,167,974	48,752,661	48,709,791	53,005,270	53,902,375	54,832,387	56,057,367
Payment in lieu of taxes	-	-	-	-	-	-	-	9,487,800	9,966,765	10,428,117
Unrestricted grants and contributions	814,901	295,870	-	902,467	839,798	914,579	1,003,800	916,625	1,536,981	904,062
Interest earned on investments	2,212,641	1,157,788	769,192	565,944	8,522	818,792	468,468	514,449	810,961	1,594,656
Miscellaneous	865,351	652,055	1,379,722	1,174,240	513,652	541,010	385,836	501,294	3,593,019	920,408
Gain on sale of capital assets	240,465	210,072	343,836	385,076	1,063,285	142,765	178,557	144,204	(133,937)	-
Transfers	3,366,213	5,409,378	7,577,732	6,082,634	3,917,802	(6,720,827)	(26,001)	(10,758,599)	(10,367,645)	(5,863,929)
Total governmental activities	<u>105,430,975</u>	<u>110,726,154</u>	<u>114,937,271</u>	<u>116,408,416</u>	<u>117,163,150</u>	<u>109,108,327</u>	<u>123,106,920</u>	<u>123,616,091</u>	<u>132,351,376</u>	<u>133,267,560</u>
Business-type activities										
Other taxes	-	-	-	649,471	660,193	839,060	638,129	632,073	636,467	630,806
Interest earned on investments	4,810,234	3,133,521	2,196,769	3,089,310	1,445,865	3,070,459	1,600,725	141,069	179,472	414,760
Miscellaneous	88,058	87,444	247,622	252,092	323,661	466,103	466,468	439,571	403,307	386,524
Transfers	(3,366,213)	(5,409,378)	(7,577,732)	(6,082,634)	(3,917,802)	6,720,827	26,001	10,758,599	10,367,645	5,863,929
Gain on sale of capital assets	22,459	40,942	73,866	240,158	1,975,417	158,907	38,470	1,694	(6,681)	154,043
Total business-type activities	<u>1,554,538</u>	<u>(2,147,471)</u>	<u>(5,059,475)</u>	<u>(1,851,603)</u>	<u>487,334</u>	<u>11,255,356</u>	<u>2,769,793</u>	<u>11,973,006</u>	<u>11,580,210</u>	<u>7,450,062</u>
Total primary government	<u>\$ 106,985,513</u>	<u>\$ 108,578,683</u>	<u>\$ 109,877,796</u>	<u>\$ 114,556,813</u>	<u>\$ 117,650,484</u>	<u>\$ 120,363,683</u>	<u>\$ 125,876,713</u>	<u>\$ 135,589,097</u>	<u>\$ 143,931,586</u>	<u>\$ 140,717,622</u>
Change in Net Position										
Governmental activities	\$ (1,892,512)	\$ (3,128,942)	\$ 9,678,903	\$ 5,043,123	\$ 1,128,772	\$ (9,514,472)	\$ 5,360,422	\$ 1,256,824	\$ (2,657,809)	\$ 3,120,721
Business-type activities	43,678,594	61,879,574	64,635,618	74,836,365	25,946,269	22,303,549	28,410,138	11,225,414	10,357,314	2,931,774
Total primary government	<u>\$ 41,786,082</u>	<u>\$ 58,750,632</u>	<u>\$ 74,314,521</u>	<u>\$ 79,879,488</u>	<u>\$ 27,075,041</u>	<u>\$ 12,789,077</u>	<u>\$ 33,770,560</u>	<u>\$ 12,482,238</u>	<u>\$ 7,699,505</u>	<u>\$ 6,052,495</u>

¹The Storm Water management fund became an Enterprise Fund effective with fiscal year 2012.

City of Fayetteville, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	27,934,081	28,616,050	-	-	-	-	-	-	-	-
Nonspendable	-	-	160,391	170,322	137,604	124,837	117,022	72,637	1,173,189	1,192,169
Restricted	-	-	18,160,858	18,018,110	19,370,822	20,994,163	24,408,566	24,304,919	27,898,312	27,546,240
Committed	-	-	-	-	-	-	-	3,774,601	4,672,755	5,433,945
Assigned	-	-	13,578,711	13,545,829	14,004,183	11,560,730	14,381,101	10,645,774	8,914,212	15,429,544
Unassigned	-	-	16,807,431	20,161,587	17,551,749	19,368,407	21,630,019	23,070,485	21,649,065	19,566,580
Total General Fund	<u>\$ 45,919,015</u>	<u>\$ 46,588,578</u>	<u>\$ 48,707,391</u>	<u>\$ 51,895,848</u>	<u>\$ 51,064,358</u>	<u>\$ 52,048,137</u>	<u>\$ 60,536,708</u>	<u>\$ 61,868,417</u>	<u>\$ 64,307,533</u>	<u>\$ 69,168,478</u>
Economic and Physical Development Fund²										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,638,107
Committed	-	-	-	-	-	-	-	-	-	4,467,471
Total Recreational and Cultural Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,105,578</u>
Recreational and Cultural Fund¹										
Reserved	\$ 1,328,058	\$ 633,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Capital Projects	87,800	702,865	-	-	-	-	-	-	-	-
Total Recreational and Cultural Fund	<u>\$ 1,415,858</u>	<u>\$ 1,336,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds										
Reserved	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	2,893,694	3,526,252	-	-	-	-	-	-	-	-
Capital Projects	4,691,155	2,510,568	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	3,937,714	-	-	-	-
Restricted	-	-	17,671,895	8,182,013	7,765,188	8,697,672	22,959,252	17,498,500	26,996,482	25,430,435
Committed	-	-	9,788,921	5,524,169	6,012,520	7,506,621	7,307,120	6,638,069	6,423,088	6,136,749
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(1,411,539)	(1,055,147)	(595,034)	(876,336)	(1,598,518)	(704,521)	(7,108,571)	(7,586,331)
Total all other governmental funds	<u>\$ 17,685,642</u>	<u>\$ 23,743,874</u>	<u>\$ 26,049,277</u>	<u>\$ 12,651,035</u>	<u>\$ 13,182,674</u>	<u>\$ 19,265,671</u>	<u>\$ 28,667,854</u>	<u>\$ 23,432,048</u>	<u>\$ 26,310,999</u>	<u>\$ 23,980,853</u>

Note: The City implemented GASB Statement 54 in Fiscal Year 2011; therefore, the new fund balance categories will be reported prospectively.

¹ The Recreational and Cultural Fund was reported as a non-major fund in all fiscal years except 2009 and 2010.

² The Economic and Physical Development Fund was reported as a non-major fund in all fiscal years except 2018.

City of Fayetteville, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 4

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Ad valorem taxes	\$ 55,553,012	\$ 58,699,957	\$ 58,987,439	\$ 60,089,099	\$ 61,873,098	\$ 65,328,949	\$ 68,573,807	\$ 69,176,547	\$ 71,974,910	\$ 69,236,205
Other taxes ¹	9,317,809	8,637,309	9,089,228	4,804,643	4,523,204	3,403,333	2,185,731	1,310,019	1,354,312	1,308,855
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental ¹	40,367,061	41,927,788	43,347,718	44,355,628	46,363,857	47,695,920	52,471,036	63,665,595	64,981,821	66,749,531
Restricted intergovernmental ¹	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807	13,173,189	16,134,374	17,377,544	16,374,101	18,825,639
Local	-	-	-	-	-	-	-	2,102	595,893	2,086,287
Other functional	-	-	-	-	-	-	-	-	-	-
Permits and fees ¹	1,889,966	1,880,274	2,824,584	2,757,155	2,933,818	2,347,930	2,324,735	2,377,031	2,200,113	2,686,636
Sales and services ¹	3,263,932	3,182,815	3,561,896	4,424,754	4,347,871	3,998,499	4,102,986	4,449,582	4,478,635	4,722,334
Miscellaneous	3,108,912	2,837,133	4,186,300	4,254,636	3,543,069	3,906,564	3,457,945	5,767,858	3,593,019	3,084,122
Interest earned on investments	1,748,164	929,799	538,984	307,465	(42,273)	494,849	531,400	507,858	512,557	1,517,086
Total revenues	<u>127,077,085</u>	<u>135,060,027</u>	<u>149,258,387</u>	<u>140,867,657</u>	<u>139,656,451</u>	<u>140,349,233</u>	<u>149,782,014</u>	<u>164,634,137</u>	<u>166,065,361</u>	<u>170,216,695</u>
Expenditures										
Administration	17,473,782	19,865,248	22,269,092	23,463,776	24,004,298	26,540,551	26,654,879	30,025,265	26,894,226	29,412,602
Public safety	60,041,364	65,840,294	65,408,955	66,478,556	68,000,401	72,254,636	73,986,004	78,695,634	80,141,845	79,243,759
Environmental protection	10,328,809	9,493,404	12,859,355	6,650,496	6,386,275	32,980	291,281	335,188	524,951	1,737,096
Transportation	6,111,323	7,437,390	6,213,150	6,853,125	6,986,927	10,595,114	7,314,779	8,014,406	8,711,851	3,575,692
Economic and physical development	4,362,581	4,685,441	9,521,505	5,933,527	5,555,167	633,411	4,579,644	5,136,300	4,715,831	8,417,336
Recreation and community facilities	11,858,912	12,025,817	11,863,297	12,097,831	11,892,121	12,225,457	12,194,892	12,829,765	12,903,835	13,174,362
Capital outlay	13,030,239	12,383,988	33,839,406	18,586,780	13,595,726	10,362,652	14,351,276	19,966,233	15,906,532	38,046,963
Debt service										
Principal	8,521,585	9,255,316	6,145,096	6,971,981	6,638,587	5,349,379	5,471,456	6,935,683	4,481,128	8,515,090
Interest and fees	1,955,844	1,528,589	1,487,161	1,559,137	1,312,216	1,083,442	975,588	875,040	630,308	677,172
Issuance costs	-	131,014	-	-	-	-	-	-	70,738	-
Total expenditures	<u>133,684,439</u>	<u>142,646,501</u>	<u>169,607,017</u>	<u>148,595,209</u>	<u>144,371,718</u>	<u>139,077,623</u>	<u>145,819,799</u>	<u>162,813,516</u>	<u>154,981,246</u>	<u>182,800,072</u>
Excess (deficiency) of revenues over (under) expenditures	(6,607,354)	(7,586,474)	(20,348,630)	(7,727,552)	(4,715,267)	1,271,610	3,962,215	1,820,621	11,084,115	(12,583,377)
Other financing sources (uses)										
Refunding bonds issued	-	7,896,115	-	-	-	-	-	-	-	-
Proceeds from capital leases, bonds and other debt	-	6,550,809	14,857,940	-	-	3,937,714	4,257,748	1,878,677	4,240,977	60,916,009
Transfers in	22,695,465	23,323,681	21,357,058	17,197,216	18,954,192	25,838,734	27,543,908	13,808,925	11,275,323	12,416,885
Transfers out	(17,007,152)	(17,259,353)	(13,106,802)	(11,614,765)	(15,566,151)	(24,095,295)	(26,960,636)	(24,879,567)	(21,303,731)	(19,677,171)
Sale of capital assets ¹	246,972	210,072	328,316	363,380	1,027,375	114,013	168,430	140,302	169,922	5,564,030
Payment to refund bond escrow agent	-	(8,600,308)	-	-	-	-	-	-	-	-
Proceeds from loans	-	1,250,598	-	-	-	-	-	-	-	-
Premium on bonds	-	863,131	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>5,935,285</u>	<u>14,234,745</u>	<u>23,436,512</u>	<u>5,945,831</u>	<u>4,415,416</u>	<u>5,795,166</u>	<u>5,009,450</u>	<u>(9,051,663)</u>	<u>(5,617,509)</u>	<u>59,219,753</u>
Net change in fund balances	<u>\$ (672,069)</u>	<u>\$ 6,648,271</u>	<u>\$ 3,087,882</u>	<u>\$ (1,781,721)</u>	<u>\$ (299,851)</u>	<u>\$ 7,066,776</u>	<u>\$ 8,971,665</u>	<u>\$ (7,231,042)</u>	<u>\$ 5,466,606</u>	<u>\$ 46,636,376</u>
Debt service as a percentage of noncapital expenditures	<u>8.68%</u>	<u>8.38%</u>	<u>5.62%</u>	<u>6.56%</u>	<u>6.08%</u>	<u>5.00%</u>	<u>4.90%</u>	<u>5.47%</u>	<u>3.73%</u>	<u>6.35%</u>

¹ Beginning fiscal year 2009, presentation of these revenue items was changed to reflect a more detailed breakdown.

City of Fayetteville, North Carolina
Tax Revenues By Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax ¹	Rental Property Gross Receipts	Total
2018	\$ 69,236,205	\$ 41,189,439	\$ 13,596,188	\$ 630,565	\$ 25,831	\$ 904,062		\$ 652,459	\$ 126,234,749
2017	71,974,910	39,922,499	13,555,577	639,089	16,989	942,161	-	698,234	127,749,459
2016	69,176,547	38,764,144	13,864,508	635,258	17,118	916,625	-	657,643	124,031,843
2015	68,573,807	37,214,408	13,674,457	669,877	914,705	1,003,800	-	601,149	122,652,203
2014	65,328,949	34,581,531	11,609,581	873,233	1,121,164	914,579	-	603,416	115,032,453
2013	61,873,098	33,838,708	11,042,094	615,393	2,466,929	839,798	71,223	593,907	111,341,150
2012	60,089,099	33,283,642	9,568,985	617,271	2,557,864	902,467	419,653	572,634	108,011,615
2011	58,987,439	31,633,373	10,178,685	624,591	1,226,057	915,803	426,687	562,089	104,554,724
2010	58,699,957	30,789,881	10,035,192	630,853	983,146	295,870	372,226	477,886	102,285,011
2009	55,553,012	29,628,044	9,196,488	630,065	1,013,929	814,901	380,944	441,381	97,658,764

¹ Effective January 1, 2007, video programming broadcast services became subject to state sales taxes and proceeds are now reported with Utility Taxes. Only ancillary services remained subject to a local cablevision franchise tax from January 1, 2007 through the August 31, 2012 termination date of the local franchise agreement.

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

Schedule 6

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio ³
2018 ⁵	\$ 11,910,788,026	\$ 1,911,996,676	\$ 196,690,912	\$ (245,808,939)	\$ 13,773,666,675	0.4995	\$ 14,321,463,321	99.54%
2017	12,445,237,310	1,955,171,158	190,188,186	235,523,304	14,355,073,350	0.4995	13,764,805,486	105.08%
2016	12,274,027,723	1,880,707,190	185,334,874	218,086,491	14,121,983,296	0.486	13,523,883,950	105.22%
2015	12,156,853,512	1,867,670,393	153,629,753	209,378,587	13,968,775,071	0.486	13,461,954,100	104.43%
2014	11,969,057,704	2,179,120,636	159,501,654	195,745,648	14,111,934,346	0.456	13,688,580,890	103.73%
2013 ⁴	11,687,657,234	1,822,068,580	166,500,205	192,290,792	13,483,935,226	0.456	13,466,718,003	100.15%
2012	11,453,552,799	1,705,019,913	167,761,204	187,231,303	13,139,102,613	0.456	13,131,221,705	100.07%
2011	11,261,620,799	1,628,238,092	161,145,492	175,051,710	12,875,952,673	0.456	12,893,719,611	99.84%
2010 ⁵	11,041,771,668	1,638,183,540	162,847,740	111,810,830	12,730,992,118	0.456	12,743,028,314	99.89%
2009	8,663,471,270	1,699,962,644	144,941,408	76,918,867	10,431,456,455	0.530	12,384,609,990	81.72%

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. A County-wide revaluation of real property was effective with the tax levy for fiscal year 2009-2010. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

¹ Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

² Exempt real estate only.

³ Estimated actual values and the ratio of total assessed value to total estimated actual value have been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

⁴ Excludes values for properties annexed from March 27, 2012 to June 30, 2012, and for which taxes were assessed only for the three-month period of April, May and June 2012.

⁵ Denotes the year in which a revaluation was effective January 1st and reflected in the following fiscal year's property value.

Source: Cumberland County Tax Office

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

Schedule 7

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate²	Overlapping Rates ¹
				Cumberland County
				County wide
2018	0.4995	0.100	0.394	0.799
2017	0.4995	0.100	0.394	0.799
2016	0.486	0.100	0.336	0.740
2015	0.486	0.100	0.245	0.740
2014	0.456	0.100	0.345	0.740
2013	0.456	0.100	0.345	0.740
2012	0.456	0.100	0.345	0.740
2011	0.456	0.100	-	0.740
2010	0.456	0.100	-	0.766
2009	0.530	0.100	-	0.860

Source: Cumberland County Tax Office

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Fayetteville.

² The Lake Valley Drive Municipal Service District was effective for the first time in fiscal year 2012.

**City of Fayetteville, North Carolina
Principal Property Taxpayers
Ten Year Comparison
(Unaudited)**

Schedule 8

Taxpayer	2018 ¹			2009 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 140,848,300	1	1.02%	\$ 72,650,500	1	0.70%
Fayetteville VA Co LLC	91,131,584	2	0.66%			
Wal-Mart	51,376,258	3	0.37%			
Piedmont Natural Gas	48,102,064	4	0.35%	37,951,119	4	0.36%
Carolina Telephone	30,948,342	5	0.22%	53,724,687	2	0.52%
Westlake at Morganton LLC	27,641,499	6	0.20%			
Independence Place West Fayetteville	26,254,501	7	0.19%			
DDRM Fayetteville Pavilion LLC	25,790,300	8	0.19%			
West Park Apartments LLC	24,541,700	9	0.18%			
Hidden Creek Village	23,663,800	10	0.17%	21,458,200	5	0.21%
Centurion Aviation Service				45,060,000	3	0.43%
Fayetteville Publishing Company				19,879,117	6	0.19%
Cross Creek Phase 1 LLC				17,911,425	7	0.17%
Morganton Development LLC				16,929,398	8	0.16%
BRC North Reilly LLC				16,716,600	9	0.16%
Village at Cliffdale				15,842,300	10	0.15%
	\$ 490,298,348		3.56%	\$ 318,123,346		3.06%

¹ Assessed valuations are as of January 1, 2017 and the associated tax levies were due in the fiscal year ended June 30, 2018.

² Assessed valuations are as of January 1, 2008 and the associated tax levies were due in the fiscal year ended June 30, 2009.

Source: Cumberland County Tax Office

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

Schedule 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 68,869,870	\$ 68,409,559	99.33%	\$ -	68,409,559	99.33%
2017	71,686,530	71,209,890	99.34%	301,358	71,511,248	99.76%
2016	68,695,823	68,299,578	99.42%	313,592	68,613,170	99.88%
2015	67,898,129	67,458,548	99.35%	354,708	67,813,255	99.87%
2014	64,477,068	63,626,991	98.68%	618,369	64,245,361	99.64%
2013	61,869,392	60,343,502	97.53%	1,122,782	61,466,284	99.35%
2012	59,990,898	58,593,009	97.67%	1,050,469	59,643,477	99.42%
2011	58,795,924	57,406,499	97.64%	1,041,475	58,447,974	99.41%
2010	58,418,406	57,126,777	97.79%	964,891	58,091,668	99.44%
2009	55,349,877	53,901,099	97.38%	1,093,723	54,994,822	99.36%

1 Schedule reflects the general tax levy only.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Schedule 10

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Bonded Debt	Limited Obligation Bonds	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases			
2018	\$ 2,971,717	\$ 50,520,000	\$ 22,579,714	\$ 150,000	N/A	\$ 6,615,000	\$ 300,359	\$ 2,232,018	\$ 85,368,808	N/A	411
2017	3,517,147	N/A	20,094,321	225,000	N/A	7,280,000	325,389	1,295,460	32,737,317	N/A	157
2016 ³	4,396,267	N/A	19,419,617	300,000	N/A	7,925,000	350,419	434,563	32,825,866	2.65%	158
2015 ²	8,577,821	N/A	20,606,769	375,000	2,741,682	242,101,959	34,167,522	575,942	309,146,695	2.54%	1,484
2014	11,346,847	N/A	19,165,621	450,000	3,411,254	136,627,576	26,275,105	19,070	197,295,473	1.67%	937
2013	14,110,875	N/A	17,927,431	525,000	4,270,372	150,206,030	22,650,444	39,465	209,729,617	1.813%	1,003
2012	15,996,406	N/A	21,998,896	600,000	4,843,594	150,245,000	15,866,039	59,445	209,609,380	1.813%	1,008
2011	19,111,260	N/A	25,781,023	1,150,568	5,648,740	150,480,000	16,683,349	79,018	218,933,958	1.936%	1,051
2010	22,216,115	N/A	13,863,293	1,250,598	6,453,885	169,120,000	17,951,198	98,191	230,953,280	2.135%	1,112
2009	28,937,825	N/A	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.127%	1,217

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

¹ See schedule 15 Demographic and Economic Statistics for per capita personal income and population data.

² Beginning fiscal year 2013, the outstanding debt presented is net of premiums and discounts as reported in the basic financial statements.

³ On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

City of Fayetteville, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Schedule 11

<u>General Bonded Debt Outstanding</u>							
Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Actual Total Assessed Value of Property¹	Per Capita²	
2018	\$ 2,967,659	\$ 50,520,000	\$ 6,615,000	\$ 60,102,659	0.44%	290	
2017	3,517,147	N/A	7,280,000	10,797,147	0.08%	52	
2016 ³	4,336,988	N/A	7,925,000	12,261,988	0.09%	59	
2015	8,635,000	N/A	227,025,000	235,660,000	1.69%	1,131	
2014	11,199,999	N/A	128,965,000	140,164,999	0.99%	666	
2013	13,955,000	N/A	141,965,000	155,920,000	1.16%	746	
2012	16,720,000	N/A	154,365,000	171,085,000	1.30%	823	
2011	19,500,000	N/A	155,740,000	175,240,000	1.36%	841	
2010	22,290,000	N/A	175,500,000	197,790,000	1.55%	952	
2009	26,620,000	N/A	164,775,000	191,395,000	1.83%	1,055	

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

¹ See Schedule 6 for property value data.

² Population data can be found in Schedule 15.

³ On June 30, 2016 the PWC Charter was amended by the North Carolina Assembly; as a result of these actions PWC is now presented as a discretely presented component unit; fiscal year 2016 reflects these changes.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2018
(Unaudited)

Schedule 12

<u>Governmental Unit</u>	<u>Debt Outstanding ¹</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cumberland County	\$ 101,118,437	59.90%	\$ 60,573,494
Subtotal, overlapping debt			60,573,494
City of Fayetteville direct debt			76,221,431
Total direct and overlapping debt			<u>\$ 136,794,925</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Cumberland County Tax Administrator. Debt outstanding provided by Cumberland County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of The City of Fayetteville. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Cumberland County's taxable assessed value that is within the city's boundaries and dividing it by Cumberland County's total taxable assessed value.

**City of Fayetteville, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

Schedule 13

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 834,516,516	\$ 1,018,479,369	\$ 1,030,076,213	\$ 1,051,128,209	\$ 1,083,524,525	\$ 1,128,954,748	\$ 1,117,502,006	\$ 1,129,758,664	\$ 1,148,407,468	\$ 1,101,893,334
Total net debt applicable to limit	65,836,614	61,833,280	68,453,958	59,364,380	58,617,340	60,667,897	66,244,784	24,491,168	25,111,914	78,449,391
Legal debt margin	<u>\$ 768,679,902</u>	<u>\$ 956,646,089</u>	<u>\$ 961,622,255</u>	<u>\$ 991,763,829</u>	<u>\$ 1,024,907,185</u>	<u>\$ 1,068,286,846</u>	<u>\$ 1,051,257,222</u>	<u>\$ 1,105,267,496</u>	<u>\$ 1,105,267,496</u>	<u>\$ 1,023,443,943</u>
Total net debt applicable to the limit as a percentage of debt limit	7.89%	6.07%	6.65%	5.65%	5.41%	5.37%	5.93%	2.17%	2.17%	7.12%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$ 13,773,666,675
Debt Limit (8% of total assessed value)	1,101,893,334
Debt applicable to limit:	
Bonded debt	2,967,659
Limited obligation bonds	50,520,000
Notes payable	150,000
Capitalized leases	24,811,732
Subtotal	<u>78,449,391</u>
Authorized and unissued debt	<u>35,000,000</u>
Total Gross Debt	113,449,391
Less: Statutory deductions	
Bonds authorized but unissued - Parks and Recreation Bonds	<u>(35,000,000)</u>
	<u>78,449,391</u>
	<u>\$ 1,023,443,943</u>

City of Fayetteville, North Carolina
Pledged Revenue Coverage - Stormwater
Last Ten Fiscal Years¹
(Unaudited)

Schedule 14

Fiscal Year Ended June 30	Storm Water Service Charges	Less: Operating Expenses ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
				Principal	Interest ³	Total	
2018	\$ 7,844,450	\$ 4,060,584	\$ 3,783,866	\$ 665,000	\$ 233,055	\$ 898,055	4.21
2017	6,833,895	3,682,835	3,151,060	645,000	243,432	888,432	3.55
2016	6,769,910	3,609,029	3,160,881	625,000	194,167	819,167	3.86
2015	6,203,349	3,489,698	2,713,651	610,000	208,936	818,936	3.31
2014	5,268,914	3,546,480	1,722,434	595,000	223,380	818,380	2.10
2013	5,233,338	2,384,924	2,848,414	575,000	208,594	783,594	3.64
2012	5,164,229	2,287,316	2,876,913	265,000	38,950	303,950	9.47

Notes:

- ¹ The Storm Water Fund became an Enterprise Fund effective with fiscal year 2012.
- ² Operating expenses include operating expenses exclusive of depreciation and all other amortization.
- ³ Interest represents accrual based interest excluding capitalized interest.
- ⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.
- ⁵ Debt service includes revenue bonds and excludes notes payable.

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

City of Fayetteville, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 15

Year	Population ¹	Personal Income ²	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2018	207,583	N/A	N/A	50,937	5.9%	N/A (a)	\$4.049
2017	208,729	N/A	N/A	51,480	6.2%	N/A (a)	4.040
2016	208,158	12,376,828,000	37,835	51,846	6.8%	N/A (a)	3.849
2015	208,373	12,134,537,000	37,270	50,939	6.6%	N/A (a)	3.693
2014	210,468	11,796,771,000	36,146	51,855	6.5%	N/A (a)	3.509
2013	209,080	11,567,254,000	35,409	52,729	7.6%	N/A (a)	3.559
2012	208,001	11,563,587,000	35,750	53,063	8.2%	N/A (a)	3.532
2011	208,291	11,306,461,000	34,909	53,361	8.5%	N/A (a)	3.376
2010	207,779	10,818,511,000	33,794	52,187	8.2%	N/A (a)	3.241
2009	181,481	10,382,420,000	32,726	53,162	6.8%	2.348	2.844

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2008 through July 1, 2017.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2017 and 2018 data not available.
3. Cumberland County Schools, District Profile and Communications & Public Relations Department
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC. 2018 data is not yet available.
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics.
 (a) Municipal tax reporting not available after June 30, 2009.

**City of Fayetteville, North Carolina
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Schedule 16

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) ¹	14,036	1	11.49%	4,431	3	3.53%
Cape Fear Valley Health System	7,000	2	5.73%	5,000	2	3.98%
Cumberland County Board of Education	6,042	3	4.94%	7,500	1	5.97%
Wal-Mart Associates, Inc.	3,956	4	3.24%	4,426	4	3.52%
Goodyear Tire & Rubber Company	2,500	5	2.05%	2,650	5	2.11%
Cumberland County Government	2,095	6	1.71%	2,500	6	1.99%
Veterans Administration	2,000	7	1.64%			
City of Fayetteville	1,776	8	1.45%	1,580	7	1.26%
Fayetteville Technical Community College	1,383	9	1.13%	1,340	9	1.07%
Fayetteville State University	885	10	0.72%			
State of North Carolina	-			1,429	8	1.14%
US Postal Service	-			1,312	10	1.04%
Total Employment (Ten Largest Civilian Employers)	41,673		34.10%	32,168		25.60%

¹ Only includes Dept. of Defense Civilian Employees. Does not include contract employees or non-appropriated funds employees.

Sources: U.S. Department of Defense, Cumberland County School System, Cape Fear Valley Health System, City of Fayetteville Public Works Commission, Fayetteville Observer, City of Fayetteville, Fayetteville Tech Community College

City of Fayetteville, North Carolina
Full-time City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

Schedule 17

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Administration	91	91	93	96	105	108	117	125	121	104
Public Safety	827	829	875	851	898	911	930	950	915	951
Environmental Protection ¹	118	136	124	85	84	4	5	5	5	5
Transportation	79	79	72	77	78	78	75	79	70	63
Economic and Physical Development	15	19	24	20	20	20	22	27	13	21
Recreation and Community Facilities	125	133	114	121	121	117	117	115	170	236
Internal Service	44	52	48	45	46	45	5	4	4	3
Transit	54	61	76	87	92	89	98	113	104	112
Airport	18	18	18	19	19	20	23	23	17	17
Stormwater ¹	-	-	-	26	26	36	37	43	47	41
Environmental Services ³ (Solid Waste & Recycling)	-	-	-	-	1	70	67	70	74	69
Total	<u>1,371</u>	<u>1,418</u>	<u>1,444</u>	<u>1,427</u>	<u>1,490</u>	<u>1,498</u>	<u>1,496</u>	<u>1,554</u>	<u>1,540</u>	<u>1,622</u>

Source: City Finance Office

¹The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012 and is no longer included with Environmental Protection.

²The Street Sweeping function became a part of the Stormwater enterprise fund effective fiscal year 2014 and is no longer included with Environmental Protection.

³The Solid Waste function became a part of the Environmental Services enterprise fund effective fiscal year 2014 and is no longer included with Environmental Protection.

City of Fayetteville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Schedule 18

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire ⁽¹⁾										
Emergency responses	23,197	25,166	25,272	27,843	27,643	30,153 ⁽¹⁾	29,987	29,963	31,443	29,707
Fires extinguished	930	1,118	869	977	721	671 ⁽¹⁾	682	812	978	831
Fire inspections	4,159	5,670	6,900	6,335	2,761	3349 ⁽¹⁾	4,582	4,516	4,031	5,826
Police ⁽²⁾										
Number of law violations:										
Physical arrests	7,968	8,865	10,336	8,968	7,168	7,406	6,594	7,083 ⁽²⁾	6,524	6,606
Traffic citations	35,484	45,982	48,162	31,054	21,058	22,523	23,630	24,860 ⁽²⁾	17,263	17,443
Warning citations	13,481	13,096	21,034	19,713	17,219	21,788	38,326	53,553 ⁽²⁾	38,389	32,695
Calls for service	215,127	219,428	222,136	230,389	251,891	307,679	272,350	277,688 ⁽²⁾	296,609	288,896
Development Services										
Number of permits issued:										
Residential:										
New single family	317	401	431	548	502	343	308	290	249	275
New multi-family										
Number of units	712	619	1,165	966	983	111	170	311	64	54
Renovations	1,364	1,297	1,390	1,350	2,098	1,557	1,461	1,382	1,011	924
Commercial:										
New	52	60	87	62	71	51	69	69	52	56
Renovations	259	294	461	611	541	559	509	431	450	371
Other:										
Miscellaneous	16,731	16,185	17,598	19,290	13,132	10,319	12,467	11,825	11,556	9,092
Yard sale	1,175	1,186	1,186	1,114	921	998	727	702	601	572

City of Fayetteville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Schedule 18

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cultural and Recreational ⁽³⁾										
Youth Sports participants	11,543	9,871	16,081	10,870	11,805	11,173	11,687	15,209	17,057	15,970
Adult Sports participants	2,100	5,348	6,772	1,036	1,172	1,087	761	944	998	717
Senior participants	89,461	62,818	92,894	102,170	109,503	89,416	90,311	109,289	97,603	92,300
Therapeutic participants	38,996	2,348	22,192	20,048	29,522	22,793	23,021	52,942	57,171	56,955
Aquatics participants	N/A	N/A	23,811	24,903	22,394	22,123	22,345	38,099	66,446	72,140
Park programs participants	27,584	16,810	24,182	24,074	21,712	28,086	28,367	30,589	30,920	35,609
Special events participants	2,841	2,979	6,567	11,161	11,983	20,727	20,642	22,446	15,692	18,821
Permitted events	66	82	81	64	66	89	81	96	105	110
Mobile stage/bleacher rentals	44	49	51	47	44	49	47	92	137	116
Recreation center participants	673,934	430,654	508,801	524,772	525,848	586,199	592,061	621,664	631,514	816,726
Historical properties participants	22,354	15,401	34,011	134,247	105,126	95,622	63,531	73,109	60,661	60,152
Picnic shelter rentals	29,211	31,772	38,381	50,218	46,839	40,761	38,484	36,687	43,122	57,290
Festival Park	267,794	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier 1 Events (0 - 500 Attendees)	N/A	6	2	5	3	1	5	5	9	36
Tier 2 Events (501 - 2,500 Attendees)	N/A	12	7	11	13	6	15	2	3	2
Tier 3 Events (2,501 - 5,000 Attendees)	N/A	15	13	14	13	6	16	2	7	6
Tier 4 Events (5,001 - 10,000 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10	8	10
Tier 5 Events (10,001 + Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19	15	19
Transportation										
Street Maintenance										
Streets maintained (miles)	722.38	724.39	726.51	730.79	734.13	735.69	735.69	740.69	740.68	743.40
Street resurfacing and cape sealing (miles)	20.42	31.77	25.05	19.52	17.80	14.30	17.50	20.09	13.50	32.21
Number of traffic signals maintained ⁽⁴⁾	205	225	225	225	226	214	214	214	225	230
Engineering										
Driveway permits (residential)	323	310	378	426	429	578	382	388	287	227
Driveway permits (commercial)	43	40	23	42	42	42	28	23	23	27
Airport ⁽¹⁾										
Number of enplaned passengers	229,480	259,454	254,134	253,330	244,345	237,282 ⁽¹⁾	161,635	224,489	229,684	238,178
Number of deplaned passengers	229,993	254,891	258,719	253,575	243,876	236,635 ⁽¹⁾	219,312	221,292	228,562	235,835

(1) Statistics for the Fire Department and Airport reflect fiscal year data starting with year ending June 30, 2014.

(2) Statistics for the Police Department reflect fiscal year data starting with year ending June 30, 2016.

(3) Statistics reflect the merger of Cumberland County and City of Fayetteville Parks and Recreation Departments.

(4) Reflects the number of traffic signals maintained by the City of Fayetteville.

**City of Fayetteville, North Carolina
Capital Assets Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

Schedule 19

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Fire										
Number of stations	16	16	16	16	16	16	16	16	17	17
Police										
Number of stations	2	2	2	2	2	2	2	2	3	3
Cultural and Recreational										
Mini parks (.5 - 3 acres)	12	12	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	14	14	14	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	6	6	6	7	7	7	7	7	7	7
Sports complexes (40 - 80 acres)	2	2	2	3	3	3	3	3	3	3
Green spaces	8	8	8	8	8	8	8	8	8	8
Neighborhood school-parks	34	34	34	34	34	34	34	34	34	34
Community school-parks	1	1	1	1	1	1	1	1	1	1
Linear parks	3	3	3	3	3	3	3	3	3	3
Special use parks	7	7	7	8	8	8	8	8	8	8
Program sites	8	8	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	3	3	3	3	3	3	3	3	3	3
Community center with gym	16	16	16	16	16	16	16	16	16	16
Pools	-	-	-	-	-	-	1	3	3	3
Transportation										
Street Maintenance										
Streets maintained (miles)	722.38	724.39	726.51	730.79	734.13	735.69	735.69 ⁽¹⁾	740.69	740.68	743.40
Number of traffic signals ⁽²⁾	28	28	28	28	29	29	29	29	30	30

(1) Reflects correction of presentation of previous data

(2) Reflects the number of traffic signals owned by the City of Fayetteville

Source: Information provided by various city departments.

City of Fayetteville, North Carolina

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2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED
JUNE 30, 2018

City of
Fayetteville
North Carolina

Uniform Guidance and State Single Audit Implementation Act Compliance Section

- 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
- Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance and the Passenger Facility Charge Program
- Independent Auditor's Report on Compliance for each Major State Program and on Internal Control Over Compliance in Accordance with the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges
- Notes to the Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges

City of Fayetteville, North Carolina

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RSM US LLP

**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 Fayetteville North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fayetteville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Fayetteville's basic financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fayetteville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fayetteville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fayetteville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency related to the Fayetteville Public Works Commission (a component unit of the City of Fayetteville) described in finding 2018-001 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 2018-002 related to the Fayetteville Public Works Commission and the deficiency described in finding 2018-003 related to the City of Fayetteville in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fayetteville's financial statements are free from 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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plans for the City of Fayetteville and the Fayetteville Public Works Commission. The City or Fayetteville and Fayetteville Public Works Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fayetteville's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering City of Fayetteville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
December 4, 2018



**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control Over Compliance
in accordance with the Uniform Guidance and Passenger Facility Charge Program**

RSM US LLP

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

Report on Compliance for Each Major Federal Program

We have audited City of Fayetteville and Fayetteville Public Works Commission (PWC), North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*; the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission; and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of City of Fayetteville's and PWC's major federal programs and the passenger facility charge program for the year ended June 30, 2018. City of Fayetteville's and PWC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Fayetteville's and PWC's major federal programs and the passenger facility charge program based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State Single Audit Implementation Act (Act), and the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (Audit Guide). Those standards, the Uniform Guidance, the Single Audit Implementation Act, and the Audit Guide 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 or the passenger facility charge program, occurred. An audit includes examining, on a test basis, evidence about City of Fayetteville's and PWC'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 on compliance for each major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of City of Fayetteville's compliance.

Opinion on Each Major Federal Program and Passenger Facility Charge Program

In our opinion, City of Fayetteville and PWC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs and the passenger facility charge program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of City of Fayetteville and PWC are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fayetteville's and PWC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Fayetteville's and PWC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliances and the results of that testing based on the requirements of the Uniform Guidance and the Audit Guide. Accordingly, this report is not suitable for any other purposes.

RSM US LLP

Morehead City, North Carolina
December 4, 2018



RSM US LLP

**Independent Auditor's Report on Compliance
for Each Major State Program and on Internal Control Over Compliance
in accordance with the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited City of Fayetteville, North Carolina's and Fayetteville Public Works Commission's (PWC) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of City of Fayetteville's and PWC's major State programs for the year ended June 30, 2018. City of Fayetteville's and PWC's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Fayetteville's and PWC's major State programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, the State Single Audit Implementation Act, and the Audit Guide 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 Fayetteville's and PWC'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 on compliance for each major State program. However, our audit does not provide a legal determination on City of Fayetteville's and PWC's compliance.

Opinion on Each Major State Program

In our opinion, City of Fayetteville and PWC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of City of Fayetteville and PWC are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fayetteville's and PWC's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Fayetteville's and PWC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purposes.

RSM US LLP

Morehead City, North Carolina
December 4, 2018

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

(Continued)

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section 1. Summary of Auditor's Results (Continued)

Identification of major federal programs:

CFDA #	Program Name
14.239	HOME Investment Partnerships Program
20.106	Airport Improvement Program
20.507	Federal Transit Cluster

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 750,000

State Awards

Internal control over State programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____ No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> _____ None Reported

Type of auditor's report issued on compliance for major State program: Unmodified

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:
Nonstate System Street Aid Allocation (Powell Bill)
State Maintenance Assistance Program
Golden Leaf Foundation Grants

(Continued)

**City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018**

Section 2. Financial Statement Findings

Fayetteville Public Works Commission (A Component Unit of City of Fayetteville)

Finding 2018-001

Material Weakness in Internal
Control - Work Order Module
Integration

Criteria:	The Commission's work order module system, WAM, should be fully integrated with the general ledger whereby activity and amounts within WAM are the same as in the general ledger system.
Condition and context:	During testing of the WAM work order system, we noted that data and reports produced from WAM do not agree with balances in the EBS general ledger system. We also noted that not all indirect costs are being captured for allocation. This is a repeat finding of 2017-001.
Effect:	The allocation of costs between repairs and maintenance and construction in process is compromised. Significant and numerous reconciliations must be performed in order to ensure WAM has captured all charges through EBS for allocation. There is not currently a way to tie activity and balances in the WAM system back to construction in process additions and repairs and maintenance expenses.
Cause:	WAM was not appropriately integrated to the general ledger during the initial IT integration of the software with the general ledger. Additionally, as a complex software module, IT staff and process staff must have the skills, knowledge and experience to effectively use and maintain the module.
Recommendation:	We recommend the Commission continue have the IT department identify the root cause of the errors from initial integration and make corrections to the module and data processes appropriately in order to ensure full, seamless integration between WAM and the general ledger and accuracy of data. This includes appropriate production reports from both systems that allow sufficient monitoring of activity and balances throughout the year. We also recommend the Commission continue to perform appropriate compensating controls put in place during fiscal year 2018.
Views of responsible officials:	The Commission concurs with the finding above and will implement corrective action as outlined in the attached Correction Action Plan.

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section 2. Financial Statement Findings (cont.)
Fayetteville Public Works Commission (A Component Unit of City of Fayetteville)

Finding 2018-002

Significant Deficiency in Internal
Control - IT functionality and
reporting

Criteria: The IT system should be provide sufficient functionality and reporting to support the financial operations of the Commission.

Condition and context: During testing of the bank reconciliation process, we noted \$737,345 of unposted exceptions between the final ending reconciled cash balance and the ending general ledger cash balance, of which \$119,657 cannot be identified. During testing of the accrued payroll expense, we noted a debit balance in the Fleet Maintenance accrued salaries and benefits account resulting in an adjusting journal entry to increase the accrued payroll and due from accounts in the Fleet Maintenance fund of \$110,298.

Effect: The final cash balance in the general ledger is \$737,345 less than the final cash balance per the bank reconciliation, resulting in an understatement of cash and overstatement of accounts receivable of \$737,345.

Cause: The IT system generated reports do not provide sufficient detail to identify and resolve exceptions noted in the bank reconciliation process in a timely manner. The automatic custom costing entry for payroll double posted the direct deposit entries for the October 27, 2017 payroll.

Recommendation: We recommend the Commission have the IT department work closely with the Finance department to develop appropriate reporting that will allow for timely resolution of exceptions identified during the cash reconciliation process. We also recommend the Commission adhere to their established bank reconciliation review policy to ensure no material unposted discrepancies between the general ledger and the bank reconciliation remain at year end. Additionally, we recommend that all payroll liabilities be reconciled at the fund level each period.

Views of responsible officials: The Commission concurs with the finding above and will implement corrective action as outlined in the attached Correction Action Plan.

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

City of Fayetteville

Finding 2018-003

Significant Deficiency in Internal
Control - OPEB Census
Information

Criteria:

Information provided to actuarial service providers should be accurate in order for the actuary to appropriately calculate the Net Other Post Employment Benefits (OPEB) liability.

Condition and context:

During our testing of the census information provided to the actuary for the calculation of the net OPEB obligation, we noted that the census information was not appropriately reflected on the actuary report.

Effect:

The net OPEB liability, deferred outflows of resources, and deferred inflows of resources and OPEB expense were overstated

Cause:

Insufficient review of the information provided to the actuary as well as insufficient review of the finalized actuarial report received.

Recommendation:

We recommend the City strengthen their review controls around information provided to third-party actuaries. We also recommend the information contained in the actuarial report be reviewed for accuracy prior to final acceptance

Views of responsible officials:

The City concurs with the finding above and will implement corrective action as outlined in the attached Correction Action Plan.

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section 4. Findings and Questioned Costs for Federal Awards

No matters to report.

Section 5. Findings and Questioned Costs for State Awards

No matters to report.

City of Fayetteville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

City of Fayetteville, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

WADE R. FOWLER, JR., COMMISSIONER
D. RALPH HUFF, III, COMMISSIONER
DARSWELL L. ROGERS, COMMISSIONER
EVELYN D. SHAW, COMMISSIONER
DAVID W. TREGO, CEO/GENERAL MANAGER



FAYETTEVILLE PUBLIC WORKS COMMISSION
955 OLD WILMINGTON RD
P.O. BOX 1689
FAYETTEVILLE, NORTH CAROLINA 28302-1689
TELEPHONE (910) 483-1401
WWW.FAYPWC.COM

Management's Response to Finding 2018-001

Based on the Auditor's findings last year, PWC engaged with an outside consultant to address the financial reconciliation issues between WAM and EBS. A project was initiated to look at the processes, people, data, and technology involved and then to develop a comprehensive "TO BE" Solution based on the current state analysis.

During Fiscal Year 2018 PWC had to redo its overall Oracle system architecture (OAR project) which required all other modifications/customizations to be delayed or deferred. As such, the solution was developed and has been tested in multiple iterations over a 6 month period. The full solution is anticipated to be live and in Production by November 15th, 2018.

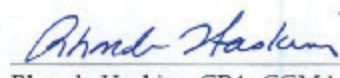
Management's Response to Finding 2018-002

PWC's IT and Accounting staff have been working on the implementation of an automated bank reconciliation process within the Oracle System. This automated process should vastly reduce the amount of manual efforts necessary to reconcile the bank statement. The Accounting staff will work closely with the IT staff to develop appropriate reporting that will allow for a timely resolution of previously identified exceptions. The Accounting staff has started reviewing bank transactions daily to ensure that those requiring a manual journal entry are posted by the day after they appear in the bank. The Accounting staff has also begun reconciling the payroll accrual entries at the fund level instead of in total to ensure that the entries generated are allocating payroll liabilities correctly each pay period.

Respectfully submitted,

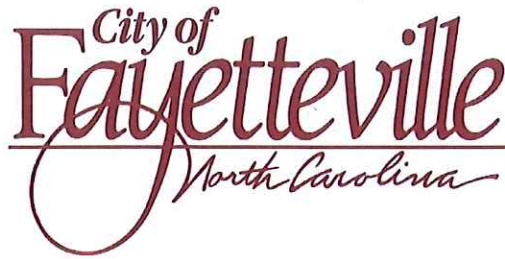


David W. Trego
Chief Executive Officer



Rhonda Haskins, CPA, CGMA
Chief Finance Officer

BUILDING COMMUNITY CONNECTIONS SINCE 1905
AN EQUAL EMPLOYMENT OPPORTUNITY EMPLOYER



FINANCE DEPARTMENT

**OPEB Census Information
MANAGEMENT'S RESPONSE**

OPEB Overstatement

Management Response: The City will work diligently to provide accurate information to the actuary for calculation of the Net Other Post Employment Benefits (OPEB) obligation. The City will also increase the oversight review function as it pertains to providing information and reviewing information once it is received by the City.

The City of Fayetteville will correct the overstatement in FYE 2019.

Responsible Department(s): Finance.

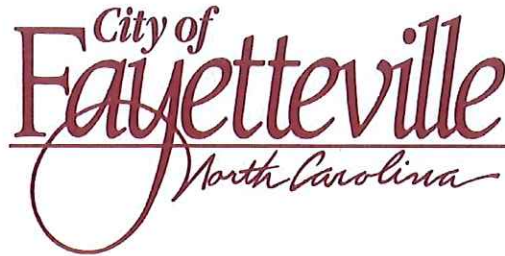
Estimated Implementation Date: On or before June 30, 2019.

A handwritten signature in black ink, appearing to read "Douglas J. Hewett", is written over a horizontal line.

Douglas J. Hewett, ICMA-CM
City Manager

A handwritten signature in black ink, appearing to read "Jay C. Toland", is written over a horizontal line.

Jay C. Toland, CMA
Acting Chief Financial Officer



FINANCE DEPARTMENT

Corrective Action Plan - Schedule of Prior Year Audit Findings

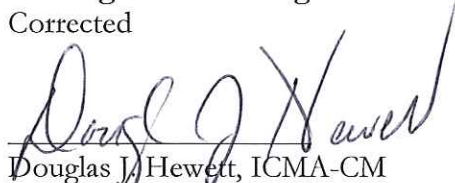
Findings related to the Fayetteville Public Works Commission – A Component Unit of the City of Fayetteville

Finding 2017-001 – Material Weakness in Internal Control – Work Order Module Integration
In process, finding is repeated as finding 2018-001


Finding 2017-002 – Material Weakness in Internal Control - Classification of Net Position
Corrected

Findings related to the City of Fayetteville

Finding 2018-003 – Significant Deficiency in Internal Control – General IT Controls
Corrected



Douglas J. Hewett, ICMA-CM
City Manager



Jay C. Toland, CMA
Acting Chief Financial Officer

City of Fayetteville, North Carolina

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CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

GRANTOR/PASS-THROUGH Grantor/Program or Cluster Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Sub-recipients	Total Expenditures
FEDERAL GRANTS						
US DEPARTMENT OF DEFENSE						
Office of Economic Adjustment						
Fort Bragg Force Reduction Grant	12.604	HQ00051610013	25,535	-	-	25,535
Total US Department of Defense			25,535	-	-	25,535
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT						
Community Development Block Grant Cluster						
CDBG Entitlement Grant FY2016-2017	14.218	B-16-MC-37-0005	463,194	-	50,000	463,194
CDBG Entitlement Grant FY2017-2018	14.218	B-17-MC-37-0005	793,785	-	254,598	793,785
Total Community Development Block Grant Cluster			1,256,979	-	304,598	1,256,979
CDBG Disaster Recovery Grants Cluster						
CDBG Disaster Relief Grants Passed-through NC Department of Public Safety Passed-through Cumberland County CDBG-DR	14.269	17-R-3006	10,717	-	-	10,717
Total CDBG Disaster Recovery Grants Cluster			10,717	-	-	10,717
HOME Investment Partnerships Program						
FY2012-2013	14.239	M12-MC370203	210,793	-	-	210,793
FY2013-2014	14.239	M13-MC370203	297,645	-	-	297,645
FY2014-2015	14.239	M14-MC370203	130,248	-	-	130,248
FY2015-2016	14.239	M15-MC370203	249,454	-	-	249,454
FY2016-2017	14.239	M16-MC370203	47,633	-	-	47,633
FY2017-2018	14.239	M17-MC370203	178,023	-	-	178,023
Total HOME Investment Partnerships Program			1,113,796	-	-	1,113,796
Total US Department of Housing & Urban Development			2,381,492	-	304,598	2,381,492
US DEPARTMENT OF JUSTICE						
Office of Justice Programs						
FY14 Violent Gang and Gun Crime Reduction (PSN)	16.609	2014-GP-BX-0011	16,254	-	-	16,254
National Sexual Assault Initiative	16.833	2015-AK-BX-K11	106,293	-	-	106,293
National Sexual Assault Initiative	16.833	2016-AK-BX-K017	194,104	-	-	194,104
			300,397	-	-	300,397
Equitable Sharing Program	16.922		307,803	-	-	307,803
Total Office of Justice Programs			624,454	-	-	624,454
Office of Community Oriented Policing Services						
COPS Hiring 2014	16.710	2014-UL-WX-0014	562,755	-	-	562,755
Edward Byrne Memorial Justice Assistance Grant Program						
Passed-through NC Department of Public Safety Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0425	96,507	-	-	96,507
Total US Department of Justice			1,283,716	-	-	1,283,716
US DEPARTMENT OF THE TREASURY						
Treasury Forfeiture Fund Program	21.000	N/A	125,016	-	-	125,016
Total US Department of the Treasury			125,016	-	-	125,016
US DEPARTMENT OF TRANSPORTATION						
Federal Aviation Administration						
Airport Improvement Program						
Terminal Improvements Part I	20.106	FAA-3-37-0021-44	3,588,398	-	-	3,588,398
Total Airport Improvement Program			3,588,398	-	-	3,588,398
Total Federal Aviation Administration			3,588,398	-	-	3,588,398
Federal Transportation Administration						
Highway Planning and Construction Cluster						
Passed-through NC Dept of Transportation						
Big Cross Creek	20.205	WBS PE 45550.1.1	53,351	-	-	53,351
Skibo Road Sidewalk	20.205	WBS CON 50078.3.8	47,835	-	-	47,835
Total Highway Planning and Construction Cluster Passed-through the NC Dept of Transportation			101,186	-	-	101,186
Federal Transit Grant Cluster						
Capital Investment Grants	20.500	NC-04-0055	26,353	-	-	26,353
	20.500	NC-04-0054	500	-	-	500
Preventive Maintenance & American with Disabilities Act	20.507	NC-2018-045	1,352,000	-	-	1,352,000
	20.507	NC-2018-045	300,000	-	-	300,000
Operating Assistance	20.507	NC-2018-045	800,000	-	-	800,000
Capital Grants	20.507	NC-90-0548	52,622	-	-	52,622
	20.507	NC-90-0567	39,793	-	-	39,793
	20.507	NC-90-0592	22,657	-	-	22,657
	20.507	NC-2016-030-00	223,303	-	-	223,303
	20.507	NC-2017-031-00	70,783	-	-	70,783
Planning Grants	20.507	NC-90-2514	6,115	-	-	6,115
	20.507	NC-90-2548	80,464	-	-	80,464
	20.507	NC-90-2592	92,038	-	-	92,038
	20.507	NC-2016-030-00	17,182	-	-	17,182
Total Federal Transit Grant Cluster			3,083,810	-	-	3,083,810

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

Federal Transit Services Program Cluster						
Veterans Transportation and Community Living Initiative	20.514	NC-26-0008	1,051	-	-	1,051
New Freedom Program	20.521	NC-57-X022	1,063	-	-	1,063
Total Federal Transit Services Program Cluster			<u>2,114</u>	<u>-</u>	<u>-</u>	<u>2,114</u>
Total Federal Transportation Administration			3,187,110	-	-	3,187,110
National Highway Traffic Safety Administration						
Passed-through NC Department of Transportation						
Governor's Highway Safety Program	20.607	2000003159	24,413	-	-	24,413
Total National Highway Traffic Safety Administration Passed-through the NC Department of Transportation			<u>24,413</u>	<u>-</u>	<u>-</u>	<u>24,413</u>
Total US Department of Transportation			6,799,921	-	-	6,799,921
US DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Aging Cluster						
Passed-through NC Department of Health & Human Services						
Senior Citizens Service Center	93.044	N/A	24,765	-	-	24,765
Total Aging Cluster Passed-through the NC Department of Health & Human Services			<u>24,765</u>	<u>-</u>	<u>-</u>	<u>24,765</u>
Total US Department of Health and Human Services			24,765	-	-	24,765
US DEPARTMENT OF HOMELAND SECURITY						
Passed-through NC Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Disasters) FEMA						
City:						
Shawcroft Road Permanent Repair	97.036	PW693	24,103	8,035	-	32,138
Shawcroft Access Rd Restoration	97.036	PW697	10,002	3,334	-	13,336
Offing Drive	97.036	PW698	376,598	125,533	-	502,131
Damaged Vehicles	97.036	PW699	403,113	134,371	-	537,484
Alexander Street (Incl Hazard Mitigation)	97.036	PW1119	160,446	53,482	-	213,928
Veterans Park Building & Equipment	97.036	PW1120	45,499	15,166	-	60,665
Airport Storm Drain and Erosion	97.036	PW1202	78,076	26,025	-	104,101
Siple Avenue	97.036	PW1211	11,042	3,680	-	14,722
Greenoch Rd/Arran Lake	97.036	PW1212	7,345	2,448	-	9,793
N. Cool Spring St (Incl Hazard Mitigation)	97.036	PW1252	862,849	287,616	-	1,150,465
Mirror Lake Dam Restoration	97.036	PW1262	316,240	105,413	-	421,653
Tetra Tech Debris Monitoring	97.036	PW1297	2,004	668	-	2,672
Lafayette Park Pedestrian Bridge	97.036	PW1365	36,106	12,035	-	48,141
Linear Park Trail Stairs & Overlook	97.036	PW1392	2,770	923	-	3,693
Cross Creek Linear Park/Union St. Bridge	97.036	PW1403	7,823	2,608	-	10,431
Cross Creek Graves Relocation	97.036	PW1710	9,608	3,203	-	12,811
Cross Creek Bank Stabilization	97.036	PW1743	122,822	40,941	-	163,763
Devonwood Lower Dam Restoration	97.036	PW1887	35,456	11,819	-	47,275
Public Works Commission:						
Rockfish Filters 1 - 4	97.036	PW912	24,948	8,316	-	33,264
Meter Shop	97.036	PW949	1,532	511	-	2,043
Electric Meter Shop	97.036	PW949	8,444	2,814	-	11,258
Meter Shop IS Equipment	97.036	PW951	2,652	885	-	3,537
Damaged Fleet Vehicles	97.036	PW1039	90,223	30,074	-	120,297
Ops. Ctr. Sink Hole	97.036	PW1040	5,740	1,914	-	7,654
Rockfish Filters 5 & 6	97.036	PW1129	1,240	413	-	1,653
Water Resources Engineering	97.036	PW1130	1,561	520	-	2,081
EOC Operations	97.036	PW1134	36,518	12,173	-	48,691
Ann Street Sewer Lines	97.036	PW1323	13,290	4,430	-	17,720
Offing Drive Sewer	97.036	PW1324	342,165	114,055	-	456,220
Sweetbay Circle Sewer	97.036	PW1325	5,114	1,705	-	6,819
Capicators - Pad Mount	97.036	PW1393	73,583	24,528	-	98,111
Capicators - Pole Mount	97.036	PW1394	77,018	25,672	-	102,690
Shawcroft/Sykes Pond Rd.	97.036	PW1407	25,902	8,634	-	34,536
ROW Debris Removal	97.036	PW1582	116,780	38,926	-	155,706
Equip. at Water/Waste Water Plants	97.036	PW1627	5,792	1,931	-	7,723
Fencing	97.036	PW1723	4,040	1,346	-	5,386
Water Works Substation	97.036	PW1753	5,349	1,783	-	7,132
Kennedy Ariel Water Line Erosion	97.036	PW1824	91,567	30,522	-	122,089
Access Roads - Part 2	97.036	PW1825	64,059	21,353	-	85,412
Access Roads - Part 1	97.036	PW1827	14,983	4,994	-	19,977
Water/Sewer Lines	97.036	PW1830	722,993	240,997	-	963,990
Total Disaster Grants - Public Assistance Passed-through the NC Department of Public Safety			<u>4,247,395</u>	<u>1,415,796</u>	<u>-</u>	<u>5,663,191</u>
Hazard Mitigation Grant Program						
Acquisition	97.039	HMGP 4285-036-R	491	164	-	655
Reconstruction	97.039	HMGP 4285-0066-R	61	21	-	82
Elevation	97.039	HMGP 4285-0035-R	61	21	-	82
Total Hazard Mitigation Grants Passed-through the NC Department of Public Safety			<u>613</u>	<u>206</u>	<u>-</u>	<u>819</u>
Homeland Security Grant Program - Equipment						
Homeland Security Grant Program - Training	97.067	EMW-2017-SS-00085-S01	24,457	-	-	24,457
Total Homeland Security Grants Passed-through the NC Department of Public Safety	97.067	EMW-2017-SS-00085	<u>5,960</u>	<u>-</u>	<u>-</u>	<u>5,960</u>
Law Enforcement Officer Reimbursement Agreement Programs						
	97.090	HSTS0216HSLR733	53,390	-	-	53,390
	97.090	HSTS0216HSLR733	54,300	-	-	54,300
Total US Department of Homeland Security			<u>4,386,115</u>	<u>1,416,002</u>	<u>-</u>	<u>5,802,117</u>
Total Assistance - Federal Programs			15,026,560	1,416,002	304,598	16,442,562

STATE GRANTS

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

NC DEPARTMENT OF TRANSPORTATION

Public Transportation Division				
Maintenance Assistance	N/A	36234.8.13.2	- 771,629	- 771,629
Capital Grants		NC-04-0055	- 3,294	- 3,294
		NC-90-0592	- 155	- 155
		NC-2016-030	- 29,099	- 29,099
		NC-2016-030	- 11,177	- 11,177
Planning		NC 90 2514	- 764	- 764
Total State Public Transportation Division			- 816,118	- 816,118
Powell Bill	N/A	32570	- 5,718,653	- 5,718,653
Transportation Improvement Program				
Big Cross Creek	N/A	EB-5541	- 6,669	- 6,669
Total Transportation Improvement Program			- 6,669	- 6,669
Division of Aviation				
State Aid for Airport Projects-Rehab Runway 10/28	N/A	36244.27.13.1	- 96,741	- 96,741
Total Division of Aviation			- 96,741	- 96,741
Total NC Department of Transportation			- 6,638,181	- 6,638,181

NC DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

Division of Parks and Recreation				
Connect NC Bond Grant	N/A	2017 CNC 03	- 250,000	- 250,000
Total NC Department of Natural and Cultural Resources			- 250,000	- 250,000

NC DEPARTMENT OF PUBLIC SAFETY

Hazmat (RRT Grant)	N/A	RRT 3 2016	- 29,047	- 29,047
Hazmat (RRT Grant)	N/A	RRT 3 2018	- 68,927	- 68,927
Total Hazmat RRT Grants			- 97,974	- 97,974
Passed-through from Cumberland County				
Juvenile Restitution FY 2018	N/A	526-XXXX	- 44,763	- 44,763
Total NC Department of Public Safety			- 142,737	- 142,737

NC HOUSING FINANCE AGENCY

Essential Single-Family Rehabilitation Loan Pool - Disaster Recovery	N/A	ESFRLPDR34	- 1,200	- 1,200
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NC OFFICE OF STATE BUDGET AND MANAGEMENT

Cape Fear River Trail Connector, Phase I	N/A	2017.45.3	- 71,182	- 71,182
Passed-through Golden LEAF Foundation				
Rayconda Connector	N/A	FY2017-146	- 920,491	- 920,491
Cross Creek Debris Removal	N/A	FY2017-148	- 165,352	- 165,352
Multi-Creek Debris Removal	N/A	FY2017-211	- 685,000	- 685,000
Hurricane Matthew Recovery - Cross Creek Cemetery Bank Stabilization Project	N/A	FY2018-003	- 13,780	- 13,780
Total passed-through Golden Leaf Foundation			- 1,784,623	- 1,784,623
Total NC Office of State Budget and Management			- 1,855,805	- 1,855,805

NC DEPARTMENT OF COMMERCE

Rural Economic Development Division				
Downtown Redevelopment Site Grant	N/A	2018-24-1257-1534	- 117,552	- 117,552
Bank Stabilization Cross Creek Linear Park	N/A	2018-027-1257-1534	- 110	- 110
Total NC Department of Commerce			- 117,662	- 117,662
Total Assistance - State Programs			- 9,005,585	- 9,005,585
Total Assistance			\$ 15,026,560	\$ 25,448,147

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2018

Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used in Prior Years	PFC Revenue Used in Current Year	Total PFC Revenues Used
CLOSED APPLICATIONS (00-01-C-04-FAY & 02-02-U-02-FAY)			\$ 22,054,891	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	-	\$ 1,061,391
CLOSED APPLICATION (#05-03-C-01-FAY)			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	-	\$ 324,231
CLOSED APPLICATION (#09-04-C-00-FAY)			\$ 19,794,604	\$ 22,436,981	\$ 1,992,908	\$ 1,701,088	-	\$ 1,701,088
APPLICATION (#12-05-C-00-FAY)								
		Q-17						
Replace B4 Jet Bridge 100%	3/1/2013	3/1/2013	\$ 470,334	\$ 485,577	485,577	\$ 470,334	\$ -	\$ 470,334
Taxiway A Rehab - Design 5%	3/1/2013	3/1/2013	572,819	771,720	38,586	28,641	-	28,641
Construct Taxiway A Rehab 5%	3/1/2013	3/1/2013	2,367,669	5,206,060	260,303	118,383	-	118,383
Rehab Air Carrier Apron Phase II - Design 5%	3/1/2013	3/1/2013	201,600	271,600	13,580	10,080	-	10,080
Air Carrier Apron Rehab Phase I Construction 5%	3/1/2013	3/1/2013	4,460,801	4,500,000	225,000	223,040	-	223,040
Runway 4 RSA Improvements - Design 5%	3/1/2013	3/1/2013	111,983	125,000	6,250	5,599	-	5,599
Taxiway A Extension - Design 5%	3/1/2013	3/1/2013	252,459	375,000	18,750	12,623	-	12,623
Runway 4 RSA Improvements - Construction 10%	3/1/2013	3/1/2013	965,474	1,109,592	110,959	96,547	-	96,547
Taxiway a Extension Construction 10%	3/1/2013	3/1/2013	2,896,422	3,177,397	317,740	289,642	-	289,642
Paved Shoulders - Design and Bidding 10%	3/1/2013	3/1/2013	168,200	168,200	16,820	16,820	-	16,820
FAA Reimbursable Agreement MALSR Modification 10%	3/1/2013	3/1/2013	57,239 ²	71,779	7,179	5,724	-	5,724
Design and Construct Wildlife/Security Fencing 5%	3/1/2013	3/1/2013	-	1,500,000	75,000	-	-	-
CLOSED APPLICATION (#12-05-C-00-FAY)			\$ 12,525,000	\$ 17,761,925	\$ 1,575,744	\$ 1,277,433	\$ -	\$ 1,277,433
APPLICATION (#15-06-C-00-FAY)								
Airport Master Plan (AMP) Update, Part 1, Airline Term Area 10%	5/1/2015	5/1/2015	\$ 348,830	\$ 337,500	\$ 33,750	\$ 33,750	\$ -	\$ 33,750
Air Carrier Apron Rehabilitation Phase II 10%	5/1/2015	5/1/2015	2,283,777	2,779,290	277,929	228,378	-	228,378
Taxiway J&K Rehabilitation 10%	5/1/2015	5/1/2015	3,338,088	3,596,270	359,627	333,809	-	333,809
Airport Master Plan (AMP) Update, Part 2, Incl 18B Mapping and NAVAIDs Planning	5/1/2015	5/1/2015	477,585	600,000	60,000	34,863	12,896	47,759
Design & Construct - Airline Terminal Improvements	5/1/2015	5/1/2015	-	28,199,967	2,819,997	-	-	-
Design & Construct - Airport Fencing Replacement	5/1/2015	-	-	2,000,000	-	-	-	-
Design & Construct - Perimeter Road Improvements	5/1/2015	-	-	2,100,000	-	-	-	-
Lighting	5/1/2015	-	-	1,125,000	-	-	-	-
Design & Construct - Rehabilitate GA Apron	5/1/2015	-	-	4,300,000	-	-	-	-
Purchase Land and/or Aviation Easements - Runway 4 RPZ	5/1/2015	-	-	1,250,000	-	-	-	-
TOTAL IMPOSE AND USE APPLICATION 6			\$ 6,448,281	\$ 46,288,027	\$ 3,551,303	\$ 630,800	\$ 12,896	\$ 643,696
GRAND TOTAL			\$ 65,293,086	\$ 115,973,638	\$ 8,796,032	\$ 4,994,943	\$ 12,896	\$ 5,007,839

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES:

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) and Passenger Facility Charges includes the Federal and State grant activity of the City of Fayetteville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA and Schedule of Expenditures of Passenger Facility Charges is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Fayetteville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayetteville.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Fayetteville has elected not to use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Loans Outstanding

The City of Fayetteville had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
<u>Capitalization Grants for State Revolving Loans</u>			
Clean Water State Revolving Fund			
Skye Drive Underground Detention Basin	66.458	E-SRF-T-09-231	\$ 161,008
Swainey Ave Drainage Improvements	66.458	E-SRF-T-09-0196	139,351
Person St Sanitary Sewer Replacement	66.458	CS370434-13	1,907,256
Edgewater/Northview	66.458	H-LRX-F-09-1665	287,091
Outfall Rehabilitation	66.458	CS370434-12	3,121,318
Total Clean Water State Revolving Fund			<u>\$ 5,616,024</u>
Drinking Water State Revolving Fund			
2012 WTF Clearwell and Chemical Feed Improvements	66.468	2006A-701	\$ 3,978,267
PO Hoffer WTP Rehabilitation	66.468	CS370434-11	14,410,355
Total Drinking Water State Revolving Fund			<u>\$ 18,388,622</u>

City of Fayetteville, North Carolina

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Office of the City Manager
City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1990

City of
Fayetteville
North Carolina

**Office of the
Chief Financial Officer**
City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1682



433 Hay Street
Fayetteville, NC 28301-5537
www.FayettevilleNC.gov