

# City of Fayetteville North Carolina



## OUTFRONT



# 2013



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013



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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

*City of*  
**Fayetteville**  
*North Carolina*

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

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**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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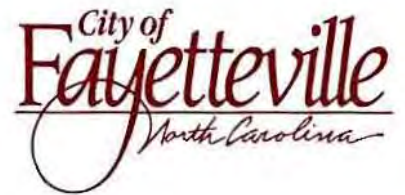
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Introductory Section



- Transmittal Letter
- Certificate of Achievement for Excellence in Financial Reporting
- List of Principal Officials
- Organizational Chart





CITY MANAGER'S OFFICE

November 5, 2013

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

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

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, 2013. 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.

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2013. 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

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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

Fayetteville is a thriving community located in the Sandhills region of southeastern North Carolina and is the seat of Cumberland County. The City is approximately 60 miles south of the State capital of Raleigh. Fayetteville 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.

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, Fayetteville celebrated the 250<sup>th</sup> 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 the Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

Fort Bragg Army Base, one of the largest military complexes in the world, is located approximately 10 miles from the City's downtown and 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 only Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command and 3<sup>rd</sup> 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, formerly Pope Air Force Base, which provides strategic airlift aviation assets required to support Fort Bragg's missions. In November 2011, Livability.com recognized Fayetteville as the number one city in the country for military veterans to live, noting the city as "America's First Military Sanctuary Community" because of the strong support offered to service members and their families.

Fayetteville is the sixth largest municipality in the State with a population estimated at 209,080, and encompassing 148.65 square miles as of June 30, 2013. 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. Most recently, the North Carolina General Assembly approved legislation to annex portions of Fort Bragg into the City effective September 1, 2008. 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. This report includes all of the City's activities in delivering and administering these services.

The Council is required to adopt a budget by July 1<sup>st</sup> 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 department level in the General Fund, in operating, capital and transfer expenditure categories for the Electric, Water and Wastewater Funds, 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 51,000 military personnel are stationed at Fort Bragg, with support from an additional 23,000 civilian employees and contractors. The direct impact of payroll alone added almost \$3.6 billion to the regional economy in federal fiscal year 2012.

Budget reductions mandated by sequestration for federal fiscal year 2013 included six days of furlough for 8,500 Fort Bragg civilian employees, followed by furloughs due to the federal government shutdown in October, 2013. While federal budget uncertainty remains for fiscal year 2014, continuing furloughs are anticipated and the potential for 240 civilian position reductions have been announced. Citing the strategic importance of Fort Bragg's global response force in a September, 2013 address, the deputy commanding general of the 18<sup>th</sup> Airborne Corps foresaw minimal changes in the number of soldiers on the post, and reductions of positions, as opposed to people, in the civilian workforce for 2014.

In addition to Fort Bragg, substantial employment is also offered in the government sector through the public school system, colleges and universities, and county and city governments. Other major employers in the area include the Cape Fear Valley Health System, manufacturers such as the Goodyear Tire & Rubber Company, which has one of the largest tire producing factories in the world, Purolator Products which produces auto filters, and Wal-Mart through its distribution center and retail outlets.

Significant investment to modernize plant equipment has been made at the Fayetteville Goodyear plant since 2007 with the State of North Carolina, Cumberland County and the City committing to economic incentives for the investment and job retention. In 2012, the plant scaled back production, shut down for one week due to sluggish demand and announced plans to eliminate approximately 200 jobs, or about 7% of its workforce, by

the end of November, 2012 by offering buyouts in order to avoid involuntary layoffs. In August, 2013, a master labor contract was ratified which protects the plant from closure during its four year term.

During the past five years, Fayetteville's annual unemployment rates have ranged from a low of 5.1% to a high of 7.6%, according to the North Carolina Department of Commerce, Division of Employment Security. In August 2013, the unemployment rates for Fayetteville, North Carolina and the United States were 7.3%, 8.3% and 7.3%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the table below.

Unemployment Rates*			
Year	Fayetteville	North Carolina	United States
2012	7.5	9.5	8.1
2011	7.6	10.5	9.0
2010	7.3	11.0	9.6
2009	6.7	10.5	9.3
2008	5.1	6.3	5.8

\* Source of unemployment data is the North Carolina Department of Commerce, Division of Employment Security

Per capita personal income in Cumberland County grew 5.5% percent between 2010 and 2011 to \$44,678, as compared to nation-wide (\$41,560, up 4.4%) and state-wide (\$36,028, up 4.1%) statistics for the same period. Growth in compensation for military and federal civilian workers has helped to fuel local per capita income growth over the past decade.

During fiscal year 2013, the City issued building permits for 1,485 new residential units valued at \$127.8 million, and 71 new commercial building permits valued at \$57.3 million, as compared to permits issued for 1,514 new residential units valued at \$153.6 million and 62 new commercial buildings valued at \$36.6 million in fiscal year 2012.

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 of the 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. Notably, construction is currently underway to add 46,000 square feet of retail and restaurant space to the mall.

Taxable sales in Cumberland County for fiscal year 2013 totaled approximately \$3.56 billion, which represented a 0.8% increase over fiscal year 2012. Historical sales for Fayetteville and Cumberland County are provided in the following table.

Retail /Taxable Sales*				
Fiscal Year	City of Fayetteville	% Change	Cumberland County	% Change
2013	N/A	N/A	\$3,558,501,388	0.8
2012	N/A	N/A	3,531,570,536	4.6
2011	N/A	N/A	3,375,817,327	4.2
2010	N/A	N/A	3,240,731,656	13.9
2009	\$2,348,317,596	2.1	2,844,376,173	3.4

\*The NC Department of Revenue does not provide municipal sales data after June 30, 2009.

While Fayetteville's economy is stable, the extent of potential local impacts from federal budget cuts for 2014 is not known at this time. In 2012, the Milken Institute ranked the Fayetteville metropolitan statistical area (MSA) as the 56<sup>th</sup> best-performing of the 200 largest metropolitan areas based upon comparisons of job, wage and salary and technology growth. In 2013, the Policom Corporation ranked the Fayetteville MSA as having the 59<sup>th</sup> strongest economy of the 366 MSAs nationwide.

The City Council adopted a fiscal year 2014 budget based on modest rates of growth in the ad valorem tax base and taxable sales. 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 citizens, while maintaining a strong financial position.

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.ci.fayetteville.nc.us](http://www.ci.fayetteville.nc.us).

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 the 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 fund balance for one-time expenditures or significant capital needs. These goals were achieved in fiscal year 2013 and were used to develop the fiscal year 2014 operating budget. Unassigned fund balance in the General Fund was \$17.6 million or 11.9 percent of the original FY2014 General Fund budget, excluding the county recreation programs; and therefore, exceeded the 10 percent minimum established by City Council.

Annually, the City adopts a six-year capital improvement program (CIP) for its electric, water and wastewater utility funds and a five-year CIP for other 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 approximately every three to



five years. 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.

Consistent with its capital funding policy, in fiscal year 2013 the City dedicated an amount equivalent to 5.65 cents of the 45.6-cent ad valorem tax rate, as well as specifically earmarked revenues, for the repayment of principal and interest on installment financing agreements for facilities and equipment and general obligation debt and for future cash funding of major capital improvements. The City assigns any excess dedicated revenues at year-end and accumulated fund balance for future capital projects consistent with the adopted capital improvement funding plan. The City's commitment to the capital funding plan will generate significant funding capacity in future fiscal years.

In September 2009, the City received upgrades of its credit ratings on general obligation bonds from AA- to AA+ and from Aa3 to Aa2 from Standard & Poor's (S&P) and Moody's Investor Services (Moody's), respectively. In May 2010, Moody's recalibrated the City's credit rating for general obligation bonds from Aa2 to Aa1. These ratings are consistent with Council policy.

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.

The City also accomplished or continued work on several other financial, organizational and economic development goals including:

- The City initiated a phase one study to examine opportunities to align internal services, reduce redundancies and improve efficiencies between the City and its PWC to better serve the interests of local citizens and customers. Communication, financial, human resources, legal and information technology services are among those to be considered during the study. The study also includes an examination of the City's practices compared to its charter provisions regarding the delivery of utility services, as well as several financial and operational policies and practices related to fiber optic services, sharing municipal electric franchise taxes, and existing shared internal services.
- The City continued to enhance its transit service, making certain routes more convenient by reducing travel times, eliminating the need for certain transfers, and adding new services along Reilly Road. These improvements were identified in the Transit Development Plan, commissioned in 2009, to guide service improvements. From calendar year 2008 to 2012, transit system ridership has increased by 74.7%. In April 2013, Transit implemented its first fare increase since 2007.
- In early 2013, the City conducted a citizen survey to seek citizen's input regarding services, new initiatives and future policy. The last citizen survey was completed in 2006. Approximately 2,400 homes were randomly selected to participate. The survey results provide an important tool to determine if city services are meeting residents' expectations and to incorporate citizen feedback into the early stages of the strategic planning process. The survey showed the

most important priorities for the City to address are public safety, traffic flow, street maintenance improvements, and greater access to public pools.

- The Fayetteville Metropolitan Housing Authority (FMHA) was awarded a \$20 million HOPE VI Revitalization grant in April 2008 to demolish and replace two public housing projects comprised of barrack-style buildings built in the 1940s and 1950s. The City, the City's Public Works Commission (PWC) and the County committed over \$18 million for land, infrastructure, park development, housing and various fee waivers. The total project investment is expected to be approximately \$119 million, the balance of which will be funded by private investment. During fiscal year 2013, project partners completed construction of a community resource center and began construction of a daycare facility. In addition, the City continued to acquire properties in the residential and business park project areas. To date, the FMHA has relocated 214 public housing residents, demolished 249 units of public housing, and has constructed 522 multi-family units. Thirty single family houses have also been built.
- In November 2012, the City approved the sale and redevelopment agreement for a 4.65 acre site located near the entrance of the North Carolina Veterans Park in downtown Fayetteville. The agreement requires the developer to construct a residential subdivision consisting of at least 47 housing units with a total investment value of at least \$9,000,000 no later than December 2014.
- The City, other local municipalities and Cumberland County reached a new three-year agreement for sharing sales tax revenues within the County. The agreement is generally an extension of the previous nine-year sales tax agreement that expired June 30, 2013. The agreement requires local governments within Cumberland County to share sales tax revenue on a modified per-capita basis.
- The City, in partnership with the Chamber of Commerce, developed and implemented a land acquisition strategy for the Murchison Road corridor development project. The City's five-year capital improvement plan includes \$920,000 for land acquisition for the project. In addition, demolition at the Washington Drive Elementary School site and the gateway project at Martin Luther King Park were completed during the fiscal year.
- The City, with and through its PWC, accomplished or continued work on several utility system financial, operational and economic development policies and goals including:
  - Continued work to implement Navlgate, the PWC's comprehensive information technology system project, with full implementation expected in fiscal year 2014. The multi-year project will replace the customer information, financial and work management systems as well as add asset management and meter data management.
  - Secured a \$14.8 million zero-percent interest loan from the North Carolina Department of Environmental and Natural Resources at the beginning of the first of three expansion phases of the P.O. Hoffer Water Treatment Facility. The first phase is expected to cost \$17 million and will start in fiscal year 2014.

- Developed an Advanced Metering Infrastructure (AMI) strategy and began selection of contractors to make AMI infrastructure changes and install over 150,000 advanced electric and water meters beginning in fiscal year 2014.
- Began developing conservation incentive programs that will help customers better manage their utility use with information made possible from new metering technology.
- Extended sanitary sewer services to over 2,600 properties as part of the City's Annexation Phase V utility retrofitting project. Plans call for extending service to an additional 6,000 properties by 2024.

During the year, the City continued or completed work on many significant capital projects including the following:

- The City made significant progress toward several improvement projects at the Fayetteville Regional Airport. During fiscal year 2013, \$6.6 million of funding from federal and state grants, passenger facility fees and airport operating revenues was invested in the projects, which included airport apron, taxiway and runway improvements.
- During the fiscal year, the City continued to acquire land, demolish buildings on the acquired properties and substantially completed design and construction documents for a multi-modal transportation center that will be located along Robeson Street. The City also received an \$8 million federal grant for the construction of the facility. The City is required to match the grant with a \$2 million local contribution toward the project.
- The City issued a \$10.6 million revenue bond for its Storm Water Management System in August, 2011. During fiscal year 2012, the City invested \$4.4 million of the bond proceeds and storm water system revenues in various drainage system improvement projects throughout the community.
- Invested approximately \$4.9 million in the resurfacing of streets, construction of sidewalks and traffic system improvements. In addition, streets, sidewalks and stormwater system improvements valued at approximately \$3.3 million were contributed to the City.
- The City continued development of a 30-acre western area neighborhood park located at the Century Circle Schools complex. When complete, the park will include two football/soccer fields, four baseball/softball fields, a running track, and a concession facility.
- Installation of light-emitting diode (LED) street lights began as a small scale test of converting over 16,000 streetlights city-wide to LED lighting. LEDs have a longer life and use less energy than traditional street lights and will help PWC meet State mandates for renewable energy.
- PWC continued rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. Electric system projects include rebuilding substations, and replacing aging wooden poles with steel poles with a 50-year life expectancy. Water and sanitary sewer system projects include replacing and



relining existing mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems.

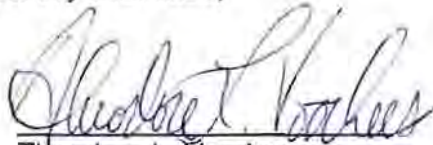
## AWARDS AND ACKNOWLEDGEMENTS

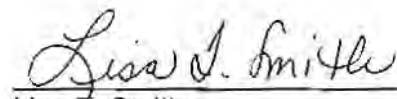
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to 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.

This report is the work of the efficient and dedicated staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report and to the entire City staff for their cooperation and assistance. Credit is also due to the Mayor and the members of the City Council for their unfailing support of the highest standards of professionalism in the management of Fayetteville's finances.

Respectfully submitted,

  
Theodore L. Voorhees  
City Manager

  
Lisa T. Smith  
Chief Financial Officer

CITY OF FAYETTEVILLE, NORTH CAROLINA

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Government Finance Officers Association

Certificate of  
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Presented to

**City of Fayetteville**  
**North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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LEFT TO RIGHT

William Joseph Leon Crisp  
District 6

Kady-Ann Davy  
District 2

Keith A. Bates, Sr.  
District 1

James William Arp, Jr.  
Mayor Pro Tem  
District 9

Anthony G. Chavonne  
Mayor



Valencia A. Applewhite  
District 7

Robert T. Hurst, Jr.  
District 5

D.J. Haire  
District 4

Robert A. Massey, Jr.  
District 3

Wade R. Fowler Jr.  
District 8

## City Administrative, Legal and Financial Staff

Theodore L. Voorhees  
City Manager

Kristoff T. Bauer  
Deputy City Manager

Rochelle Small-Toney  
Deputy City Manager

Karen McDonald  
City Attorney

Lisa T. Smith  
Chief Financial Officer

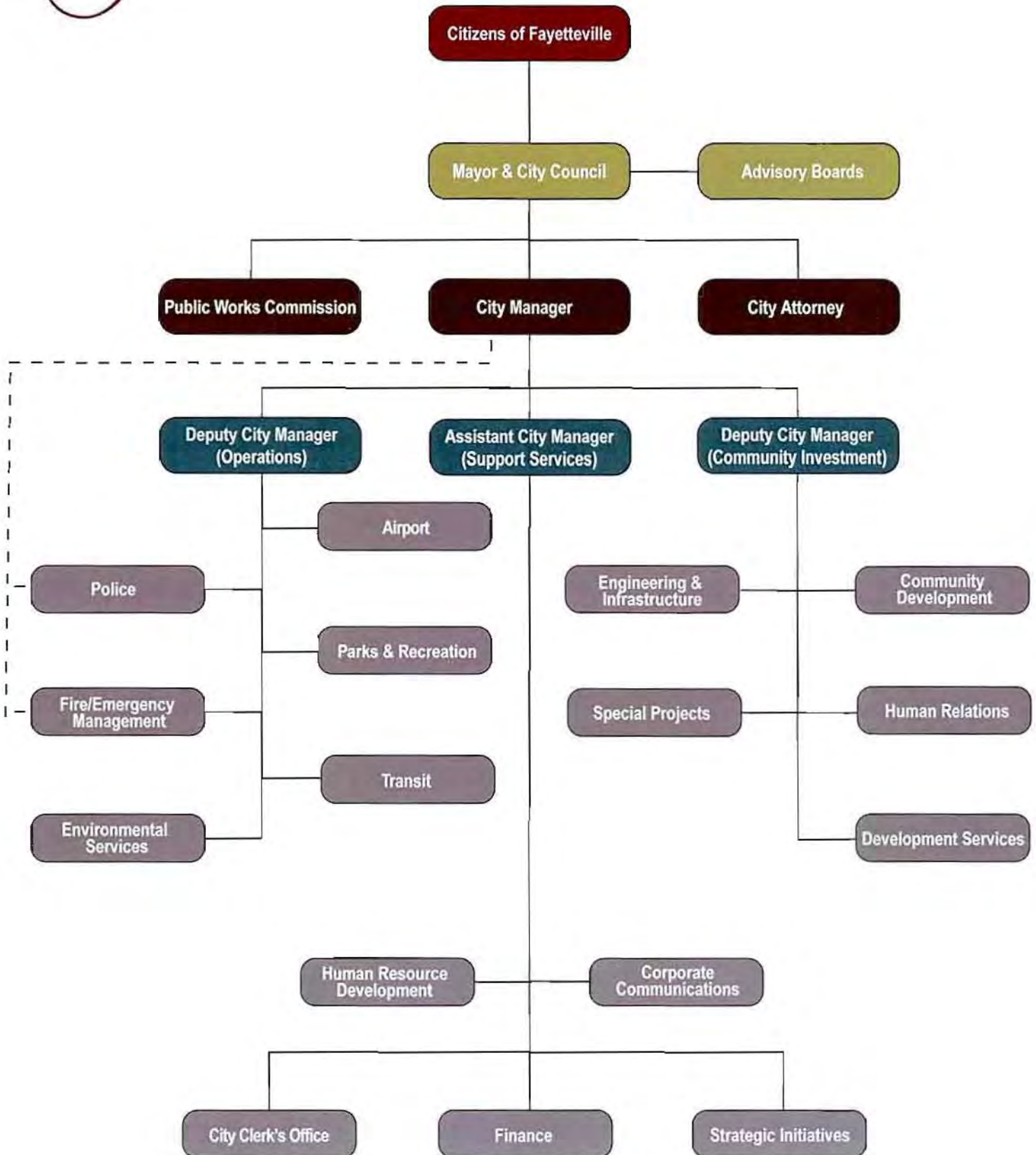
Pamela Megill  
City Clerk



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

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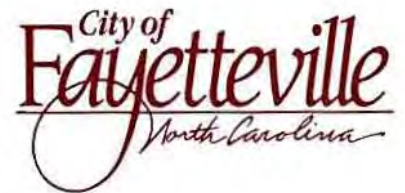
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Financial Section



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



# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# Report of Independent Auditor

*City of*  
**Fayetteville**  
*North Carolina*

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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## Report of Independent Auditor

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

## Other Matters

### *Change in Accounting Principle*

As discussed in Notes 1, 7, and 15 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefit Schedules of Funding Progress and Employer Contributions on pages G-1 through G-8, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, other schedules, the statistical section, the Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, and the Schedule of Expenditures of Passenger Facility Charges, as required by 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.

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

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cherry Bekart LLP*

Fayetteville, North Carolina  
November 5, 2013

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Management's Discussion & Analysis

*City of*  
**Fayetteville**  
*North Carolina*

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. 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

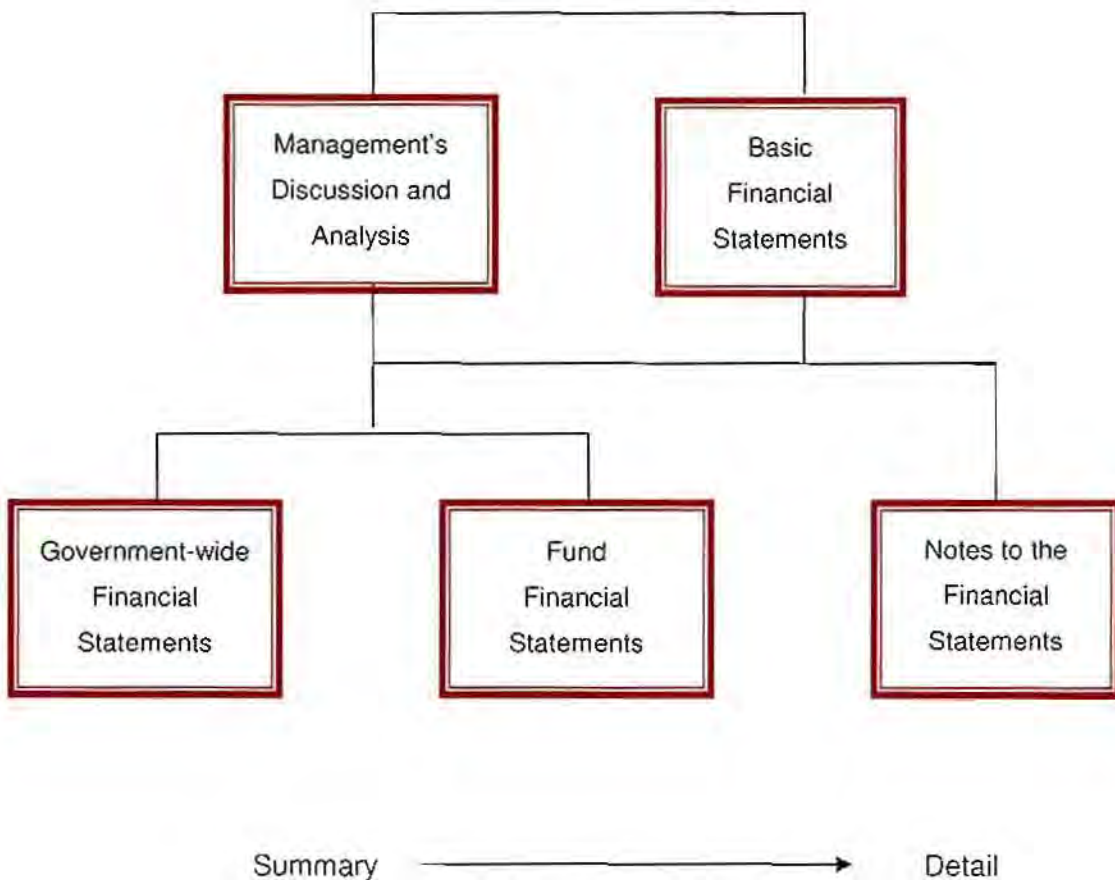
- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1.3 billion (*net position*). Of this amount, \$289.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$23.5 million.
- Net position increased \$0.7 million to \$416.8 million in fiscal year 2013, up from \$416.1 million in fiscal year 2012 in the Governmental activities.
- Net position increased \$22.8 million to \$919.4 million in fiscal year 2013, up from \$896.6 million in fiscal year 2012 in the Business type activities. By far, the largest portion of net position, \$669.2 million or 72.8 percent, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Electric, Water and Wastewater, Storm Water Management, Transit, Airport and Solid Waste Recycling activities.
- As of the close of fiscal year 2013, the City's governmental funds reported an ending fund balance of \$64.2 million, a decrease of \$0.3 million in comparison to the prior year. Approximately 42.5 percent of total fund balance, or \$27.3 million is nonspendable or restricted.
- At the end of fiscal year 2013, unassigned fund balance for the General Fund was \$17.6 million or 12.2 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City's total debt decreased by \$12.5 million during fiscal year 2013.
- The City's most recent general obligation bond issue was rated Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). The City's Public Works Commission outstanding revenue bonds carry an Aa2 (stable outlook) and AA (stable outlook) credit rating from Moody's and Standard and 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, **supplemental information** is provided to show details about the City's non-major governmental and proprietary funds and the 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 are 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, environmental protection, 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 electric, water and wastewater, storm water, airport, transit and solid waste recycling services offered by the City of Fayetteville or its Public Works Commission.

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 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 is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The 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 resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**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 electric, water and wastewater, storm water, mass transit, airport and solid waste recycling 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 fleet maintenance and risk management activities. All of these services predominantly benefit governmental functions except for the fleet maintenance fund, which also provides service to the 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 one pension trust fund and two private-purpose trust funds.

**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 – F-52 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 beginning on page G-1 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, 2013 with comparative data for June 30, 2012. The City's combined net position increased \$23.5 million, or 1.8% from fiscal year 2012 to 2013. Net position may serve over time as one useful indicator of a government's financial condition. The information provided 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	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 111,743	\$ 113,315	\$ 328,283	\$ 333,600	\$ 440,026	\$ 446,915
Capital assets	380,715	376,568	787,239	831,884	1,167,954	1,208,452
Deferred outflows of resources	383	302	10,892	7,393	11,275	7,695
Total assets and deferred outflows of resources	492,841	490,185	1,126,414	1,172,877	1,619,255	1,663,062
Long-term liabilities outstanding	59,311	54,419	181,952	186,898	241,263	241,317
Other liabilities	16,753	18,460	47,853	66,551	64,606	85,011
Deferred inflows of resources	678	484	-	-	678	484
Total liabilities and deferred inflows of resources	76,742	73,363	229,805	253,449	306,547	326,812
Net position:						
Net investment in capital assets	346,265	348,741	635,244	669,167	981,509	1,017,908
Restricted	26,200	27,136	1,999	1,884	28,199	29,020
Unrestricted	43,634	40,945	259,366	248,377	303,000	289,322
Total net position	\$ 416,099	\$ 416,822	\$ 896,609	\$ 919,428	\$ 1,312,708	\$ 1,336,250

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$1.3 billion as of June 30, 2013. Net position is reported in three categories: net investment in capital assets of \$1.0 billion; restricted net position of \$29.0 million; and unrestricted net position of \$289.3 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, automotive equipment, office and other equipment, and electric, water, wastewater and storm water systems), 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, 2013, \$289.3 million, or 21.7% of the reported total net position of \$1.3 billion, is unrestricted.

CITY OF FAYETTEVILLE

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 12,235	\$ 12,553	\$ 281,427	\$ 296,157	\$ 293,662	\$ 308,710
Operating grants and contributions	12,053	11,180	2,488	2,769	14,541	13,949
Capital grants and contributions	6,985	5,003	22,020	12,186	29,005	17,189
General revenues:						
Property taxes	60,130	62,067	-	-	60,130	62,067
Other taxes	47,168	48,753	-	-	47,168	48,753
Grants and contributions not restricted to specific programs	902	840	-	-	902	840
Other	2,125	1,585	4,231	4,405	6,356	5,990
<b>Total revenues</b>	<b>141,598</b>	<b>141,981</b>	<b>310,166</b>	<b>315,517</b>	<b>451,764</b>	<b>457,498</b>
<b>Expenses:</b>						
Administration	21,677	22,721	-	-	21,677	22,721
Public safety	72,119	72,693	-	-	72,119	72,693
Environmental protection	8,370	8,101	-	-	8,370	8,101
Transportation	19,948	20,294	-	-	19,948	20,294
Economic and physical development	5,569	6,301	-	-	5,569	6,301
Recreation and community facilities	13,490	13,502	-	-	13,490	13,502
Interest and fees	1,465	1,158	-	-	1,465	1,158
Electric	-	-	146,117	197,554	146,117	197,554
Water and wastewater	-	-	65,169	68,877	65,169	68,877
Storm water management	-	-	2,891	3,226	2,891	3,226
Transit	-	-	7,665	7,722	7,665	7,722
Airport	-	-	5,260	6,085	5,260	6,085
Solid waste recycling	-	-	2,145	2,189	2,145	2,189
<b>Total expenses</b>	<b>142,638</b>	<b>144,770</b>	<b>229,247</b>	<b>285,653</b>	<b>371,885</b>	<b>430,423</b>
Increase in net position before transfers and special items	(1,040)	(2,789)	80,919	29,864	79,879	27,075
Transfers	6,083	3,918	(6,083)	(3,918)	-	-
Increase in net position	5,043	1,129	74,836	25,946	79,879	27,075
Net position, July 1	432,407	416,099	800,422	896,609	1,232,829	1,312,708
Change in accounting principle (Note 15)	(21,351)	(406)	21,351	(3,127)	-	(3,533)
Net position, June 30	<b>\$ 416,099</b>	<b>\$ 416,822</b>	<b>\$ 896,609</b>	<b>\$ 919,428</b>	<b>\$1,312,708</b>	<b>\$1,336,250</b>

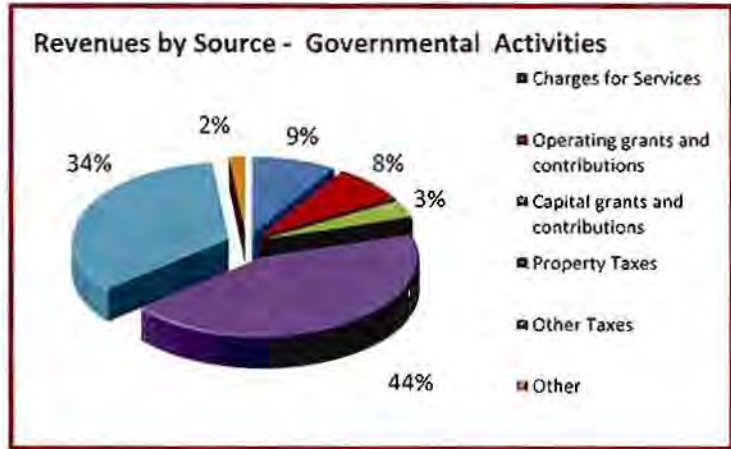
**Governmental activities:** The increase in net position for governmental activities after the change in accounting principle of \$0.4 million was \$1.1 million, resulting in net position of \$416.9, thereby accounting for a 0.3% of the total growth in the net position of the City of Fayetteville.



CITY OF FAYETTEVILLE

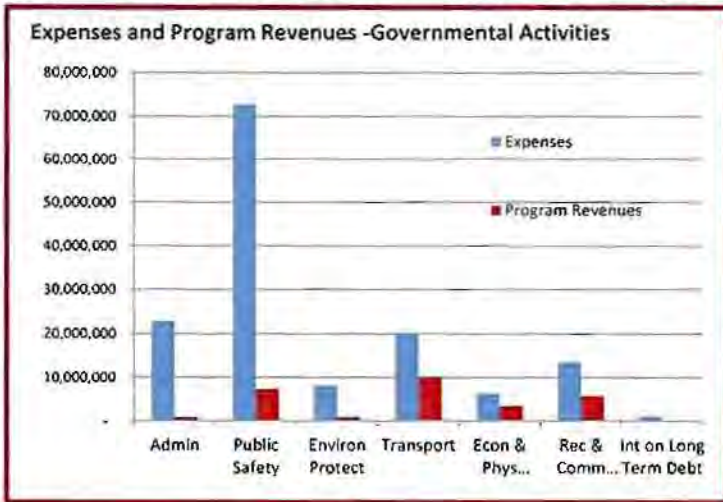
Revenues for the City's governmental activities were \$142.0 million, while total expenses were \$144.8 million in fiscal year 2013. The increase in net position for governmental activities, after transfers in, was \$1.1 million. Key elements of this increase are as follows:

- Ad valorem property tax revenues increased \$1.9 million to \$62.1 million primarily due to development within the City. Property taxes represent 43.7 percent of total governmental revenues.
- Other taxes, which accounted for \$48.8 million or 34.3 percent of total governmental revenues, increased \$1.6 million from 2012 primarily due to an increase in utility franchise tax revenues.



- Those who directly benefited from service-fee based programs paid \$12.6 million in charges for services which represented a 2.6 percent or \$0.3 million increase from 2012. This increase can be primarily attributed to increased public safety and recreation fees.

- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$11.2 million, representing a decrease of 7.2 percent or \$0.9 million in 2013.



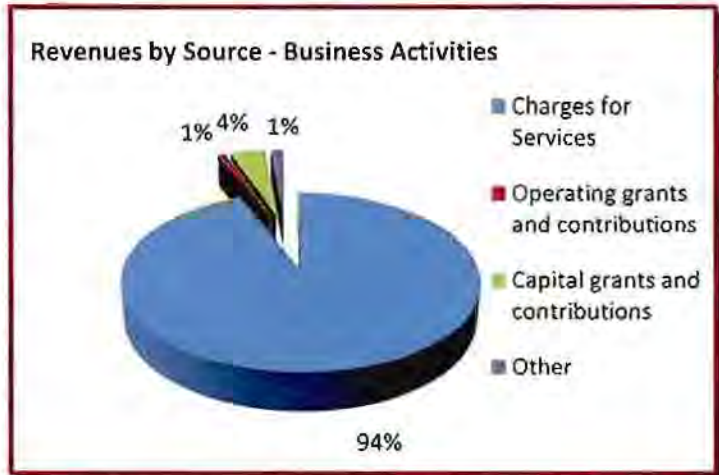
- The governmental activities received \$7.4 million in other revenues such as capital grants and contributions, interest, sale of capital assets and unrestricted grants which represented a decrease of 25.8 percent or \$2.6 million. This decrease primarily reflects a decline in State grant revenues due to non-recurring revenues recognized in fiscal year 2012 for development of the North Carolina State Veterans Park adjacent to the Airborne and Special Operations

Museum, grant funding for the Military Business Park and the economic development payments for redevelopment projects.

- The cost of all governmental activities this year was \$144.8 million as compared to \$142.6 million in fiscal year 2012. 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.), parks and recreation, environmental services, street maintenance, administration (city attorney, finance) and others.

- The City's four largest governmental programs – public safety (50.2 percent), administration (15.7 percent), transportation (14.0 percent), and recreation and community facilities (9.3 percent), represent 89.2 percent of the total governmental activities.

**Business-type activities:** Revenues for the City's business-type activities were \$315.5 million, while total expenses were \$285.7 million in fiscal year 2013. The increase in net position for business-type activities, after transfers out of \$3.9 million and the change in accounting principle of \$3.1 million was \$22.8 million, resulting in net position of \$919.4 million. Specifically, net position increased in the electric, water and wastewater activities by \$12.9 million, resulting in net position of \$819.5 million in fiscal year 2013, compared to \$806.6 million in fiscal year 2012. By far, the largest portion of net position, \$591.3 million or 72.2 percent reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. Current and Other Assets in the electric, water and wastewater activities increased \$5.8 million or 2.0 percent.



The storm water net position increased \$2.0 million in fiscal year 2013. The increase is due primarily to operating revenues that exceeded operating expenses by \$2.2 million. Net position of the airport fund at the end of the year amounted to \$55.1 million, an increase of \$5.1 million. This increase in net position is attributable to capital contributions of \$6.1 million. The City and federal and state agencies continue to subsidize transit operations, as net position increased \$2.8 million in fiscal year 2013 from \$12.6 million to \$15.3 million. This increase is primarily due to the governmental activities general revenues transfer of \$1.9 million to the transit fund for the construction of the multi-modal transportation center.



## 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 2013, unassigned fund balance of the General Fund was \$17.6 million, while total fund balance reached \$51.1 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 12.2 percent of total General Fund expenditures and transfers out, while total fund balance represents 35.5 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 decreased by \$0.8 million during the current fiscal year. This decrease can be primarily attributed to:

- Overall revenues increased \$1.2 million in fiscal year 2013. Specifically, ad valorem taxes increased \$1.8 million and utility franchise taxes increased \$1.6 million. Local sales tax increased \$0.6 million, reflecting modest economic growth. Offset by a decrease of \$2.5 million in federal grants, that is primarily attributable to the revenues received in 2012 for the emergency protective measures and debris removal related to the April 16, 2011 tornado, and \$0.6 million in economic development payments for redevelopment projects.
- Overall expenditures increased \$2.2 million in fiscal year 2013, primarily due to increased public safety salary and benefit costs.
- Net other financing uses increased \$3.0 million in fiscal year 2013, primarily due to a \$1.9 million transfer to the Transit Fund for the multi-modal center and \$1.6 million increase in a transfer to the water and wastewater fund for utility system installation in annexed areas.

At June 30, 2013, the governmental funds of the City reported a combined fund balance of \$64.2 million, reflecting a 0.5 percent decrease from the previous year.



## General Fund Budgetary Highlights

The City Council approved a \$145.5 million general fund budget for fiscal year 2013, which represented a \$6.0 million or 4.3% increase from the original budget for fiscal year 2012. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation increases in the fiscal year 2013 budget included: a \$2.8 million increase in personnel costs which reflected the impact of employee pay adjustments, implementation of pay plan adjustments and a net increase of 13 full-time positions; a \$2.0 million increase in funding for annexation area water and sewer infrastructure projects; and a \$1.1 million increase for local reimbursement agreements related to annexation revenues.

The original fiscal year 2013 budget anticipated an additional \$1.2 million in current ad valorem taxes from real and personal property as compared to the original fiscal year 2012 budget, primarily reflecting natural growth in taxable values. Other significant revenue increases anticipated in the original fiscal year 2013 budget as compared to fiscal year 2012 original budget included: a \$2.5 million increase in sales tax distributions reflecting better than expected economic recovery in fiscal year 2012 and continued modest growth in fiscal year 2013; a \$1.4 million increase in utility tax distributions from the State of North Carolina; and a \$1.1 million increase in transfers from the electric fund. The \$4.0 million fund balance appropriation for one-time expenditures for fiscal year 2013 represented a \$331,000 decrease compared to the original \$4.3 million fund balance appropriation originally budgeted in fiscal year 2012.

During the fiscal year, the City Council approved budget increases of \$5.9 million or 4.0%, bringing the general fund budget for fiscal year 2013 to \$151.4 million. The budget increases related to appropriations of: \$3.0 million for expenditures for which funds were restricted or assigned at June 30, 2012; \$1.6 million for capital improvement funding, including local funding to match grants to construct a multi-modal transportation center; and \$1.3 million to cover year-end projections and other items across multiple departments. The increased budget appropriations were primarily funded by additional fund balance appropriations of \$5.9 million.

Actual revenues and other financing sources for the general fund totaled \$143.0 million, or \$8.4 million or 5.5% less than the final amended budget. The shortfall primarily related to a budgeted fund balance appropriation of \$9.8 million, which is an other financing source that is not reflected as current year revenue. This shortfall was primarily offset by: other taxes that exceeded the budget by \$1.4 million primarily due to privilege license taxes from internet gaming cafes that were not budgeted; ad valorem taxes which exceeded the budget by \$402,000; restricted intergovernmental revenues that exceeded the budget by \$919,000 primarily due to federal and state reimbursements related to the April, 2011 tornados; unrestricted intergovernmental revenues that fell short of the budget by \$780,000 primarily due to distributions of sales taxes, utility taxes and franchise fees which fell short of budget; investment income which fell short of the budget by \$353,000 primarily due to the recording of changes in market values of investments; and sales and service revenues which fell short of budgeted amounts by \$130,000.

Actual expenditures and other financing uses totaled \$143.9 million, or \$7.6 million or 5.0% less than the final amended budget. There were approximately \$2.5 million in expenditures budgeted for fiscal year 2013 which were restricted or assigned at June 30, 2013 to be reappropriated in fiscal year 2014. In addition, the final budget retained appropriations of approximately \$1.0 million or 0.7% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year. Personnel expenditures across all departmental budgets were \$1.4 million or 1.7% less than projected and the remaining \$2.7 million variance between projected and actual expenditures resulted from a variety of departmental operating expenditures being under budget including interfund transfers (\$501,000), contract services (\$510,000), and claims settlements (\$215,000).



## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$1.0 billion (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, wastewater and storm water utility systems.

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

- \$10.4 million for water and wastewater rehabilitation of mains, laterals and transmission lines
- \$8.5 million in governmental street, sidewalk and drainage infrastructure projects
- \$7.4 million for installation of wastewater utility systems in annexed areas
- \$6.5 million for airport runway and airfield improvements
- \$5.4 million for utility system software/hardware upgrade (Navigate)
- \$5.0 million for 12MG Clearwell tank rehabilitation and ferric sulfate conversion
- \$4.4 million in storm water drainage improvements
- \$3.6 million for public safety (police and fire) vehicles and equipment
- \$3.0 million for utility substation improvements
- \$2.1 million for new installation and system improvements to electric underground distribution
- \$1.4 million for purchase and installation of electric and water meters
- \$1.2 million for purchase of vehicles and power operated equipment for the utility system
- \$1.1 million for environmental services trucks and equipment
- \$1.1 million for multimodal center land purchases and design

CITY OF FAYETTEVILLE

**City of Fayetteville's Capital Assets (dollars in thousands)  
(net of accumulated depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land and land rights	\$ 37,984	\$ 38,220	\$ 19,325	\$ 21,035	\$ 57,309	\$ 59,255
Infrastructure	253,439	248,570	13,815	17,892	267,254	266,462
Electric utility system	-	-	177,838	176,526	177,838	176,526
Wastewater system	-	-	277,111	286,280	277,111	286,280
Water system	-	-	178,094	178,863	178,094	178,863
Equipment and machinery	-	-	11,217	11,252	11,217	11,252
Buildings and improvements	67,122	64,794	56,835	66,079	123,957	130,873
Equipment, furniture and fixtures	3,693	4,720	1,440	2,141	5,133	6,861
Computer software	695	649	2,798	2,596	3,493	3,245
Computer equipment	-	-	1,601	2,014	1,601	2,014
Vehicles	15,740	16,484	15,190	14,508	30,930	30,992
Construction in progress	2,042	3,131	42,867	52,697	44,909	55,828
<b>Total</b>	<b>\$ 380,715</b>	<b>\$ 376,568</b>	<b>\$ 798,131</b>	<b>\$ 831,883</b>	<b>\$1,178,846</b>	<b>\$1,208,451</b>

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



**Long-term Debt.** As of June 30, 2013, The City had total bonded debt outstanding of \$155.9 million before loss on defeasance and reacquired debt, premiums, and discounts (see Note 5 in the financial statements), of which \$14.0 million is debt backed by the full faith and credit of the City. In addition, the City has a number of capital leases and several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

**Bonded Debt, Capital Leases and Installment Notes Payable (dollars in thousands)**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Bonded debt	\$ 15,996	\$ 13,437	\$ 155,089	\$ 142,483	\$ 171,085	\$ 155,920
Obligations under capital leases	21,999	17,927	59	39	22,058	17,966
Installment note payable	600	525	15,866	22,650	16,466	23,175
<b>Total long-term debt</b>	<b>\$ 38,595</b>	<b>\$ 31,889</b>	<b>\$ 171,014</b>	<b>\$ 165,172</b>	<b>\$ 209,609</b>	<b>\$ 197,061</b>

The City's total long-term debt decreased by \$12.5 million, or 6.0 percent, during the past fiscal year. This decrease is due to regularly scheduled principal payments of \$20.2 million and an early payoff of a capital lease of \$0.4 million; offset by \$8.1 million in proceeds received from state loans.

The City's other long-term obligations include a liability for the estimated amount of vacation and compensatory leave to ultimately be paid (compensated absences) of \$9.8 million, and a \$21.8 million liability for Other Post Employment Benefits (OPEB).

The City's most recent general obligation bond credit ratings received in connection with the Series 2009 General Obligation Refunding Bonds were upgraded to Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). Subsequently, in May 2010, Moody's recalibrated the City's general obligation bond credit rating upward from Aa2 to Aa1.

The City's Public Works Commission outstanding revenue bonds carry an Aa2 (stable outlook) and AA (stable outlook) credit rating from Moody's and Standard and Poor's, respectively. During fiscal year 2013, Moody's upgraded the utility systems rating from Aa3 to Aa2.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$1.0 billion. The City has \$1.7 million refunding bonds authorized but unissued at June 30, 2013.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-24 – F-35 of this report.



## **Economic Factors and Next Year's Budget and Rates**

### **Budget Highlights for the Fiscal Year Ending June 30, 2014**

The City Council approved a \$151.2 million general fund budget for fiscal year 2014, which represented a \$5.6 million or 3.9% increase from the original budget for fiscal year 2013. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation changes in the fiscal year 2014 budget included: the transition of \$1.1 million in street sweeping expenditures from the general fund to the stormwater fund; a net reduction of \$737,000 for environmental services expenditures which were transitioned to the environmental services fund; a \$4.0 million increase in personnel costs which included the impact of employee pay and pay plan adjustments (\$2.9 million), personnel costs for 17 grant-funded police officer positions transitioning from grant funding (\$604,000), and \$183,000 for three funded initiatives for two positions and additional temporary services; a \$4.1 million increase in transfers to fund capital and information technology improvement projects, including annexation area water and sewer infrastructure projects; and a \$698,000 net decrease in funding for capital items.

The original fiscal year 2014 budget anticipated an additional \$2.4 million in current ad valorem taxes from real and personal property as compared to the original fiscal year 2013 budget, primarily reflecting natural growth in taxable values and an additional four months of taxes on registered motor vehicles related to timing adjustments for the Tag and Tax Together program being implemented by the State. Other significant revenue increases anticipated in the original fiscal year 2014 budget as compared to fiscal year 2013 original budget included: a \$1.0 million increase in sales tax distributions reflecting projected modest economic growth in fiscal year 2014; a \$1.3 million increase in transfers from the electric fund; and \$2.2 million in planned financing proceeds. Revenue decreases anticipated in the original fiscal year 2014 budget include: \$392,000 in transfers from the environmental services fund due to the conclusion of an interfund loan repayment in fiscal year 2013; \$289,000 for the transition of revenues associated with environmental services to the environmental services fund; \$121,000 for the transition of revenues associated with street sweeping to the stormwater fund. The \$3.5 million fund balance appropriation for one-time expenditures for fiscal year 2014 represented a \$448,000 decrease compared to the original \$4.0 million fund balance appropriation originally budgeted in fiscal year 2013.

The City Council has since approved budget increases of \$3.0 million, or 1.98%, bringing the general fund budget for fiscal year 2014 to \$154.2 million. The increases related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2013, and were funded by additional appropriations from fund balance.

### **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 Chief Financial Officer, City of Fayetteville, 433 Hay Street, Fayetteville, NC 28301. You can also call (910) 433-1682, visit our website [www.ci.fayetteville.nc.us/finance](http://www.ci.fayetteville.nc.us/finance) or send an email to [ismith@ci.fay.nc.us](mailto:ismith@ci.fay.nc.us) for more information.

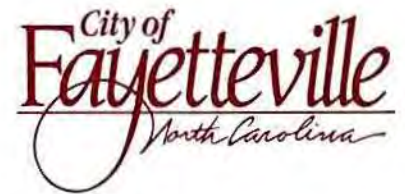
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Basic Financial Statements



These basic financial statements provide a summary of the financial position of all governmental and business-type activities and the major and nonmajor funds. They also serve as an introduction to the more detailed schedules that follow in subsequent sections.

CITY OF FAYETTEVILLE, NORTH CAROLINA

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Position  
June 30, 2013

	Governmental Activities	Business Type Activities	Total Primary Government
<b>Assets</b>			
Cash and investments	\$ 75,050,352	\$ 114,900,661	\$ 189,951,013
Taxes receivable	3,436,425	-	3,436,425
Accounts receivable	3,506,998	44,571,770	48,078,768
Internal balances	(1,635,173)	1,635,173	-
Assessment receivable	925,310	-	925,310
Due from other governments	12,896,950	-	12,896,950
Inventories	137,604	13,218,094	13,355,698
Prepaid expenses	876,573	1,054,128	1,930,701
Noncurrent portion of note receivable	8,643,298	-	8,643,298
Restricted asset - cash and investments	9,400,344	129,953,868	139,354,212
Restricted asset - accounts receivable	75,934	4,836,268	4,912,202
Restricted asset - collateral pledged	-	323,624	323,624
Other assets	-	23,106,929	23,106,929
Capital assets:			
Land and construction in progress	41,351,606	73,731,723	115,083,329
Other capital assets, net of depreciation	335,216,297	758,151,632	1,093,367,929
<b>Total assets</b>	<u>489,882,518</u>	<u>1,165,483,870</u>	<u>1,655,366,388</u>
<b>Deferred Outflows of Resources</b>			
Charge on refunding	302,233	7,393,407	7,695,640
<b>Total deferred outflow of resources</b>	<u>302,233</u>	<u>7,393,407</u>	<u>7,695,640</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	15,778,104	36,489,316	52,267,420
Restricted liabilities - accounts payable	83,629	13,451,637	13,535,266
Restricted unearned deposits	748,810	1,145,917	1,894,727
Unearned revenues	1,848,985	81,808	1,930,793
Unearned deposits	-	3,021,534	3,021,534
Long-term liabilities:			
Due within one year	9,331,158	16,957,399	26,288,557
Due in more than one year	45,088,425	169,941,431	215,029,856
Other liabilities	-	12,359,967	12,359,967
<b>Total liabilities</b>	<u>72,879,111</u>	<u>253,449,009</u>	<u>326,328,120</u>
<b>Deferred Inflows of Resources</b>			
Prepaid taxes	483,548	-	483,548
<b>Total deferred inflow of resources</b>	<u>483,548</u>	<u>-</u>	<u>483,548</u>
<b>Net position</b>			
Net investment in capital assets	348,741,323	669,166,547	1,017,907,870
Restricted for:			
Capital projects	-	1,824,246	1,824,246
Debt service	-	60,723	60,723
Stabilization by State Statute	20,022,565	-	20,022,565
Downtown	176,156	-	176,156
Recreational and cultural	4,855,987	-	4,855,987
Donations	19,194	-	19,194
Lake Valley Drive MSD	5,420	-	5,420
Public safety	1,399,491	-	1,399,491
Economic and physical development	657,197	-	657,197
Unrestricted	40,944,759	248,376,752	289,321,511
<b>Total net position</b>	<u>\$ 416,822,092</u>	<u>\$ 919,428,268</u>	<u>\$ 1,336,250,360</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities  
Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Administration	\$ 22,721,662	\$ 994,985	\$ 16,374	\$ -	\$ (21,710,303)	\$ -	\$ (21,710,303)
Public safety	72,692,847	4,837,983	2,422,030	62,112	(65,370,722)	-	(65,370,722)
Environmental protection	8,100,662	202,215	24,198	758,309	(7,115,961)	-	(7,115,961)
Transportation	20,294,164	1,130,521	5,426,591	3,487,233	(10,249,819)	-	(10,249,819)
Economic and physical development	6,300,663	512,467	2,990,716	103	(2,797,397)	-	(2,797,397)
Recreation and community facilities	13,502,165	4,874,495	188,446	695,162	(7,744,062)	-	(7,744,062)
Interest and fees	1,157,838	-	131,724	-	(1,046,114)	-	(1,046,114)
<b>Total governmental activities</b>	<b>144,770,042</b>	<b>12,552,666</b>	<b>11,180,079</b>	<b>5,002,919</b>	<b>(116,034,378)</b>	<b>-</b>	<b>(116,034,378)</b>
Business-type activities:							
Electric	197,553,706	211,789,791	-	899,399	-	15,125,484	15,125,484
Water and wastewater	68,876,623	71,403,280	-	2,914,570	-	5,441,227	5,441,227
Storm water management	3,225,830	5,247,665	-	-	-	2,021,835	2,021,835
Transit	7,721,977	1,118,149	2,355,194	1,802,682	-	(2,445,952)	(2,445,952)
Airport	6,085,394	4,294,042	112,888	6,578,773	-	4,900,309	4,900,309
Solid waste recycling	2,189,613	2,304,395	301,250	-	-	416,032	416,032
<b>Total business-type activities</b>	<b>285,653,143</b>	<b>295,157,322</b>	<b>2,769,332</b>	<b>12,185,424</b>	<b>-</b>	<b>25,458,935</b>	<b>25,458,935</b>
<b>Total primary government</b>	<b>\$ 430,423,185</b>	<b>\$ 308,709,988</b>	<b>\$ 13,949,411</b>	<b>\$ 17,188,343</b>	<b>(116,034,378)</b>	<b>25,458,935</b>	<b>(90,575,443)</b>
General revenues:							
Ad valorem taxes					62,067,430	-	62,067,430
Other taxes:							
Sales tax					33,838,708	-	33,838,708
Utility franchise tax					6,352,836	-	6,352,836
Telecommunications sales tax					1,737,484	-	1,737,484
Piped natural gas tax					571,447	-	571,447
Video franchise tax					2,380,327	-	2,380,327
Vehicle license tax					622,633	690,193	1,282,826
Privilege license					2,466,929	-	2,466,929
Cablevision franchise tax					71,223	-	71,223
Vehicle gross receipts tax					593,907	-	593,907
Solid waste disposal tax					117,167	-	117,167
Unrestricted grants and contributions					839,798	1,445,865	839,798
Interest earned on investments					8,522	1,454,387	1,454,387
Miscellaneous					513,652	323,661	837,313
Gain on sale of capital assets					1,063,285	1,975,417	3,038,702
Total general revenues not including transfers					113,245,348	4,405,136	117,650,484
Transfers					3,917,802	(3,917,802)	-
Total general revenues and transfers					117,163,150	487,334	117,650,484
Change in net position					1,128,772	25,946,268	27,075,041
Net position - beginning					416,059,103	896,609,379	1,312,708,482
Change in accounting principle (Note 15)					(405,783)	(3,127,380)	(3,533,163)
Net position - beginning restated					415,693,320	893,481,999	1,309,175,319
Net position - ending					\$ 416,822,092	\$ 919,428,268	\$ 1,336,250,360

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 44,000,098	\$ 10,737,068	\$ 54,737,166
Taxes receivable	3,239,535	-	3,239,535
Accounts receivable	14,279,246	9,868,040	24,147,286
Assessments receivable	925,310	-	925,310
Inventories	137,604	-	137,604
Restricted cash and investments	4,922,971	4,477,373	9,400,344
Restricted accounts receivable	-	75,934	75,934
<b>Total assets</b>	<u>\$ 67,504,764</u>	<u>\$ 25,158,415</u>	<u>\$ 92,663,179</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 10,356,341	\$ 1,464,642	\$ 11,820,983
Restricted unearned deposits	748,810	-	748,810
Unearned revenue	139,225	1,697,055	1,836,280
Restricted accounts payable and accrued expenses	-	83,629	83,629
<b>Total liabilities</b>	<u>11,244,376</u>	<u>3,245,326</u>	<u>14,489,702</u>
<b>Deferred inflows of resources:</b>			
Taxes receivable	3,239,535	-	3,239,535
Accounts receivable	547,837	8,730,415	9,278,052
Assessment receivable	925,310	-	925,310
Prepaid taxes	483,548	-	483,548
<b>Total deferred inflows of resources</b>	<u>5,196,030</u>	<u>8,730,415</u>	<u>13,926,445</u>
<b>Fund balances:</b>			
<b>Nonspendable</b>			
For inventories	137,604	-	137,604
<b>Restricted</b>			
Stabilization by State Statute	15,196,662	4,825,903	20,022,565
For downtown	25,509	150,647	176,156
For county recreation	4,124,037	-	4,124,037
For JP Riddle Stadium	-	-	-
For donations	19,194	-	19,194
For Lake Valley Drive MSD	5,420	-	5,420
Public safety	-	1,399,491	1,399,491
Economic and physical development	-	657,197	657,197
Recreation and community facilities	-	731,950	731,950
<b>Committed</b>			
Administration	-	1,885,529	1,885,529
Public safety	-	216,373	216,373
Environmental protection	-	-	-
Transportation	-	1,804,389	1,804,389
Economic and physical development	-	296,016	296,016
Recreation and community facilities	-	1,810,213	1,810,213
<b>Assigned</b>			
For subsequent year's expenditures	3,529,523	-	3,529,523
For special purpose	7,713,907	-	7,713,907
For capital projects	2,760,753	-	2,760,753
Unassigned	17,551,749	(595,034)	16,956,715
<b>Total fund balances</b>	<u>51,064,358</u>	<u>13,182,674</u>	<u>64,247,032</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 67,504,764</u>	<u>\$ 25,158,415</u>	<u>\$ 92,663,179</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2013

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

Ending fund balance - governmental funds		\$ 64,247,032
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		374,544,203
Land	\$ 21,949,695	
Right of Way	16,270,694	
Construction in progress	3,131,217	
Infrastructure	449,740,690	
Buildings and improvements	99,539,460	
Furniture and equipment	29,329,970	
Vehicles	43,184,129	
Accumulated depreciation	<u>(288,601,652)</u>	
	<u>\$ 374,544,203</u>	
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		13,442,897
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.		302,233
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		563,480
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		188,685
Internal service funds are used by management to charge the costs of PWC fleet maintenance and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		17,614,683
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(327,810)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		39,238
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:		(53,792,549)
General obligation bonds	\$ (10,312,981)	
Revenue bonds	(3,797,894)	
Notes payable	(525,000)	
Obligations under capital leases	(17,927,434)	
Net OPEB obligation	(15,292,945)	
Compensated absences	<u>(5,936,295)</u>	
	<u>\$ (53,792,549)</u>	
Net position of governmental activities		<u>\$ 416,822,092</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 61,873,098	\$ -	\$ 61,873,098
Other taxes and fees	3,747,452	775,752	4,523,204
Unrestricted intergovernmental	46,363,857	-	46,363,857
Restricted intergovernmental	10,601,027	5,512,780	16,113,807
Permits and fees	2,933,818	-	2,933,818
Sales and services	4,347,871	-	4,347,871
Miscellaneous	1,562,523	1,980,546	3,543,069
Interest earned on investments	(35,996)	(6,277)	(42,273)
<b>Total revenues</b>	<b>131,393,650</b>	<b>8,262,801</b>	<b>139,656,451</b>
<b>Expenditures</b>			
Current:			
Administration	22,582,087	2,187,518	24,769,605
Public safety	69,501,523	2,268,701	71,770,224
Environmental protection	8,575,475	-	8,575,475
Transportation	6,830,556	5,322,941	12,153,497
Economic and physical development	1,747,096	4,011,970	5,759,066
Planning and development	-	21,347	21,347
Recreation and community facilities	12,014,739	1,356,962	13,371,701
Debt service:			
Principal	5,963,587	675,000	6,638,587
Interest	1,092,391	219,825	1,312,216
<b>Total expenditures</b>	<b>128,307,454</b>	<b>16,064,264</b>	<b>144,371,718</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,086,196</b>	<b>(7,801,463)</b>	<b>(4,715,267)</b>
<b>Other financing sources (uses)</b>			
Sale of capital assets	295,425	731,950	1,027,375
Transfers in	11,353,040	7,601,152	18,954,192
Transfers out	(15,566,151)	-	(15,566,151)
<b>Total other financing sources (uses)</b>	<b>(3,917,686)</b>	<b>8,333,102</b>	<b>4,415,416</b>
<b>Net change in fund balances</b>	<b>(831,490)</b>	<b>531,639</b>	<b>(299,851)</b>
<b>Fund balance - beginning</b>	<b>51,895,848</b>	<b>12,651,035</b>	<b>64,546,883</b>
<b>Fund balance - ending</b>	<b>\$ 51,064,358</b>	<b>\$ 13,182,674</b>	<b>\$ 64,247,032</b>

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, 2013

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

Net change in fund balances - total governmental funds \$ (299,851)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$20,982,313) exceeded capital outlay (\$13,595,726) in the current period. (7,386,587)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. 3,344,515

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,309,064)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. 5,006,498

Principal repayments	\$	6,706,320
Change in net OPEB obligation		(1,734,436)
Change in compensated absences		(176,862)
Other miscellaneous		211,476
	\$	<u>5,006,498</u>

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. 285,645

The net revenue of certain activities of internal service funds is reported with governmental activities. 1,487,616

Change in net position of governmental activities \$ 1,128,772

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 61,471,348	\$ 61,471,348	\$ 61,873,098	\$ 401,750
Other taxes	2,351,895	2,351,895	3,747,452	1,395,557
Unrestricted intergovernmental	47,143,561	47,143,561	46,363,857	(779,704)
Restricted intergovernmental	9,682,466	9,682,466	10,601,027	918,561
Permits and fees	2,966,175	2,966,175	2,933,818	(32,357)
Sales and services	4,459,528	4,478,128	4,347,871	(130,257)
Miscellaneous	1,593,127	1,593,127	1,562,523	(30,604)
Interest earned on investments	317,200	317,200	(35,996)	(353,196)
Total revenues	<u>129,985,300</u>	<u>130,003,900</u>	<u>131,393,650</u>	<u>1,389,750</u>
<b>EXPENDITURES</b>				
Current:				
Administration	23,736,064	24,007,039	22,582,087	1,424,952
Public safety	70,831,352	71,555,699	69,501,523	2,054,176
Environmental protection	8,439,904	8,919,221	8,575,475	343,746
Transportation	7,177,210	7,554,822	6,830,556	724,266
Economic and physical development	1,854,676	2,318,685	1,747,096	571,589
Recreation and community facilities	12,874,221	13,300,055	12,014,739	1,285,316
Debt Service:				
Principal	5,888,582	6,046,766	5,963,587	83,179
Interest	1,182,146	1,121,604	1,092,391	29,213
Total expenditures	<u>131,984,155</u>	<u>134,823,891</u>	<u>128,307,454</u>	<u>6,516,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,998,855)</u>	<u>(4,819,991)</u>	<u>3,086,196</u>	<u>7,906,187</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	230,000	230,000	295,425	65,425
Appropriated fund balance	3,978,832	9,849,298	-	(9,849,298)
Transfers in	11,353,041	11,353,041	11,353,040	(1)
Transfers out	(13,563,018)	(16,612,348)	(15,566,151)	1,046,197
Total other financing sources (uses)	<u>1,998,855</u>	<u>4,819,991</u>	<u>(3,917,686)</u>	<u>(8,737,677)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(831,490)</u>	<u>\$ (831,490)</u>
FUND BALANCE - BEGINNING			<u>51,895,848</u>	
FUND BALANCE - ENDING			<u>\$ 51,064,358</u>	



CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
<b>Assets</b>						
<b>Current assets</b>						
Cash and investments	\$ 65,431,024	\$ 26,085,827	\$ 10,574,251	\$ 12,809,559	\$ 114,900,661	\$ 20,313,197
Accounts receivable	27,055,303	14,939,315	101,901	2,475,251	44,571,770	868,917
Interfund receivable	(359,796)	(488,242)	-	-	(848,038)	848,038
Inventories	11,306,869	1,898,529	-	212,695	13,218,094	-
Prepaid expenses	441,007	613,121	-	-	1,054,128	313,092
Total unrestricted current assets	103,874,407	42,848,550	10,676,152	15,497,506	172,896,615	22,343,244
<b>Restricted current assets</b>						
Restricted cash and investments	89,462,571	33,509,901	5,853,022	1,128,374	129,953,868	-
Restricted accounts receivable	801,298	3,932,517	23,667	78,786	4,836,268	-
Collateral pledged in lieu of deposits	323,624	-	-	-	323,624	-
Total restricted current assets	90,587,493	37,442,418	5,876,689	1,207,160	135,113,760	-
Total current assets	194,461,900	80,290,968	16,552,841	16,704,666	308,010,375	22,343,244
<b>Noncurrent assets</b>						
Other assets	12,325,017	10,781,912	-	-	23,106,929	-
Capital assets	241,085,415	509,739,349	22,655,627	58,402,964	831,883,355	2,023,701
Total noncurrent assets	253,410,432	520,521,261	22,655,627	58,402,964	854,990,284	2,023,701
<b>Total assets</b>	<b>447,872,332</b>	<b>600,812,229</b>	<b>39,208,468</b>	<b>75,107,630</b>	<b>1,163,000,659</b>	<b>24,366,945</b>
<b>Deferred outflows of resources</b>						
Unamortized bond refunding charges	704,889	6,688,518	-	-	7,393,407	-
Total deferred outflows of resources	704,889	6,688,518	-	-	7,393,407	-
<b>Liabilities and net position</b>						
<b>Current liabilities to be paid from unrestricted assets</b>						
Accounts payable and accrued expenses	20,342,163	12,947,492	1,157,002	2,042,659	36,489,316	3,629,311
Current portion of long term debt	2,740,987	13,250,844	683,124	282,444	16,957,399	114,736
Total current liabilities to be paid from unrestricted assets	23,083,150	26,198,336	1,840,126	2,325,103	53,446,715	3,744,047
<b>Current liabilities to be paid from restricted assets</b>						
Accounts payable and accrued expenses	7,001,349	5,716,104	644,166	90,018	13,451,637	-
Unearned deposits	-	-	1,144,892	1,025	1,145,917	-
Total current liabilities to be paid from restricted assets	7,001,349	5,716,104	1,789,058	91,043	14,597,554	-
Total current liabilities	30,084,499	31,914,440	3,629,184	2,416,146	68,044,269	3,744,047
<b>Noncurrent liabilities</b>						
Unearned deposits	6,296	3,015,238	-	-	3,021,534	-
Net OPEB obligation	2,269,346	2,642,721	282,049	864,249	6,058,365	463,808
Unearned revenues	-	-	42,112	39,696	81,808	12,705
Long-term debt	12,095,776	142,207,743	9,560,478	19,069	163,883,066	48,491
Other liabilities	-	12,359,967	-	-	12,359,967	-
Total noncurrent liabilities	14,371,418	160,225,669	9,884,639	923,014	185,404,740	525,004
Total liabilities	44,455,917	192,140,109	13,513,823	3,339,160	253,448,009	4,269,051
<b>Net position</b>						
Net investment in capital assets	228,624,620	362,647,213	19,491,750	58,402,964	669,166,547	2,023,701
Restricted net position	-	9,758	698,371	1,116,117	1,824,246	-
Capital projects	-	9,758	698,371	1,116,117	1,824,246	-
Debt service	29	60,694	-	-	60,723	-
Unrestricted	175,496,655	52,642,973	5,504,524	12,249,389	245,893,541	18,074,193
Total net position	\$ 404,121,304	\$ 415,360,638	\$ 25,694,645	\$ 71,768,470	916,945,057	\$ 20,097,894
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business type activities.					2,483,211	
Net position of business-type activities					\$ 919,428,268	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
<b>Operating revenues</b>						
Charges for services	\$ 211,789,791	\$ 71,403,280	\$ 5,233,338	\$ 7,521,984	\$ 295,948,393	\$ -
Other revenue from operations	-	-	14,327	194,602	208,929	8,371,207
Interfund charges and employee contributions	-	-	-	-	-	15,410,985
Miscellaneous operating revenue	-	-	-	-	-	5,021
<b>Total operating revenues</b>	<u>211,789,791</u>	<u>71,403,280</u>	<u>5,247,665</u>	<u>7,716,586</u>	<u>296,157,322</u>	<u>23,787,213</u>
<b>Operating expenses</b>						
General and administrative	15,446,200	15,621,133	-	-	31,067,333	-
Power supply and generation	148,520,775	-	-	-	148,520,775	-
Electric operation	14,276,714	-	-	-	14,276,714	-
Miscellaneous operating expense - water	-	-	-	-	-	-
Water operations	-	14,562,693	-	-	14,562,693	-
Wastewater operations	-	13,016,609	-	-	13,016,609	-
Salaries and employee benefits	-	-	1,442,645	5,730,256	7,172,901	295,778
Other operating expenses	-	-	942,279	6,005,860	6,948,139	22,379,257
Depreciation	17,806,298	18,804,428	632,312	3,821,344	41,064,382	144,101
<b>Total operating expenses</b>	<u>195,049,987</u>	<u>62,004,863</u>	<u>3,017,236</u>	<u>15,557,460</u>	<u>276,629,546</u>	<u>22,819,136</u>
<b>Operating income (loss)</b>	<u>15,739,804</u>	<u>9,398,417</u>	<u>2,230,429</u>	<u>(7,840,874)</u>	<u>19,527,776</u>	<u>968,077</u>
<b>Nonoperating revenue (expense)</b>						
Interest earned on investments	655,071	798,266	(6,841)	(10,831)	1,445,665	(20,262)
Federal and State grants	-	-	-	2,468,082	2,468,082	-
Passenger Facility Charges	-	-	-	512,846	512,846	-
Miscellaneous revenue	-	-	17,888	305,773	323,661	8,628
Gain (loss) on disposal of capital assets	2,809,566	(849,764)	6,021	9,594	1,975,417	1,412
County revenue	-	-	-	301,250	301,250	-
Vehicle fee revenue	-	-	-	660,193	660,193	-
Interest expense	(1,231,332)	(6,039,561)	(208,594)	(1,031)	(7,480,518)	-
Amortization	(267,205)	(737,219)	-	-	(1,004,424)	-
Miscellaneous expense	-	-	-	(438,493)	(438,493)	-
Issuance costs	(5,182)	(94,980)	-	-	(100,162)	-
<b>Total nonoperating revenue (expense)</b>	<u>1,970,918</u>	<u>(6,923,258)</u>	<u>(191,528)</u>	<u>3,807,383</u>	<u>(1,336,483)</u>	<u>(10,222)</u>
<b>Income (loss) before transfers</b>	<u>17,710,722</u>	<u>2,475,159</u>	<u>2,038,903</u>	<u>(4,033,491)</u>	<u>18,191,293</u>	<u>957,855</u>
Transfers in	20,847	2,913,651	-	4,543,198	7,477,696	529,761
Transfers out	(10,982,628)	(21,229)	-	(391,641)	(11,395,498)	-
Capital contributions	889,399	2,914,570	-	7,968,809	11,672,778	-
<b>Change in net position</b>	<u>7,638,340</u>	<u>8,282,151</u>	<u>2,038,903</u>	<u>7,986,875</u>	<u>25,946,269</u>	<u>1,487,616</u>
<b>Total net position - beginning</b>	<u>396,890,812</u>	<u>409,717,676</u>	<u>23,736,085</u>	<u>63,781,595</u>		<u>18,610,278</u>
<b>Change in accounting principle (Note 15)</b>	<u>(407,848)</u>	<u>(2,639,189)</u>	<u>(80,343)</u>	<u>-</u>		<u>-</u>
<b>Total net position - beginning restated</b>	<u>396,482,964</u>	<u>407,078,487</u>	<u>23,655,742</u>	<u>63,781,595</u>		<u>18,610,278</u>
<b>Total net position - ending</b>	<u>\$ 404,121,304</u>	<u>\$ 415,360,638</u>	<u>\$ 25,694,645</u>	<u>\$ 71,768,470</u>		<u>\$ 20,097,894</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net position of business-type activities

\$ 25,946,269

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
<b>Operating activities</b>						
Cash received from customers	\$ 210,121,264	\$ 67,994,740	\$ 5,322,490	\$ 12,656,911	\$ 296,135,405	\$ 23,861,673
Cash received for insurance reimbursements						449,958
Cash paid to or on behalf of employees for services	(19,204,654)	(19,666,172)	(1,413,833)	(5,602,105)	(43,886,764)	(2,554,797)
Cash paid for goods and services	(10,862,378)	(14,504,040)	149,673	(8,680,076)	(33,887,821)	(20,312,550)
Cash paid for power supply and generation	(148,520,775)	-	-	-	(148,520,775)	-
Net cash provided by (used in) operating activities	32,533,457	34,824,528	4,057,330	(1,585,270)	69,840,045	1,404,253
<b>Noncapital financing activities</b>						
Transfers in	270,847	31,082,900	-	4,543,198	35,896,945	529,761
Federal and State grants	-	-	-	2,468,082	2,468,082	-
Cost of debt issuance	-	-	-	-	-	-
Transfers out	(11,232,628)	(28,190,478)	-	(391,641)	(39,814,747)	-
Net cash provided (used) by noncapital financing activities	(10,961,781)	2,892,422	-	6,519,639	(1,449,720)	529,761
<b>Capital and related financing activities</b>						
Proceeds from sale of capital assets	5,679,319	84,966	6,021	9,584	5,779,900	2,983
Contributed capital received	306,231	3,409,544	-	7,868,809	11,587,584	-
Acquisition and construction of capital assets	(17,728,546)	(21,591,643)	(4,390,198)	(8,804,511)	(52,514,898)	(40,933)
Principal paid in debt maturities	(6,453,366)	(16,496,572)	(600,030)	(19,980)	(25,539,948)	-
Interest paid on debt maturities	(1,503,719)	(5,871,750)	(311,867)	(1,031)	(8,588,377)	-
Net cash provided (used) by capital and related financing activities	(21,687,081)	(41,435,465)	(5,296,014)	(947,119)	(69,375,679)	(37,950)
<b>Investing activities</b>						
Interest and dividends	685,071	798,269	(6,841)	(10,631)	1,445,865	(20,262)
Net change in investments	(2,024,950)	3,644,851	-	-	1,619,901	-
Net cash provided (used) by investing activities	(1,339,879)	4,443,117	(6,841)	(10,631)	3,065,765	(20,262)
Net increase (decrease) in cash and cash equivalents/investments	(1,485,264)	724,602	(1,235,525)	4,076,819	2,060,412	1,875,602
<b>Cash and cash equivalents/investments</b>						
Beginning of year	80,535,709	39,530,185	17,662,798	9,861,314	147,590,007	18,437,395
End of year	\$ 79,050,425	\$ 40,254,788	\$ 16,427,273	\$ 13,937,933	\$ 149,670,419	\$ 20,313,197
Unrestricted cash and cash equivalents/investments	\$ 39,604,524	\$ 24,897,396	\$ 10,574,251	\$ 12,809,559	\$ 87,885,730	\$ 20,313,197
Restricted cash and equivalents/investments	39,445,901	15,357,392	5,853,022	1,128,374	61,784,689	-
<b>Total cash and cash equivalents/investments</b>	\$ 79,050,425	\$ 40,254,788	\$ 16,427,273	\$ 13,937,933	\$ 149,670,419	\$ 20,313,197



CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ 15,739,804	\$ 9,398,417	\$ 2,230,429	\$ (7,840,874)	\$ 19,527,776	\$ 968,077
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	17,806,288	18,804,428	632,312	3,821,344	41,064,382	144,101
Nonoperating payments for goods and services	-	-	-	(438,493)	(438,493)	-
Allowance for uncollectible accounts	(130,814)	(23,067)	-	-	(153,881)	-
Nonoperating receipts from customers	-	-	17,888	1,779,862	1,797,750	8,628
Gain (loss) on sale of capital assets	-	-	-	-	-	-
<b>Change in assets and liabilities</b>						
(Increase) decrease in accounts receivable	(1,448,974)	(3,365,473)	54,311	3,184,814	(1,595,322)	513,885
(Increase) decrease in inventory	1,522,885	(135,417)	-	(4,511)	1,382,927	-
(Increase) decrease in prepaid items	-	-	-	-	-	73,035
(Increase) decrease in internal balances	529,123	492,579	-	-	1,021,702	(1,021,702)
(Increase) decrease in other current assets	(159,893)	(22,356)	-	-	(182,249)	-
(Increase) decrease in other assets	(7,643,832)	(813,252)	-	-	(8,457,084)	-
(Increase) decrease in unearned deposits	5,481	(138,532)	2,826	-	(130,425)	-
(Increase) decrease in accounts payable and accrued liabilities	6,379,226	10,711,914	1,100,952	(2,231,210)	15,960,882	696,760
(Increase) decrease in accrued compensated absences	(65,817)	(64,713)	(1,939)	11,459	(121,010)	13,239
(Increase) decrease in unearned revenues	-	-	-	15,649	15,649	1,873
(Increase) decrease in Net OPEB Obligation	-	-	30,751	116,690	147,441	6,347
Total adjustments	16,793,653	25,426,111	1,836,901	6,255,604	50,312,269	436,176
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 32,533,457</u>	<u>\$ 34,824,528</u>	<u>\$ 4,067,330</u>	<u>\$ (1,585,270)</u>	<u>\$ 69,840,045</u>	<u>\$ 1,404,253</u>
<b>Noncash investing, capital, and financing activities</b>						
Contributed capital assets	\$ -	\$ 1,701,700	\$ -	\$ -	\$ 1,701,700	\$ -
FIF Credits Awarded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FIF Credits Applied	\$ -	\$ (2,196,674)	\$ -	\$ -	\$ (2,196,674)	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2013

	Pension Trust Fund	Private-purpose Trusts
<b>Assets</b>		
Cash and investments		
Cash and cash equivalents	\$ 2,720,918	\$ 1,374,544
Total cash and investments	2,720,918	1,374,544
Accounts receivable	963	2,545
Total assets	2,721,881	1,377,089
<b>Liabilities</b>		
Accounts payable	37,377	-
Total liabilities	37,377	-
<b>Net position</b>		
Held in Trust for pension benefits and other purposes	2,684,504	1,377,089
Total net position	\$ 2,684,504	\$ 1,377,089

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Year Ended June 30, 2013

	Pension Trust Fund	Private-purpose Trusts
<b>Additions</b>		
Employer contributions	\$ 734,796	\$ -
Other contributions	-	113,856
Investment earnings	(2,948)	8,140
Total additions	<u>731,848</u>	<u>121,996</u>
<b>Deductions</b>		
Benefit payments and premiums	<u>619,426</u>	<u>123,407</u>
Total deductions	<u>619,426</u>	<u>123,407</u>
Change in net position	112,422	(1,411)
Total net position - beginning	<u>2,572,082</u>	<u>1,378,500</u>
Total net position - ending	<u>\$ 2,684,504</u>	<u>\$ 1,377,089</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

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# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# Notes to Financial Statements



These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read together with the financial statements.

CITY OF FAYETTEVILLE, NORTH CAROLINA

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**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, electric, water, wastewater and storm water utilities, transit, airport, and solid waste 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:

**City of Fayetteville Finance Corporation**

The City of Fayetteville Finance Corporation is a non-profit corporation formed for the purpose of issuing bonds to build City facilities and park improvements, as well as for the defeasance and refunding of 1989 certificates of participation. The City leases the police administration building, Festival Park and Westover Recreation Center from the Corporation with rental revenues being used by the Corporation to retire the bonds. The Corporation is shown in a blended presentation as the Corporation provides services exclusively to the City. The operating fund of the Corporation is presented in the accompanying financial statements as a nonmajor special revenue fund.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**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 nonmajor 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 nonmajor funds.

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

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**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 public safety, parks and recreation, street maintenance, and solid waste.

The City reports the following nonmajor 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 City of Fayetteville Finance Corporation Fund accounts for debt service on certain municipal buildings and park improvements. 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 Bond Improvement Fund accounts for bond proceeds and their use. The Economic and Physical Development Fund accounts for construction and improvement of various public facilities. The Recreational and Cultural Fund accounts for resources used for the acquisition and construction of facilities such as parks, recreation centers and museums. Resources are provided through intergovernmental revenues, facility financing proceeds and transfers from other funds.

The City reports the following major enterprise funds:

**Electric Fund.** This fund accounts for the operations and maintenance of the Butler-Warner Generation Plant and the transmission and distribution of electricity to customers within the City of Fayetteville and surrounding areas.

**Water and Wastewater Fund.** This fund accounts for the operations, transmission and distribution of water and wastewater for customers within the City of Fayetteville and surrounding areas.

The Electric Fund and the Water and Wastewater Fund are operated under the Public Works Commission (PWC) of the City of Fayetteville.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 – Summary of Significant Accounting Policies (continued)**

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

The City reports the following nonmajor enterprise funds: The Transit Fund accounts for operation of the municipal transit system. The Airport Fund accounts for the operation and capital asset acquisition and construction of the Fayetteville Regional Airport. The Solid Waste Recycling Fund accounts for specified fees and residential recycling services.

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. The PWC Fleet Maintenance Fund accounts for the accumulation and allocation of costs associated with the City's and PWC's fleet maintenance activities.

**Pension Trust Funds.** These funds accumulate contributions in order to pay retirement benefits to eligible participants. The Special Separation Allowance Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, and public employee retirement system.

**Private-Purpose Trust Funds.** These funds are used to account for resources legally held in trust for use by others. The Police Benefit and Firemen'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.

**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. Nonexchange 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.



City of Fayetteville, North Carolina  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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 nonoperating 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 utility funds are charges to customers for sales and services. Operating expenses for the City's utility 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 nonoperating revenues and expenses.

*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 January 1, 1993, 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, Cumberland County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Fayetteville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Cumberland County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Intergovernmental revenues and sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water and wastewater functions and various other functions of the government.

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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 departmental level for the general, 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 department 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).

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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 Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, 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. The Electric and Water and Wastewater Funds consider demand deposits and investments purchased with an original maturity of three months or less to be 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, 2012.

**Receivables**

The receivables in the utility funds consist primarily of customer receivables for utility services. The City provides allowances for uncollectible receivables equal to the estimated collection losses to be incurred. The estimated losses are computed using the experience method. The City grants credit to residential, business and industrial customers, substantially all of whom are local to the City of Fayetteville area.

**Allowance for Uncollectible Receivables**

The City recorded a receivable in the special revenue fund for \$2,118,542 related to loans associated with grants or other financial assistance that has been awarded. Many of these awarded loans are not expected to be collected and are scheduled to be forgiven based upon note compliance; therefore, they are included in the allowance for uncollectible receivables.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 1 - Summary of Significant Accounting Policies (continued)**

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, 2013:

<u>Fund</u>	
General Fund:	
Taxes receivable	\$ 860,580
Accounts receivable	142,831
Assessments receivable	274,163
Special Revenue Fund:	
Notes receivable	3,414,669
Transit:	
Accounts receivable	25,251
Airport:	
Accounts receivable	17,988
Solid Waste Recycling:	
Accounts receivable	928
Electric Fund:	
Accounts receivable	259,113
Water and Wastewater Fund:	
Accounts receivable	65,858
Storm Water Management Fund:	
Accounts receivable	3,225
Total	<u>\$ 5,064,606</u>

**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.



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**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 generation 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, 2013, 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 bond proceeds because their use is completely restricted to the purpose for which the bonds were issued or the purpose for which the funds 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.

At June 30, 2013, the Governmental Activities had restricted assets offset by restricted liabilities related to those assets and unspent bond proceeds, resulting in restricted net position of \$27,136,010. The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-12 and F-13. The restriction for "Recreational and Cultural" incorporates restrictions for county recreation and other recreation and community facilities. Restrictions for Downtown (\$176,156) and Lake Valley Drive MSD (\$19,194) are created by enabling legislation.

Business type activities include the following restrictions on net position at June 30, 2013. The Electric Fund had restricted assets and a resultant restricted net position of \$29 related to debt service. The Water/Wastewater Fund had restricted assets of \$1,713,545 related to debt service offset by \$1,643,093 of restricted liabilities related to those assets, resulting in restricted net position of \$70,452. The Storm Water Fund had restricted assets offset by restricted liabilities related to those assets and unspent bond proceeds, resulting in restricted net position of \$698,371.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**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 (\$2,500 in the Electric and Water and Wastewater Funds) 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 are recorded at their estimated fair value at the date of donation. 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. Utility (electric, water, and wastewater) 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 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.

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
Utility plant systems	20 – 45
Improvements	5 – 15
Vehicles	5 – 20
Furniture and equipment	5 – 10
Computer software	3
Computer equipment	3

Depreciation includes amortization of intangible assets. Interest expense that relates to the cost of acquiring or constructing capital assets in enterprise funds is capitalized. Interest expense incurred in connection with construction of capital assets is reduced by interest earned on the investment of funds borrowed for construction in accordance with GASB 62.

**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 one item that meets this criterion, unamortized bond refunding charges for the Governmental and Electric, Water and Wastewater refunding bonds. 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 only one item that meets the criterion for this category on the statement of net position – prepaid taxes. 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.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Unearned Deposits**

Facility investment fee credits are given on a dollar per dollar basis for off-site water and wastewater approach mains necessary to serve City approved projects. The facility investment fee credit, if not utilized in the initial development, will be available to the developer for use in other City approved projects for a period not to exceed 5 years from the original contract date, unless otherwise stated in the contract or through extension approved by the City.

**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. However, the City's sick leave policy for Electric and Water and Wastewater Fund employees allows 25% of accumulated sick leave to be paid at the time of retirement. A liability for the estimated amount of this sick leave to ultimately be paid is included in the financial statements.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

**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.

At June 30, 2013, the City recorded as other liabilities in the government-wide financial statements, \$1,485,000 for an advance from the Electric Rate Stabilization Fund to the Water/Wastewater Fund, \$952,688 for the non-current portion in advance payments from Fort Bragg for gross receipt taxes, \$331,163 for the non-current portion due to the Department of Transportation, \$1,531,400 for the non-current portion in advance from the Electric Rate Stabilization Fund to the Annex Phase V Reserve and \$8,100,000 loan advancement from the Electric Rate Stabilization Fund to the Electric, Water and Wastewater funds, offset by applicable adjustments.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

In 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.

**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.

**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)).

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

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

Restricted for J.P. Riddle Stadium - portion of fund balance available to pay for the recreational activities of J.P. Riddle Stadium.

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

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



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**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 NRPA Return and Restore Program.

Committed Fund Balance - consists of funds that have been set aside for a specific purpose by formal action by the City's highest level of decision making authority (City Council) and that remain binding unless removed in the same manner prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds. Any changes or removal of committed funds requires the passage of a resolution by a simple majority vote.

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 2013 - 2014 budget ordinance that is not already classified as restricted or committed.

Special purpose - 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, fire equipment and land, a revolving loan fund, and transit and parks and recreation activities; and, City Manager 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.

**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.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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.

**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.

**G - Upcoming Pronouncements**

**GASB Statement No. 66, "Technical Corrections – 2012; an Amendment of GASB Statement No. 10 and No. 62."** The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012, however the City does not expect a material impact upon implementation.

**GASB Statement No. 67, "Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25."** This statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts with certain characteristics. This statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

**GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 27."** This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

**GASB Statement No. 69, "Government Combinations and Disposals of Government Operations."** This statement establishes accounting and financial reporting standards related to government combinations and disposals of government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in the financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."** This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

**H – Pronouncements Implemented**

**GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements."** This statement establishes guidance for accounting and financial reporting for service concession arrangements (SCAs). These arrangements are often referred to as public-private partnerships or public-public partnerships (PPP). The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011, however there was no material impact during fiscal year 2013.

**GASB Statement No. 61, "The Financial Reporting Entity: Omnibus; an Amendment of GASB Statement No. 14 and No. 34."** This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation) and certain disclosure requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012, however there was no material impact during fiscal year 2013.

**GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."** This statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011, however there was no material impact during fiscal year 2013.

**GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."** This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. See Notes 1 and 15.

**GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."** This statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Early adoption is permitted. See Notes 1 and 15.

City of Fayetteville, North Carolina  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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**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.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

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

At June 30, 2013, the City's demand deposits had a carrying amount of \$59,159,713 and a bank balance of \$57,522,234. Of the bank balance, Federal Deposit Insurance covered \$765,871, and \$56,756,363 was covered by collateral under the Pooling Method.

At June 30, 2013, the City had certificates of deposit totaling \$14,413,528. Of this amount, Federal Deposit Insurance covered \$250,000, and \$14,163,528 was covered by collateral under the Pooling Method.

The City had \$13,425 in the petty cash and change funds.

**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, 2013, the City investment balances were as follows:

	Fair Value	Less than 6			5-10 Years
		Months	6 Mos - 1 Yr	1-5 Years	
U.S. Government Agencies	\$ 92,093,327	\$ -	\$ -	\$ 66,696,199	\$ 25,397,128
Commercial Paper	95,287,156	83,498,937	11,788,219	-	-
N.C. Capital Management Trust - Cash portfolio	42,693,275	42,693,275	-	-	-
N.C. Capital Management Trust - Term portfolio	29,740,263	29,740,263	-	-	-
<b>Total Primary Government</b>	<b>259,814,021</b>	<b>155,932,475</b>	<b>11,788,219</b>	<b>66,696,199</b>	<b>25,397,128</b>
<b>Reporting Entity Total</b>	<b>\$ 259,814,021</b>	<b>\$ 155,932,475</b>	<b>\$ 11,788,219</b>	<b>\$ 66,696,199</b>	<b>\$ 25,397,128</b>

**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.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

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

**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. As of June 30, 2013, the City's commercial paper was rated P1 by Moody's Investors Service and A1 by Standard & Poor's. The City's investments in the NC Capital Management Trust Cash 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, 2013. The City's investments in US Agencies (Federal Home Loan Bank, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2013.

**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 verses payment basis and are made through the independent third-party custodian by written instruction.

**Concentration of Credit Risk.** The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in NC Cash Management Trust securities, Federal Home Loan Bank securities, Fannie Mae securities and FCAR Owner Trust commercial paper. These investments are 27.88%, 17.34%, 14.77%, and 14.55% respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 259,814,021
Cash (demand deposits)	59,159,713
Certificates of Deposit	13,050,945
Fireman's Relief Fund Certificate of Deposit	1,362,583
Petty cash	13,425
Total cash and investments	<u>\$ 333,400,687</u>

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 189,951,013
Cash and investments - restricted	139,354,212
Pension trust cash and investments	2,720,918
Private-purpose trust cash and investments	1,374,544
Total cash and investments	<u>\$ 333,400,687</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 3 - Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

Primary Government

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

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land and land rights	\$ 37,983,860	\$ 236,527	\$ -	\$ -	\$ 38,220,387
Construction in progress	2,041,699	1,336,320	-	(246,800)	3,131,219
<b>Total capital assets not being depreciated</b>	<b>40,025,559</b>	<b>1,572,847</b>	<b>-</b>	<b>(246,800)</b>	<b>41,351,606</b>
Capital assets being depreciated:					
Infrastructure	442,073,128	7,430,633	-	236,928	449,740,689
Buildings and improvements	101,269,018	1,225,413	(4,540)	9,872	102,499,763
Equipment, furniture and fixtures	22,674,501	2,698,402	(89,373)	1,272	25,284,802
Computer software	4,766,742	193,116	-	-	4,959,858
Vehicles	41,944,582	3,866,334	(2,332,872)	7,583	43,485,627
<b>Total capital assets being depreciated</b>	<b>612,727,971</b>	<b>15,413,898</b>	<b>(2,426,785)</b>	<b>255,655</b>	<b>625,970,739</b>
Less accumulated depreciation for:					
Infrastructure	(188,634,327)	(12,537,070)	-	-	(201,171,397)
Buildings and improvements	(34,146,941)	(3,562,038)	3,469	-	(37,705,510)
Equipment, furniture and fixtures	(18,980,575)	(1,672,846)	89,373	(1,272)	(20,565,320)
Computer software	(4,072,164)	(238,773)	-	-	(4,310,937)
Vehicles	(26,204,808)	(3,115,687)	2,326,800	(7,583)	(27,001,278)
<b>Total accumulated depreciation</b>	<b>(272,038,815)</b>	<b>\$ (21,126,414)</b>	<b>\$ 2,419,642</b>	<b>\$ (8,855)</b>	<b>(290,754,442)</b>
<b>Total capital assets being depreciated, net</b>	<b>340,689,156</b>				<b>335,216,297</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 380,714,715</b>				<b>\$ 376,587,903</b>

Administration	\$ 334,497
Public safety	3,861,613
Environmental protection	1,001,749
Transportation	13,169,022
Economic and physical development	1,005,948
Recreation and community facilities	1,609,484
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the funds	144,101
<b>Total depreciation expense</b>	<b>\$ 21,126,414</b>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 3 - Capital Assets (continued)**

\* Disposals in construction in progress are shown as additions to capital assets being depreciated.

	Balance July 1, 2012	Increases	Decreases *	Transfers	Balance June 30, 2013
<b>Business-type activities:</b>					
<b>Electric Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land and land rights	\$ 5,320,460	\$ 874,792	\$ -	\$ -	\$ 6,195,252
Construction in progress	11,767,932	21,166,298	(15,517,418)	-	17,416,812
Total capital assets not being depreciated	<u>17,088,392</u>	<u>22,041,090</u>	<u>(15,517,418)</u>	<u>-</u>	<u>23,612,064</u>
<b>Capital assets being depreciated:</b>					
Electric utility system	389,701,603	14,185,952	(2,483,725)	-	401,403,830
Buildings	43,496,470	864,470	(30,893)	(251,822)	44,078,225
Equipment and machinery	16,783,640	591,194	(347,306)	38,377	17,065,905
Intangibles	11,181,518	307,437	-	-	11,488,955
Computer equipment	3,663,932	604,033	(121,008)	130,000	4,276,957
Vehicles	6,971,407	220,621	(534,453)	-	6,657,575
Office equipment	1,145,371	108,303	(37,383)	20,833	1,237,124
Total capital assets being depreciated	<u>472,943,941</u>	<u>16,882,010</u>	<u>(3,554,768)</u>	<u>(62,612)</u>	<u>486,208,571</u>
<b>Less accumulated depreciation for:</b>					
Electric utility system	(211,863,108)	(14,996,283)	1,981,274	-	(224,878,117)
Buildings	(16,995,715)	(1,071,915)	14,675	1,092	(18,051,863)
Equipment and machinery	(8,697,385)	(598,474)	317,994	253	(8,977,612)
Intangibles	(8,995,622)	(268,582)	-	-	(9,264,204)
Computer equipment	(2,822,341)	(368,690)	121,010	-	(3,070,021)
Vehicles	(3,502,948)	(484,850)	518,961	-	(3,468,837)
Office equipment	(1,045,338)	(17,504)	37,005	1,271	(1,024,566)
Total accumulated depreciation	<u>(253,922,457)</u>	<u>\$ (17,806,298)</u>	<u>\$ 2,990,919</u>	<u>\$ 2,616</u>	<u>(268,735,220)</u>
Total capital assets being depreciated, net	<u>219,021,484</u>				<u>217,473,351</u>
Electric fund capital assets, net	<u>\$ 236,109,876</u>				<u>\$ 241,085,415</u>

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 3 - Capital Assets (continued)**

	Balance July 1, 2012	Increases	Decreases *	Transfers	Balance June 30, 2013
<b>Business-type activities:</b>					
<b>Water and Wastewater Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land and land rights	\$ 9,295,327	\$ 394,212	\$ -	\$ -	\$ 9,689,539
Construction in progress	15,328,123	38,138,030	(28,621,183)	-	24,844,970
Total capital assets not being depreciated	<u>24,623,450</u>	<u>38,532,242</u>	<u>(28,621,183)</u>	<u>-</u>	<u>34,534,509</u>
<b>Capital assets being depreciated:</b>					
Water system	283,259,674	9,429,322	(1,270,095)	-	291,418,901
Sewer system	423,787,212	18,487,200	-	-	442,274,412
Buildings	4,959,258	234,785	(30,893)	39,237	5,202,387
Equipment and machinery	10,409,524	724,729	(309,270)	-	10,824,983
Intangibles	8,674,086	10,947	-	-	8,685,033
Computer equipment	3,445,613	349,299	(78,691)	-	3,716,221
Vehicles	6,724,551	559,849	(353,361)	(7,583)	6,923,456
Office equipment	467,120	5,843	(6,570)	22,103	488,496
Total capital assets being depreciated	<u>741,727,038</u>	<u>29,801,974</u>	<u>(2,048,880)</u>	<u>53,757</u>	<u>769,533,889</u>
<b>Less accumulated depreciation for:</b>					
Water system	(105,165,907)	(7,683,944)	294,428	-	(112,555,423)
Sewer system	(146,676,000)	(9,318,074)	-	-	(155,994,074)
Buildings	(2,681,439)	(110,298)	14,675	(1,344)	(2,778,406)
Equipment and machinery	(7,278,595)	(671,141)	287,993	-	(7,661,743)
Intangibles	(8,283,257)	(187,679)	-	-	(8,471,136)
Computer equipment	(2,686,355)	(301,266)	78,686	-	(2,908,935)
Vehicles	(3,341,669)	(521,357)	330,921	7,583	(3,524,522)
Office equipment	(430,911)	(10,469)	6,570	-	(434,810)
Total accumulated depreciation	<u>(276,544,133)</u>	<u>\$ (18,804,428)</u>	<u>\$ 1,013,273</u>	<u>\$ 6,239</u>	<u>(294,329,049)</u>
Total capital assets being depreciated, net	<u>465,182,905</u>				<u>475,204,840</u>
<b>Water and Wastewater Fund capital assets, net</b>	<u>\$ 489,806,355</u>				<u>\$ 509,739,349</u>

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 3 - Capital Assets (continued)**

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
Business-type activities (continued):					
Storm Water Management Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 233,961	\$ 12,045	\$ -	\$ -	\$ 246,006
Construction in progress	4,140,846	3,481,091	-	(3,475,169)	4,146,768
Total capital assets not being depreciated	<u>4,374,807</u>	<u>3,493,136</u>	<u>-</u>	<u>(3,475,169)</u>	<u>4,392,774</u>
Capital assets being depreciated:					
Infrastructure	28,845,046	917,376	-	3,475,169	33,237,591
Furniture, fixtures and equipment	957,886	82,900	-	-	1,040,786
Computer software	6,941	-	-	-	6,941
Vehicles	1,094,923	-	(38,851)	-	1,056,072
Total capital assets being depreciated	<u>30,904,795</u>	<u>1,000,276</u>	<u>(38,851)</u>	<u>3,475,169</u>	<u>35,341,390</u>
Less accumulated depreciation for:					
Infrastructure	(15,302,060)	(443,316)	-	-	(15,745,376)
Furniture, fixtures and equipment	(483,708)	(122,658)	-	-	(606,366)
Computer software	(6,941)	694	-	-	(6,247)
Vehicles	(692,367)	(67,032)	38,851	-	(720,548)
Total accumulated depreciation	<u>(16,485,076)</u>	<u>\$ (632,312)</u>	<u>\$ 38,851</u>	<u>\$ -</u>	<u>(17,078,537)</u>
Total capital assets being depreciated, net	<u>14,419,720</u>				<u>18,262,853</u>
Storm Water Management fund capital assets, net	<u>\$ 18,794,527</u>				<u>\$ 22,655,627</u>

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 3 - Capital Assets (continued)**

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
<b>Business-type activities (continued):</b>					
Nonmajor enterprise funds					
Capital assets not being depreciated:					
Land and land rights	\$ 4,475,350	\$ 428,837	\$ -	\$ -	\$ 4,904,187
Construction in progress	11,629,829	7,198,157	-	(12,539,796)	6,288,190
Total capital assets not being depreciated	<u>16,105,179</u>	<u>7,626,994</u>	<u>-</u>	<u>(12,539,796)</u>	<u>11,192,377</u>
Capital assets being depreciated:					
Infrastructure	276,562	135,730	-	-	412,292
Buildings and improvements	61,738,481	32,367	-	12,069,462	73,840,310
Furniture, fixtures and equipment	3,865,781	487,507	-	470,334	4,623,622
Computer software	289,880	-	-	-	289,880
Vehicles	11,847,118	521,913	(519,185)	-	11,849,846
Total capital assets being depreciated	<u>77,817,822</u>	<u>1,177,517</u>	<u>(519,185)</u>	<u>12,539,796</u>	<u>91,015,950</u>
Less accumulated depreciation for:					
Infrastructure	(4,481)	(8,327)	-	-	(12,808)
Buildings and improvements	(33,682,013)	(2,530,135)	-	-	(36,212,148)
Furniture, fixtures and equipment	(2,837,240)	(346,398)	-	-	(3,183,638)
Computer software	(68,269)	(63,826)	-	-	(132,095)
Vehicles	(3,911,201)	(872,658)	519,185	-	(4,264,674)
Total accumulated depreciation	<u>(40,503,204)</u>	<u>\$ (3,821,344)</u>	<u>\$ 519,185</u>	<u>\$ -</u>	<u>(43,805,363)</u>
Total capital assets being depreciated, net	<u>37,314,618</u>				<u>47,210,587</u>
Nonmajor enterprise fund capital assets, net	<u>\$ 53,419,797</u>				<u>\$ 58,402,964</u>
Business-type activities capital assets, net	<u>\$ 798,130,555</u>				<u>\$ 831,883,355</u>

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

Electric	\$ 17,806,298
Water and Wastewater	18,804,428
Storm Water Management	632,312
Transit	1,068,920
Airport	2,744,928
Recycling	7,496
Total depreciation expense	<u>\$ 41,064,382</u>

\* Disposals in construction in progress for the Electric, Water and Wastewater funds are shown as additions to capital assets being depreciated.

\*\* Depreciation includes amortization of intangible assets.

\*\* In the current year, the Electric, Water and Wastewater funds changed the useful lives of electric and water meters from 30 and 45 years to 12 and 15 years respectively, resulting in an increase in depreciation expense of \$2,156,374 and \$1,811,361, respectively.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 4 – Accounts Payable**

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2013:

	General	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Storm Water Management	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 6,365,676	\$ 661,906	\$ 931,697	\$ 7,959,279	\$ 25,361,201	\$ 14,885,857	\$ 503,681	\$ 845,856	\$ -
Incurred but not reported	-	-	2,697,614	2,697,614	995,929	995,929	-	-	-
Contracts payable	-	861,657	-	861,657	-	-	1,084,173	910,275	-
Interest payable	-	-	-	-	197,165	2,010,244	127,425	160,796	-
Retainage payable	-	24,708	-	24,708	-	-	36,446	13	-
Salaries and benefits payable	3,990,665	-	-	3,990,665	789,217	768,566	49,443	215,737	37,377
<b>Total</b>	<u>\$ 10,356,341</u>	<u>\$ 1,548,271</u>	<u>\$ 3,629,311</u>	<u>15,533,923</u>	<u>\$ 27,343,512</u>	<u>\$ 18,663,596</u>	<u>\$ 1,801,168</u>	<u>\$ 2,132,677</u>	<u>\$ 37,377</u>
Adjustment for interest payable				327,810					
				<u>\$ 15,861,733</u>					
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 10,356,341	\$ 1,464,642	\$ 3,629,311	\$ 15,450,294	\$ 20,342,163	\$ 12,847,432	\$ 1,157,002	\$ 2,042,659	\$ 37,377
Restricted	-	83,629	-	83,629	7,001,349	5,716,104	644,166	90,018	-
	<u>\$ 10,356,341</u>	<u>\$ 1,548,271</u>	<u>\$ 3,629,311</u>	<u>15,533,923</u>	<u>\$ 27,343,512</u>	<u>\$ 18,663,596</u>	<u>\$ 1,801,168</u>	<u>\$ 2,132,677</u>	<u>\$ 37,377</u>
Adjustment for Interest payable				327,810					
				<u>\$ 15,861,733</u>					

**Note 5 - Long-Term Obligations**

**A - General Obligation Indebtedness**

The City has issued general obligation bonds (to include general obligation bonds for the benefit of the Electric and Water and Wastewater funds) 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 and the water and wastewater fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2013, are as follows:

Governmental activities

\$5,535,000 Refunding Bonds, Series 2002 due in various annual installments through June 1, 2016; interest at various rates between 3.75% and 4.0%.	\$ 910,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.7% and 4.25%.	5,050,000
\$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%.	<u>3,956,551</u>
	9,916,551
Add: Unamortized Premium	<u>396,430</u>



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

Total governmental general obligation bonds	<u>\$ 10,312,981</u>
Business-type activities	
\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 4.00% and 4.5%.	1,625,000
\$4,403,885 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>2,413,449</u>
	4,038,449
Add: Unamortized Premium	<u>231,923</u>
Total business-type general obligation bonds	<u>4,270,372</u>
Total general obligation bonds	<u>\$ 14,583,353</u>

**B - Revenue Bonds**

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, 2013, are as follows:

Governmental activities:

\$5,835,000 Municipal Building Project Refunding Bonds, Series 2005, due in various annual installments through February 1, 2018; interest at various rates between 5.0% and 5.25%.	\$ 2,380,000
\$2,685,000 Municipal Building Project Bonds, Series 2005, for the construction of Westover Recreation Center due in various annual installments through February 1, 2019; interest at various rates between 5.0% and 5.25%	<u>1,140,000</u>
	3,520,000
Add: Unamortized Premium	277,894
Total governmental revenue bonds	<u>3,797,894</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

Business-type activities

\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.75% and 4.5%.	\$ 14,025,000
\$114,155,000 Revenue Refunding Bonds, Series 2009A due in various annual installments through March 1, 2024; interest at various rates between 4.0% and 5.0%.	79,655,000
\$36,710,000 Revenue Bonds, Series 2009B due in various annual installments through March 1, 2035; interest at various rates between 4.0% and 5.0%.	35,010,000
\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>9,755,000</u>
Total business-type revenue bonds	138,445,000
Add: Unamortized Premium	11,782,819
Less: Unamortized Discount	<u>(21,789)</u>
Total revenue bonds	<u>\$ 150,206,030</u>

Interest expense related to the revenue and general obligation bonds totaled \$7,713,843 for the year ended June 30, 2013 and of that amount, \$792,139 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses, to repay \$167,890,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2010. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, 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 2035. The total principal and interest remaining to be paid on the bonds is \$169,607,388. Principal and interest paid for the current year and total customer revenues were \$17,830,000 and \$268,571,535, 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 the City through funding a reserve fund account and the purchase of surety bonds in full amount of the bond requirement. The City is in compliance with all such significant covenants at June 30, 2013.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

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, 2013
Series 2011 Storm water System	3.135%	8/11/2011	8/21/2026	\$ 10,595,000	\$ 9,755,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Stormwater Revenue Bonds		
	Principal	Interest	Totals
2014	595,000	301,195	896,195
2015	610,000	282,385	892,385
2016	625,000	263,183	888,183
2017	645,000	243,433	888,433
2018	665,000	223,055	888,055
2019-2023	3,680,000	784,769	4,464,769
2024-2028	2,935,000	186,846	3,121,846
	<u>\$ 9,755,000</u>	<u>\$ 2,284,866</u>	<u>\$ 12,039,866</u>

As of June 30, 2013, 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	\$ 11,776,356
Trustee - Regions Bank	2,993,776
Trustee - NCCMT	1,657,141
<b>Total</b>	<u><u>\$ 16,427,273</u></u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$12,039,866 as of June 30, 2013. 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, 2013) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Storm Water Management Enterprise Fund.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

<b>Income Available for Debt Service</b>		
Storm water fee revenues	\$ 5,233,338	
Other operating revenues	14,327	
Nonoperating revenue (expense)	(6,841)	
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest	(5,039)	
Unrealized gain/loss on investments	59,466	
	47,586	
Total revenues		5,295,251
Operating expenses	3,017,236	
Less adjustments for:		
Depreciation	(632,312)	
Change in OPEB accrual	(30,751)	
Total current expenses		2,354,173
Income Available for Debt Service		2,941,078
Unrestricted cash 6/30/2012 (prior year)	11,929,393	
15% of unrestricted cash		1,789,409
Total resources available for debt service		\$ 4,730,487
<b>Parity Indebtedness Debt Service Requirement</b>		
Series 2011 Revenue Bonds - Principal	\$ 575,000	
Series 2011 Revenue Bonds - Interest	319,378	
		\$ 894,378
<b>Total Available Resources Debt Service Coverage - Parity Indebtedness</b>		<b>5.29</b>
<b>Revenue Bond Covenant Requirement</b>		<b>1.20</b>
<b>Parity, Subordinated, and System G.O. Debt Service Requirement</b>		
NC Storm water Note Payable 0196	\$ 11,613	
NC Storm water Note Payable 0231	13,417	
Series 2011 Revenue Bonds – Principal	575,000	
Series 2011 Revenue Bonds – Interest	319,378	
		\$ 919,408
<b>Income Available for Debt Service Debt Service Coverage – All Indebtedness</b>		<b>3.20</b>
<b>Revenue Bond Covenant Requirement</b>		<b>1.00</b>



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 5 - Long-Term Obligations (continued)**

**C - Notes Payable**

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

On July 23, 2009, the City entered into a \$750,000 loan agreement with the U.S. Department of Housing and Urban Development (HUD). The loan was made under the Section 108 Loan Guarantee Program. During fiscal year 2012 the Series HUD 2011-A was refinanced to fix rates, between 0.31% to 2.05%. The purpose of the note is for the financing of a community development project.

Notes payable financed by the Electric, Water and Wastewater and Storm Water Management Funds are accounted for in the respective funds.

The City has entered into revolving loan agreements for \$7,595,127, \$16,969,848, \$382,788, \$5,216,071, \$3,922,282 and \$14,801,858 with the State of North Carolina. The loans were used for various Wastewater capital projects. The City has also entered into a loan agreement with South River Electric Membership Corporation (SREMC) utilizing funds made available to SREMC by USDA-Rural Development for a water capital project. These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the City of Fayetteville as to lien on and source and security for payment from the revenues and in all other respects.

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 inferior and 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 0.31% to 2.05% paid semiannually.	\$ <u>525,000</u>
Total governmental notes payable	<u>525,000</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

Business-type activities

\$7,595,127 State revolving loan due in annual installments through May 1, 2021; interest at 2.6% paid semi-annually on May 1 and November 1.	\$ 3,038,051
\$16,969,848 State revolving loan due in annual installments through May 1, 2026; interest at 2.66% paid semiannually on May 1 and November 1.	11,030,401
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	79,200
\$382,788 State Revolving Loan due in 20 annual installments beginning May 1, 2014; interest at 2.0% paid semi-annually on May 1 and November 1; construction draws complete.	382,788
\$5,216,071 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest; construction draws no yet complete.	4,877,609
\$3,922,282 State Revolving Loan due in 20 annual installments beginning May 1, 2015; interest at 2.0% with 1 <sup>st</sup> payment due November 1, 2014 and semi-annually thereafter; construction draws not yet complete	1,797,501
\$14,801,858 State Revolving Loan due in 20 annual installments beginning May 1, 2015; no interest; construction draws no yet complete	1,019,386
\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	197,414
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	<u>228,094</u>
Total business-type notes payable	<u>22,650,444</u>
Total notes payable	<u>\$ 23,175,444</u>

Interest expense related to the notes payable obligations totaled \$406,007 for the year ended June 30, 2013.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

**D - Lease Agreements**

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 following:

Governmental activities

Capital lease obligations payable in various semi-annual installments of approximately \$209,636 in 2014 including interest at rates ranging from 4.19%	\$ 3,473,244
Capital lease obligations payable in various monthly installments of approximately \$75,388 in 2014 including interest at 2.06%	1,733,913
Capital lease obligations payable in various monthly installments of approximately \$50,235 in 2014 including interest at 1.81%	602,825
Capital lease obligations payable in various semi-annual installments of approximately \$322,242 in 2014 including interest at 5.1%. The City receives a subsidy of 39.9 percent of interest cost from the Federal Government reducing the effective interest rate to 3.07%	6,602,022
Capital lease obligations payable in various semi-annual installments of approximately \$199,367 in 2014 including interest at estimated .996%	5,857,240
Capital lease obligations payable in various semi-annual installments of approximately \$97,269 in 2014 including interest at estimated 0.73%	<u>2,430,650</u>
	20,699,894
Less: amount representing interest	<u>(2,772,463)</u>
Present value of the minimum lease payments	<u>17,927,431</u>

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

Business-type activities

Capital lease obligations payable in various monthly installments of approximately \$1,751 in 2014 including interest at 2.06%	\$ <u>40,284</u>
Less: amount representing interest	<u>(819)</u>
Present value of the minimum lease payments	<u>39,465</u>
Total capital lease obligations	\$ <u>17,966,896</u>

The following is an analysis of leased property under capital leases as of June 30, 2013:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 2,228,170	\$ 2,144,074	\$ 84,096
Vehicles	903,631	451,568	452,063
Buildings and improvement	24,931,255	3,288,556	21,642,699
Total	\$ 28,063,056	\$ 5,884,198	\$ 22,178,858

Interest expense related to the capital lease obligations totaled \$628,715 for the year ended June 30, 2013.

**E - Changes in Long-Term Obligations**

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental activities:					
General obligation debt	\$ 11,876,406	\$ -	\$ 1,959,855	\$ 9,916,551	\$ 1,954,855
Revenue bonds	4,120,000	-	600,000	3,520,000	620,000
Notes payable	600,000	-	75,000	525,000	75,000
Capitalized leases	21,998,896	-	4,071,465	17,927,431	2,699,524
Compensated absences	5,909,422	6,497,694	6,307,592	6,099,524	3,981,779
Net OPEB Obligation	13,943,524	1,813,229	-	15,756,753	-
	58,448,248	\$ 8,310,923	\$ 13,013,912	53,745,259	9,331,158
Add: Unamortized premium	863,496			674,324	-
Total governmental activities	\$ 59,311,744			\$ 54,419,583	\$ 9,331,158



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Business-type activities:					
General obligation debt	\$ 4,843,594		\$ 805,145	\$ 4,038,449	\$ 800,145
Revenue bonds	150,245,000		11,800,000	138,445,000	12,380,000
Notes payable	15,866,039	8,077,284	1,292,879	22,650,444	1,572,822
Capitalized leases	59,445		19,980	39,465	20,396
Compensated absences	3,534,106	3,863,601	3,723,553	3,674,154	2,184,036
Net OPEB Obligation	5,045,780	1,012,585		6,058,365	-
	<u>179,593,964</u>	<u>\$ 12,953,470</u>	<u>\$ 17,641,557</u>	<u>174,905,877</u>	<u>16,957,399</u>
Add: Unamortized premium	13,273,174			12,014,742	-
Less: Unamortized discount	(22,795)			(21,789)	-
Total business-type activities	<u>\$ 192,844,343</u>			<u>\$ 186,898,830</u>	<u>\$ 16,957,399</u>

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

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

**F - Maturities of Long-Term Obligations**

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

Governmental activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,954,855	\$ 430,483	\$ 620,000	\$ 183,250	\$ 1,224,670	\$ 432,354
2015	1,939,855	341,502	640,000	152,250	1,235,693	394,885
2016	1,684,855	252,960	665,000	118,650	1,247,062	357,310
2017	839,855	176,542	685,000	83,738	1,258,793	319,625
2018	529,474	143,798	720,000	47,775	1,270,896	281,827
2019-2023	2,187,657	438,384	190,000	9,975	6,398,677	837,944
2024-2027	800,000	49,938	-	-	2,996,008	107,407
	<u>9,916,551</u>	<u>1,833,607</u>	<u>3,520,000</u>	<u>595,638</u>	<u>15,631,799</u>	<u>2,731,352</u>
Add: Unamortized premium	396,430	-	277,894	-	-	-
	<u>\$ 10,312,981</u>	<u>\$ 1,833,607</u>	<u>\$ 3,797,894</u>	<u>\$ 595,638</u>	<u>\$ 15,631,799</u>	<u>\$ 2,731,352</u>

Year Ended	Capitalized Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,474,854	\$ 32,625	\$ 75,000	\$ 6,296	\$ 5,349,379	\$ 1,085,008
2015	820,778	8,484	75,000	5,883	4,711,326	903,004
2016	-	-	75,000	5,284	3,671,917	734,204
2017	-	-	75,000	4,478	2,858,648	584,383
2018	-	-	75,000	3,443	2,595,370	476,843
2019-2023	-	-	150,000	2,970	8,906,334	1,289,273
2024-2027	-	-	-	-	3,796,008	157,345
	<u>2,295,632</u>	<u>41,109</u>	<u>525,000</u>	<u>28,354</u>	<u>31,888,982</u>	<u>5,230,060</u>
Add: Unamortized premium	-	-	-	-	674,324	-
	<u>\$ 2,295,632</u>	<u>\$ 41,109</u>	<u>\$ 525,000</u>	<u>\$ 28,354</u>	<u>\$ 32,563,306</u>	<u>\$ 5,230,060</u>

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 obligations).

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 5 - Long-Term Obligations (continued)**

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 800,145	\$ 178,517	\$ 12,380,000	\$ 6,462,420	\$ 1,572,822	\$ 383,609
2015	625,145	140,510	12,755,000	5,873,510	1,696,743	514,433
2016	520,145	111,253	13,710,000	5,265,858	1,657,143	423,077
2017	575,145	87,246	15,520,000	4,615,908	1,657,143	384,531
2018	375,526	63,840	16,635,000	3,868,830	1,657,143	345,985
2019-2023	1,142,343	98,077	43,440,000	10,763,882	7,526,202	1,161,605
2024-2028	-	-	12,790,000	4,123,347	4,689,948	408,122
2029-2033	-	-	8,005,000	1,987,750	2,069,360	120,135
2034-2035	-	-	3,210,000	240,749	123,920	5,721
	<u>4,038,449</u>	<u>679,443</u>	<u>138,445,000</u>	<u>43,202,254</u>	<u>22,650,444</u>	<u>3,747,218</u>
Add: Unamortized premium	231,923	-	11,782,819	-	-	-
Less: Unamortized loss	-	-	(21,789)	-	-	-
	<u>\$ 4,270,372</u>	<u>\$ 679,443</u>	<u>\$ 150,206,030</u>	<u>\$ 43,202,254</u>	<u>\$ 22,650,444</u>	<u>\$ 3,747,218</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2014	\$ 20,396	\$ 622	\$ 14,773,363	\$ 7,025,168
2015	19,069	197	15,095,957	6,528,650
2016	-	-	15,887,288	5,800,188
2017	-	-	17,752,288	5,087,685
2018	-	-	18,667,669	4,278,655
2019-2023	-	-	52,108,545	12,023,564
2024-2028	-	-	17,479,948	4,531,469
2029-2033	-	-	10,074,380	2,107,885
2034-2035	-	-	3,333,920	246,470
	<u>39,465</u>	<u>819</u>	<u>165,173,358</u>	<u>47,629,734</u>
Add: Unamortized premium	-	-	12,014,742	-
Less: Unamortized loss	-	-	(21,789)	-
	<u>\$ 39,465</u>	<u>\$ 819</u>	<u>\$ 177,186,311</u>	<u>\$ 47,629,734</u>

**G - Legal Debt Margin**

The legal debt margin of the City at June 30, 2013, approximated \$1,024,907,185.

**H - Authorized But Un-issued Debt**

At June 30, 2013, the City had \$1,700,000 refunding bonds authorized but un-issued.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**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)	\$ 139,225
Unearned grant receipts (Special Revenue)	59,655
Unearned grant receipts (Capital Projects)	1,637,400
Prepaid retiree insurance premiums (Internal Service)	12,705
Unearned revenue (Enterprise)	<u>81,808</u>
 Total	 <u>\$ 1,930,793</u>

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 7 – Deferred Outflows and Inflows of Resources**

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ -	\$ 483,548
Taxes receivable, net (General)	3,239,535	-
Accounts and notes receivable (General)	547,637	-
Special assessments receivable, net (General)	925,310	-
Accounts and notes receivable (Special Revenue)	8,730,415	-
Total	\$ 13,442,897	\$ 483,548

Deferred outflows of resources is the deferred amount for unamortized refunding charges.

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. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds and the 2009 GO Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$7,275,565.

In fiscal year 2011, the City exercised its option to call for early redemption the remaining outstanding maturities of the 2001 Revenue Refunding Electric/Water and Wastewater Bonds totaling \$7,680,000 at a redemption price of 101%. The difference between the amount paid upon reacquisition and the face value, plus any unamortized premium, less any unrelated unamortized debt expense, unamortized discount and reacquisition costs applicable to the debt redeemed is recorded as an Unamortized Loss on Reacquired Debt and is amortized equally on a monthly basis over the original life of the debt. At June 30, 2013, the unamortized value of the loss was \$117,842.

Refunding and defeasance losses of \$302,233 (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.

This deferred outflow of resources is included as unamortized bond refunding charges in the statement of net position.

**Note 8 - Risk Management**

The City (excluding the electric and water and wastewater funds) is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$150,000 per individual and approximately \$12,157,909 for all employees for the policy ending June 30, 2013), general liability (up to \$350,000 per occurrence), workers' compensation (\$600,000 per occurrence), public officials liability (up to \$350,000 per occurrence), law enforcement liability (\$350,000 per occurrence), and automobile liability (up to \$350,000 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 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 \$150,000 per individual. Losses from asserted claims and from unasserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 8 - Risk Management (continued)**

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. Claims have not exceeded coverage in any of the last three fiscal years.

The Electric and Water and Wastewater Funds are self-insured with respect to workers' compensation (up to approximately \$1,000,000) and self-insured with respect to health insurance claims (up to approximately \$2,000,000). In addition, these funds are self-insured with respect to certain policy deductible amounts as follows: up to \$100,000 per occurrence on public officials' liability, up to \$1,000,000 per occurrence on liability claims, and up to \$250,000 per occurrence on property claims. In addition, the Electric and Water and Wastewater Funds maintain excess liability insurance (\$10,000,000) to cover catastrophic losses and auto liability coverage with a \$5,000 deductible per occurrence. These funds maintain an investment account amounting to \$3,500,000 to cover possible workers' compensation and other claims. This investment is classified under restricted assets in the financial statements. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made, because the amount is not reasonably estimated.

The Electric and Water and Wastewater Funds carry commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage since the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

At June 30, 2013, a liability for incurred but not reported claims of \$4,689,472 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City and the Electric and Water and Wastewater Funds is presented below.

	2013	2012
Liability at June 30,	\$ 4,528,254	\$ 3,486,794
Current year claims and changes in estimates	20,944,041	17,365,312
Actual claim payments	<u>(20,782,823)</u>	<u>(16,323,852)</u>
Liability at June 30,	<u>\$ 4,689,472</u>	<u>\$ 4,528,254</u>

The City (excluding the electric and water and wastewater funds) carries flood insurance through the National Flood Insurance Plan (NFIP) on a particular property commonly known as the police training facility located at 671 North Eastern Blvd. This property is covered by a separate insurance policy with damage limits of \$500,000 for building and \$250,000 for contents with a \$5,000 deductible. The City's insurance carriers performed an analysis of the flood maps and made a determination that the remainder of the City facilities was not designated an "A" zone (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

The Electric and Water and Wastewater Funds carry flood insurance through the commercial insurance market. The current policy limit is \$50 million with a \$1 million sublimit applicable for loss in flood zones that are designated "A" zones. The Electric and Water and Wastewater Funds' standard deductible is \$100,000 with the exception of a \$250,000 deductible set for combustion steam generators.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 8 - Risk Management (continued)**

In accordance with G.S. 159-29, City employees (excluding employees of the electric, water and wastewater funds) 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.

All Electric and Water and Wastewater fund employees, including the Chief Financial Officer, Controller and Director of Planning and Capital Projects, are insured under the funds' commercial crime policy in accordance with G.S. 159-29. The crime policy provides coverage for losses related to employee dishonesty, fraud, forgery/alleration and theft of money or securities up to \$1,000,000. This crime policy has a \$25,000 deductible per loss.

**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 \$219.7 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater, storm water, transit and airport projects. At June 30, 2013, cumulative expenditures to date totaled approximately \$161.1 million leaving an unexpended balance of \$58.6 million for projects that are expected to be completed at various dates in future fiscal years.

In June 2009 the City executed a 20-year full requirements Power Supply and Coordination Agreement with Progress Energy (PEC) effective July 1, 2012. Subsequent amendments extended this term to 30 years. Under this agreement, PEC will provide the City's full power supply requirements at an annually



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 9 - Commitments and Contingent Liabilities (continued)**

determined capacity and energy price based on PEC's average system cost. The City will continue to utilize its SEPA allocation as permitted in the contract. The City may terminate this agreement effective July 1, 2022 with written notice provided by June 30, 2015. Also in June 2009, the City and PEC executed a 5-year Butler Warner Power Sales Agreement effective July 1, 2012. Under this agreement, the City will generate and deliver energy to PEC pursuant to scheduled energy requests provided by PEC. PEC will pay the City for capacity, energy (including any fuel costs) and start costs. Either party may terminate this agreement by 3 years advance written notice.

In addition to the purchased power contract, the City pays power transmission costs to its power supply provider, DEP. The transmission rates are established by the Federal Energy Regulatory Commission (FERC).

During the year ended June 30, 2013, the purchased power cost, including gross receipts tax and transmission cost to DEP was \$143,157,210.

The City leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2014 to 2016. Minimum lease provisions at June 30, 2013 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2014	\$ 625,299
2015	316,948
2016	253,118
Total	<u>\$ 1,195,365</u>

**Note 10 - On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2013, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$37,638 for the 102 employed firemen who perform firefighting duties for the City's fire department. These employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a monthly contribution paid by each member, investment income, and a State appropriation.

**Note 11 - Employee Retirement Systems**

The City maintains a single-employer, defined benefit pension plan (the Law Enforcement Officers' Special Separation Allowance System), which covers the law enforcement officers of the City. In addition, the City continues to participate in the statewide local governmental retirement system, a multiple-employer, cost-sharing public employee pension plan that covers substantially all employees.



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 11 - Employee Retirement Systems (continued)**

**A - Local Governmental Employees' Retirement System**

**Plan Description**

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

**Funding Policy**

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, exclusive of the Electric and Water and Wastewater funds, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The rate for the Electric and Water and Wastewater funds is 12.11%. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for all employees, including law enforcement officers and Electric and Water and Wastewater funds, for the years ended June 30, 2013, 2012 and 2011, were \$8,457,339, \$8,267,967 and \$7,714,470, respectively. The contributions made by the City equaled the required contributions for each year.

**B - Supplemental Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina**

Effective April 1, 2001, the Commission transferred the assets of the Employee's Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina ("ERP plan"), a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees into a new retirement plan: The Local Governmental Employees' Retirement System plan ("LGERS") (A cost-sharing multiple-employer defined benefit plan administered by the State of North Carolina). At the date of transition, approximately \$49.7 million of the plan assets were transferred to the LGERS plan.

**C - Law Enforcement Officers' Special Separation Allowance**

**Plan Description**

The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 11 - Employee Retirement Systems (continued)**

authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a pension trust fund and does not issue separate financial statements. The Separation Allowance covers all full-time City law enforcement officers.

At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	31
Active plan members	<u>373</u>
Total	<u>404</u>

**Summary of Significant Accounting Policies**

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

*Method Used to Value Investments:* Investments are reported at fair value. Short-term debt, deposits, and the North Carolina Capital Management Trust Investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

**Contributions**

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$734,796, or 3.83% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 11 - Employee Retirement Systems (continued)**

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost and net prepaid pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 722,602
Interest on net pension obligation	(27,906)
Adjustment to annual required contribution	<u>34,732</u>
Annual pension cost	729,428
Contributions made	<u>734,796</u>
Increase (decrease) in net pension obligation	(5,368)
Net prepaid pension obligation beginning of year	<u>(558,112)</u>
Net prepaid pension obligation end of year	<u>\$ (563,480)</u>

<u>Three-Year Trend Information</u>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2011	\$ 689,012	102.27%	\$(549,414)
2012	677,846	101.28	(558,112)
2013	729,428	100.74	(563,480)

**Funded Status and Funding Progress**

As of June 30, 2013 the plan was not funded. The most recent actuarial valuation was December 31, 2012. The actuarial value of plan assets was \$2,661,060. The actuarial accrued liability (AAL) for benefits was \$7,809,998 and the unfunded actuarial accrued liability (UAAL) was \$5,148,938. The funded ratio was 34.07 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$19,305,057 and the ratio of the UAAL to the covered payroll was 26.67 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The general fund typically liquidates any net pension obligation.

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City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 11 - Employee Retirement Systems (continued)**

The fiscal year 2012-2013 financial statements for the City's pension trust funds are as follows:

**STATEMENT OF NET POSITION**

	<u>Special Separation Allowance Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,720,918
Accounts receivable	963
Total assets	<u>2,721,881</u>
<b>LIABILITIES</b>	
Accounts payable	37,377
Total liabilities	<u>37,377</u>
<b>NET POSITION</b>	
Held in trust for benefits and other purposes	2,684,504
Total net position	<u>\$ 2,684,504</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<u>Special Separation Allowance Pension Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 734,796
Investment earnings	(2,948)
Total additions	<u>731,848</u>
<b>DEDUCTIONS</b>	
Benefit payments and premiums	619,426
Total deductions	<u>619,426</u>
<b>CHANGE IN NET POSITION</b>	
Total net position - beginning	2,572,082
Total net position - ending	<u>\$ 2,684,504</u>



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 11 - Employee Retirement Systems (continued)**

**D - 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 and also those non-law enforcement employees who choose to make their own contributions. 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 City does not make any contributions for non-law enforcement employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013, were \$1,982,914, which consisted of \$1,003,373 from the City and \$979,541 from employees.

**E - Firemen's and Rescue Squad Workers' Pension Fund**

**Plan Description**

As discussed in Note 10, the State of North Carolina contributes, on behalf of the City of Fayetteville, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that 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. The Firemen's 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 Fund. 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**

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 12 - Other Postemployment Benefits (OPEB)**

In addition to the pension benefits described in Note 11, 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. 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. 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 December 31, 2011, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	520
Active plan members	<u>1,456</u>
Total	<u>1,976</u>

*Funding Policy.* The City and the qualified retirees share in the cost of healthcare coverage. Also, the City's retirees can purchase healthcare coverage for their dependents at the City's group rates. The City pays the cost of death benefits.

The current Annual Required Contribution (ARC) rate is 5.01 percent of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$1,225,435 or 1.99 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$12,157,909 for all employees and retirees for the policy ending June 30, 2013. Retiree members contributed \$280,416 or 0.46 percent of annual covered payroll for retiree and dependent coverage. The City also provides death benefits to retirees. Retirees that retired prior to June 1, 1988 are provided with a \$1,000 death benefit. Retirees that retire on or after June 1, 1988 and have at least five (5) years of service with the City, are provided a \$100 death benefit for each year of service up to a maximum of \$3,000. The City's and retiree members' obligation to contribute to the healthcare plan, including the death benefit, is established and may be amended by the City Manager consistent with the annual budget approved by City Council. The City has chosen to fund healthcare and death benefits on a pay-as-you-go basis.

*Summary of Significant Accounting Policies.* Post-employment expenditures are made from the Insurance Internal Service Fund, which is maintained on the full accrual basis of accounting. The Insurance Fund charges a monthly rate per retiree to the General Fund, special revenue funds and enterprise funds (other than the funds managed by the Public Works Commission) based on the number of retirees attributed to each fund to pay for post-employment expenditures.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 12 - Other Postemployment Benefits (OPEB) (continued)**

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare and death benefits:

Annual Required Contribution (ARC)	\$3,087,518
Interest on net OPEB obligation	584,941
Adjustment to annual required contribution	<u>(558,800)</u>
Annual OPEB cost (expense)	3,113,659
Contributions Made	<u>(1,225,435)</u>
Increase (decrease) in net OPEB obligation	1,888,224
Net OPEB obligation, beginning of the year	14,623,514
Net OPEB obligation, end of the year	<u>\$16,511,738</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 through 2013 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 3,226,270	26.44%	\$ 12,212,791
2012	3,399,926	29.09%	14,623,514
2013	3,113,659	39.36%	16,511,738

*Funded Status and Funding Progress.* As of June 30, 2013 the plan was not funded. The most recent actuarial valuation was December 31, 2011. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$31,318,000. The covered payroll (annual payroll of active employees covered by the plan) was \$61,529,547 and the ratio of the UAAL to the covered payroll was 50.90 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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**Note 12 - Other Postemployment Benefits (OPEB) (continued)**

*Actuarial Methods and Assumptions* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

In addition to the pension benefits described in Note 11, the City's Public Works Commission administers the Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan for the Electric, Water and Wastewater, and PWC Fleet Maintenance funds. This plan provides postemployment healthcare benefits to retirees and their dependents up to the age of 65. The Commission may amend the benefit provisions.

Membership in the Commission's healthcare benefit plan consisted of the following at June 30, 2013:

Retirees	73
Active members	<u>520</u>
Total	<u>593</u>

*Funding Policy.* The Commission and the qualified retirees share in the cost of coverage. Also, the Commission's retirees can purchase coverage for their dependents at the Commission's group rates. The Commission has chosen to fund the health care benefits on a pay as you go basis.

The current Annual Required Contribution (ARC) rate is 6.3 percent of annual covered payroll. The Commission is self-insured with respect to healthcare coverage.

The Schedule of Funding Progress for the postemployment plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

*Annual OPEB Cost and Net OPEB Obligation.* The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the fiscal year ended June 30, 2013.



City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 12 - Other Postemployment Benefits (OPEB) (continued)**

Annual Required Contribution (ARC)	\$ 2,140,755
Interest on net OPEB obligation	174,630
Adjustment to annual required contribution	<u>(242,764)</u>
Annual OPEB cost (expense)	2,072,621
Contributions Made	<u>(1,135,031)</u>
Increase (decrease) in net OPEB obligation	937,590
Net OPEB obligation, beginning of the year	<u>4,365,790</u>
Net OPEB obligation, end of the year	<u>\$5,303,380</u>

The Commission's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 through 2013 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,096,449	45.45%	\$ 3,743,672
2012	1,143,510	45.59%	4,365,790
2013	2,072,621	54.76%	5,303,380

As of June 30, 2013 the plan was not funded. The most recent actuarial valuation was June 30, 2013. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$25,051,694. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and PWC Fleet Maintenance funds as a noncurrent other liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) at the last actuarial date was \$34,013,831 and the ratio of the UAAL to the covered payroll was 73.65 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the Projected Unit Credit Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.00 to 5.00 percent annually. Both rates included a 2.50 percent inflation assumption. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 13 – Interfund Balances and Activity**

**Balances Due to/from Other Funds**

Balances due to/from other funds at June 30, 2013, consist of the following:

	Due To:	
Due From:	Internal Service Fund	Total
Electric	\$ 359,796	\$ 359,796
Water Wastewater	488,242	488,242
	\$ 848,038	\$ 848,038

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Transfers to/from Other Funds**

Transfers due to/from other funds at June 30, 2013, consist of the following:

	Transfer in:						
	General	Nonmajor Governmental	Electric	Water and Wastewater	Nonmajor Enterprise	Internal Service	
Transfer out:							
General	\$ -	\$ 7,601,152	\$ 20,847	\$ 2,913,651	\$ 4,543,198	\$ 487,303	\$ 15,566,151
Nonmajor Governmental	-	-	-	-	-	-	-
Electric	10,961,399	-	-	-	-	21,229	10,982,628
Water and Wastewater	-	-	-	-	-	21,229	21,229
Nonmajor Enterprise	391,641	-	-	-	-	-	391,641
Totals	\$ 11,353,040	\$ 7,601,152	\$ 20,847	\$ 2,913,651	\$ 4,543,198	\$ 529,761	\$ 26,961,649

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.

During the fiscal year ended June 30, 2013, a total of \$10,961,399 was transferred from the electric fund to the general fund. This transfer represented 3.1% of electric fund net position at June 30, 2011.

Transfers totaling \$7,601,152 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$4,070,996 for transportation projects including street resurfacing and improvements, sidewalk improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$2,692,210 for general government projects including major facility maintenance projects and computer replacements; \$416,767 for economic development projects including property acquisition for redevelopment; \$90,960 for a recreational and cultural project for playground equipment improvements; and \$994 for a public safety project to fund final costs for a new fire station. Additionally, transfers for special revenue funds included \$329,225 transferred for local matches for Federal and State funded programs.

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 13 – Interfund Balances and Activity (continued)**

The general fund also made transfers totaling \$4,543,198 to a non-major enterprise fund to support transit system operations, planning functions and capital purchases, including a local match for the construction of a multi-modal transportation center, and \$2,913,651 to the water and wastewater fund for infrastructure installation and debt service related to annexed areas.

**Note 14 – Fund Balance**

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

<b>Total fund balance - General Fund</b>	<b>\$ 51,064,358</b>
Less:	
Inventories	137,604
Stabilization by State Statute	15,196,662
Central Business Tax District	25,509
Cumberland County Recreation District	4,124,037
Donations	19,194
Lake Valley Drive MSD	5,420
Appropriated Fund Balance in 2014 budget	3,529,523
Specific purpose assignments	7,713,907
Capital funding plan	2,760,753
Working Capital/Fund Balance Policy	14,740,174
<b>Remaining Fund Balance</b>	<b>\$ 2,811,575</b>

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.

<b>TOTAL</b>		
<b>Encumbrances</b>	<b>General Fund</b>	<b>Non-Major Funds</b>
\$ 5,077,396	\$ 1,465,051	\$ 3,612,345

**Note 15 – Change in Accounting Principle**

Effective July 1, 2012, the City adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (Statement No. 65). The provisions of Statement No. 65 relevant to the City related to changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. Statement No. 65 also requires that deferred charges (credits) resulting from the refunding of debt and revenue that applies to a future period and will not be recognized as revenue until then be presented as deferred outflows (inflows) of resources and not as assets or liabilities. The City's governmental funds balance sheet also

City of Fayetteville, North Carolina  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**Note 15 – Change in Accounting Principle (continued)**

reflects unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period and is presented as deferred inflows of resources - taxes receivable, accounts receivable, assessment receivable and prepaid taxes. As the provisions of Statement No. 65 were effective July 1, 2012, net position as of that date has been adjusted accordingly:

Business-Type Activities	Electric Fund	Water Fund	Storm Water Management	Nonmajor Enterprise	Internal Service Fund	Total
Net position, as previously reported	\$ 396,890,812	\$ 409,717,676	\$23,736,085	\$63,781,595	\$2,483,211	\$ 896,609,379
Adjustments:						
Debt issuance costs	(118,483)	(1,312,988)	(80,343)	-	-	(1,511,814)
Deferred refunding issuance costs	(289,365)	(1,326,201)	-	-	-	(1,615,566)
Subtotal, adjustment	<u>(407,848)</u>	<u>(2,639,189)</u>	<u>(80,343)</u>	<u>-</u>	<u>-</u>	<u>(3,127,380)</u>
Net position, as adjusted	<u>\$ 396,482,964</u>	<u>\$ 407,078,487</u>	<u>\$23,655,742</u>	<u>\$63,781,595</u>	<u>\$2,483,211</u>	<u>\$ 893,481,999</u>

**Governmental Activities**

Net position, as previously reported	\$416,099,103
Adjustments:	
Debt issuance costs	(405,783)
Deferred refunding issuance costs	-
Subtotal, adjustment	<u>(405,783)</u>
Net position, as adjusted	<u>\$415,693,320</u>

**Note 16 – Subsequent Events**

Management has evaluated subsequent events through November 5, 2013 in connection with the preparation of these financial statements which is the date of the financial statements were available to be issued.



# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

### Required Supplementary Information

*City of*  
**Fayetteville**  
*North Carolina*

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ 2,092,180	\$ 5,062,285	\$ 2,970,105	41.33%	\$ 16,792,423	17.69%
12/31/2008	2,101,963	5,449,006	3,347,043	38.58%	17,468,170	19.16%
12/31/2009	2,161,322	7,423,392	5,262,070	29.12%	18,645,039	28.22%
12/31/2010	2,299,829	7,099,596	4,799,767	32.39%	19,348,625	24.81%
12/31/2011	2,494,212	7,577,781	5,083,549	32.91%	19,842,118	25.88%
12/31/2012	2,661,060	7,809,998	5,148,938	34.07%	19,305,057	26.67%

The annual required contribution for the fiscal year ended June 30, 2013 was determined as part of the December 31, 2011 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Actual Contributions</u>
2008	\$ 383,772	98.84%	379,324
2009	415,308	107.04%	444,528
2010	465,302	110.02%	511,937
2011	689,012	102.27%	704,620
2012	677,846	101.28%	686,544
2013	729,428	100.74%	734,796

Notes to the Required Schedules:

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

Valuation date	December 31, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	5%
Projected salary increases*	4.25 -7.85%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A



CITY OF FAYETTEVILLE, NORTH CAROLINA

Other Post Employment Benefit Retiree Healthcare Plan  
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 27,972,680	\$ 27,972,680	0.00%	\$ 53,061,647	52.72%
12/31/2009	-	31,906,033	31,906,033	0.00%	59,132,363	53.96%
12/31/2011	-	31,318,000	31,318,000	0.00%	61,529,547	50.90%

CITY OF FAYETTEVILLE, NORTH CAROLINA

Other Post Employment Benefit Retiree Healthcare Plan  
Required Supplementary Information

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2008	\$ 6,585,964	\$ 995,265	15.11%
2010	2,963,516	799,635	26.98%
2012	3,332,873	989,203	29.68%

Notes to the Required Schedules:

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

Valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay on an Open Basis
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	9.5% - 5%
* Includes inflation at	3.00%

CITY OF FAYETTEVILLE, NORTH CAROLINA

Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan  
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 15,772,610	\$ 15,772,610	0.00%	\$ 29,452,949	53.55%
6/30/11	-	22,033,901	22,033,901	0.00%	32,467,865	67.82%
6/30/13	-	25,051,694	25,051,694	0.00%	34,013,831	73.65%

CITY OF FAYETTEVILLE, NORTH CAROLINA

Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan  
Required Supplementary Information

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2009	\$ 1,464,968	\$ 573,818	39.17%
2011	2,125,256	952,939	44.84%
2013	2,140,755	1,135,031	53.02%

Notes to the Required Schedules:

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

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	8% - 5%
* Includes inflation at	2.5%



# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## 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.

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Governmental Funds



- General Fund
- Nonmajor Governmental Funds
  - Special Revenue Funds
  - Capital Project Funds

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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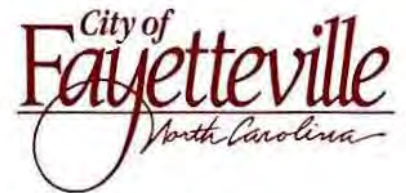
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## 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 General 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, 2013 and 2012

ASSETS	2013	2012
Cash and investments	\$ 44,000,098	\$ 44,298,654
Taxes receivable	3,239,535	3,051,196
Accounts receivable	14,279,246	14,057,164
Assessments receivable	925,310	988,112
Inventories	137,604	170,322
Restricted cash and investments	4,922,971	4,009,130
<b>Total assets</b>	<b>\$ 67,504,764</b>	<b>\$ 66,574,578</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 10,356,341	\$ 8,129,253
Restricted unearned deposits	748,810	412,398
Unearned revenue	139,225	16,348
<b>Total liabilities</b>	<b>11,244,376</b>	<b>8,557,999</b>
<b>Deferred inflows of resources</b>		
Taxes receivable	3,239,535	3,051,196
Accounts receivable	547,637	1,419,989
Assessment receivable	925,310	988,112
Prepaid taxes	483,548	661,434
<b>Total deferred inflows of resources</b>	<b>5,196,030</b>	<b>6,120,731</b>
<b>Fund balances</b>		
<b>Fund balances:</b>		
<b>Nonspendable</b>		
For inventories	137,604	170,322
<b>Restricted</b>		
Stabilization by State Statute	15,196,662	14,421,378
For downtown	25,509	53,425
For Lake Valley Drive MSD	5,420	4,302
For county recreation	4,124,037	3,418,003
For JP Riddle Stadium	-	100,707
For donations	19,194	20,295
<b>Assigned</b>		
For subsequent year's expenditures	3,529,523	3,933,570
For special purpose	7,713,907	5,498,398
For capital projects	2,760,753	4,113,861
Unassigned	17,551,749	20,161,587
<b>Total fund balances</b>	<b>51,064,358</b>	<b>51,895,848</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 67,504,764</b>	<b>\$ 66,574,578</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013

With Comparative Actual Statements for the Year Ended June 30, 2012

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Revenues</b>				
<b>Ad valorem taxes</b>				
Current year	\$ 60,051,398	\$ 476,295	\$ 60,527,693	\$ 58,726,437
Prior year	1,116,250	(54,258)	1,061,992	1,072,422
Interest and penalties	303,700	(20,287)	283,413	290,240
<b>Total ad valorem taxes</b>	<b>61,471,348</b>	<b>401,750</b>	<b>61,873,098</b>	<b>60,089,099</b>
<b>Other taxes</b>				
Vehicle license tax	632,475	(17,082)	615,393	617,271
Privilege license	1,108,420	1,358,509	2,466,929	2,557,864
Cablevision franchise tax	67,000	4,223	71,223	419,653
Gross receipts tax on rental property	544,000	49,907	593,907	572,634
<b>Total other taxes</b>	<b>2,351,895</b>	<b>1,395,557</b>	<b>3,747,452</b>	<b>4,167,422</b>
<b>Unrestricted Intergovernmental</b>				
Local option sales tax	34,325,625	(486,917)	33,838,708	33,283,642
Telecommunications sales tax	1,987,426	(249,942)	1,737,484	1,852,403
Utility franchise tax	5,938,845	413,991	6,352,836	4,774,681
Piped natural gas tax	594,811	(23,364)	571,447	488,991
Video franchise fee	2,670,072	(289,745)	2,380,327	2,452,910
Beer and wine tax	988,110	(148,312)	839,798	902,467
County - other	229,270	(3,273)	225,997	226,783
Local - public safety	311,662	(84)	311,578	300,776
Local - other	97,740	7,942	105,682	72,975
<b>Total unrestricted Intergovernmental</b>	<b>47,143,561</b>	<b>(779,704)</b>	<b>46,363,857</b>	<b>44,355,628</b>
<b>Restricted Intergovernmental</b>				
Federal - public safety	324,352	81,346	405,698	630,262
Federal - other	120,621	17,141	137,762	2,384,133
Powell Bill allocation	5,346,808	79,783	5,426,591	5,311,546
State - other	24,205	690,111	714,316	40,293
State - public safety	75,000	95,697	170,697	112,048
Solid waste disposal tax	151,329	(34,162)	117,167	142,217
County recreation	3,543,730	(8,147)	3,535,583	3,387,776
County - other	96,421	(3,208)	93,213	118,251
Local - other	-	-	-	59,666
<b>Total restricted Intergovernmental</b>	<b>9,682,466</b>	<b>918,561</b>	<b>10,601,027</b>	<b>12,186,192</b>
<b>Permits and fees</b>	<b>2,966,175</b>	<b>(32,357)</b>	<b>2,933,818</b>	<b>2,757,155</b>
<b>Sales and services</b>				
Property leases	1,025,878	(123,910)	901,968	922,579
Engineering/planning services	456,400	4,051	460,451	507,583
Public safety services	1,123,471	(12,777)	1,110,694	1,120,008
Environmental services	145,800	(4,826)	140,974	154,131
Recreation and cultural services	1,352,150	70,670	1,422,820	1,413,966
Parking revenues	158,000	(11,889)	146,111	193,647
Other fees and services	216,429	(51,576)	164,853	112,840
<b>Total sales and services</b>	<b>4,478,128</b>	<b>(130,257)</b>	<b>4,347,871</b>	<b>4,424,754</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
With Comparative Actual Statements for the Year Ended June 30, 2012

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Revenues (continued)</b>				
<b>Miscellaneous</b>				
Refunds and sundry	\$ 176,020	\$ 42,383	\$ 218,403	\$ 763,014
Indirect cost allocation	1,196,170	(37,732)	1,158,438	1,100,058
Special use assessment	220,937	(35,255)	185,682	103,634
<b>Total miscellaneous</b>	<b>1,593,127</b>	<b>(30,604)</b>	<b>1,562,523</b>	<b>1,966,706</b>
Interest earned on investments	317,200	(353,196)	(35,996)	288,414
<b>Total revenues</b>	<b>130,003,900</b>	<b>1,389,750</b>	<b>131,393,650</b>	<b>130,235,370</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Administration</b>				
<b>Legislative</b>				
Salaries and employee benefits	375,710	17,536	358,174	333,736
Other operating expenditures	294,999	97,953	197,046	410,827
	670,709	115,489	555,220	744,563
<b>City attorney</b>				
Salaries and employee benefits	500,071	873	499,198	549,973
Other operating expenditures	628,302	1,772	626,530	502,264
	1,128,373	2,645	1,125,728	1,052,237
<b>Executive</b>				
Salaries and employee benefits	806,475	17,322	789,153	1,027,660
Other operating expenditures	206,197	36,615	169,582	62,405
	1,012,672	53,937	958,735	1,090,065
<b>Human resources development</b>				
Salaries and employee benefits	925,601	170	925,431	959,500
Other operating expenditures	231,279	44,187	187,092	330,620
	1,156,880	44,357	1,112,523	1,290,120
<b>Management services</b>				
Salaries and employee benefits	731,356	7,761	723,595	716,306
Other operating expenditures	263,243	62,689	200,554	164,110
Capital outlay	48,856	6,739	42,117	-
Inventory	115,440	805	114,635	107,007
Cost redistribution	(151,000)	(4,743)	(146,257)	(164,706)
	1,007,895	73,251	934,644	822,717
<b>Information technology</b>				
Salaries and employee benefits	1,609,447	67,123	1,542,324	1,298,440
Other operating expenditures	1,947,522	226,427	1,722,095	1,166,394
Capital outlay	52,171	9,430	42,741	77,532
	3,609,140	301,980	3,307,160	2,542,366
<b>Human relations</b>				
Salaries and employee benefits	230,768	2,265	228,503	224,290
Other operating expenditures	35,725	17,997	17,728	22,095
Payments to agencies	3,349	1	3,348	2,389
	269,842	20,263	249,579	248,774



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
With Comparative Actual Statements for the Year Ended June 30, 2012

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Administration (continued)</b>				
<b>Finance</b>				
Salaries and employee benefits	\$ 1,357,089	\$ 51,312	\$ 1,305,777	\$ 1,178,927
Other operating expenditures	1,266,994	95,041	1,171,953	1,198,721
	<u>2,624,083</u>	<u>146,353</u>	<u>2,477,730</u>	<u>2,377,648</u>
<b>General government</b>				
Salaries and employee benefits	73,408	32	73,376	59,955
Other operating expenditures	10,142,593	686,358	9,456,235	10,131,005
Capital outlay	-	-	-	27,849
Inventory	1,613,900	39	1,613,861	2,241,581
Payments to agencies	312,875	-	312,875	307,375
Cost redistribution	(1,696,000)	(80,510)	(1,615,490)	(2,350,032)
	<u>10,446,776</u>	<u>605,919</u>	<u>9,840,857</u>	<u>10,417,733</u>
<b>Public buildings</b>				
Salaries and employee benefits	780,503	4,246	776,257	760,673
Other operating expenditures	1,005,722	53,321	952,401	882,984
Capital outlay	72,488	1	72,487	38,947
	<u>1,858,713</u>	<u>57,568</u>	<u>1,801,145</u>	<u>1,682,604</u>
<b>Real Estate</b>				
Salaries and employee benefits	209,205	151	209,054	200,139
Other operating expenditures	12,751	3,039	9,712	10,280
	<u>221,956</u>	<u>3,190</u>	<u>218,766</u>	<u>210,419</u>
<b>Total Administration</b>	<u>24,007,039</u>	<u>1,424,952</u>	<u>22,582,087</u>	<u>22,479,246</u>
<b>Public Safety</b>				
<b>Police</b>				
Salaries and employee benefits	36,134,357	772,243	35,362,114	34,153,542
Other operating expenditures	6,167,970	404,997	5,762,973	5,491,092
Capital outlay	1,280,075	86,271	1,193,804	1,599,681
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	(8,094)	331	(8,425)	(6,124)
	<u>43,577,308</u>	<u>1,263,842</u>	<u>42,313,466</u>	<u>41,241,191</u>
<b>Fire</b>				
Salaries and employee benefits	19,840,370	98,637	19,741,733	19,220,903
Other operating expenditures	3,027,077	344,974	2,682,103	2,874,623
Capital outlay	1,987,144	28,359	1,958,785	1,387,168
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>24,779,591</u>	<u>471,970</u>	<u>24,307,621</u>	<u>23,407,694</u>
<b>Inspections</b>				
Salaries and employee benefits	2,280,558	41,509	2,239,049	2,113,633
Other operating expenditures	718,071	259,262	458,809	387,464
Capital outlay	200,171	17,593	182,578	-
	<u>3,198,800</u>	<u>318,364</u>	<u>2,880,436</u>	<u>2,501,097</u>
<b>Total public safety</b>	<u>71,555,699</u>	<u>2,054,176</u>	<u>69,501,523</u>	<u>67,149,982</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
With Comparative Actual Statements for the Year Ended June 30, 2012

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Environmental protection</b>				
<b>Environmental services</b>				
Salaries and employee benefits	\$ 3,643,349	\$ 14,344	\$ 3,629,005	\$ 3,782,453
Other operating expenditures	2,624,891	243,344	2,381,547	2,507,165
Capital outlay	1,393,207	2	1,393,205	1,640,070
Cost redistribution	(35,043)	1,307	(36,350)	(45,959)
	<u>7,626,404</u>	<u>258,997</u>	<u>7,367,407</u>	<u>7,883,729</u>
<b>Cemeteries</b>				
Salaries and employee benefits	84,143	4,468	79,675	102,832
Other operating expenditures	17,358	7,277	10,081	17,338
Capital outlay	-	-	-	138,377
	<u>101,501</u>	<u>11,745</u>	<u>89,756</u>	<u>258,547</u>
<b>Urban forestry</b>				
Salaries and employee benefits	147,518	575	146,943	134,141
Other operating expenditures	15,444	3,494	11,950	13,921
	<u>162,962</u>	<u>4,069</u>	<u>158,893</u>	<u>148,062</u>
<b>Street sweeping</b>				
Salaries and employee benefits	408,125	5,511	402,614	349,238
Other operating expenditures	425,066	63,424	361,642	326,058
Capital outlay	195,163	-	195,163	-
	<u>1,028,354</u>	<u>68,935</u>	<u>959,419</u>	<u>675,296</u>
<b>Total environmental protection</b>	<u>8,919,221</u>	<u>343,746</u>	<u>8,575,475</u>	<u>8,965,634</u>
<b>Transportation</b>				
<b>Streets</b>				
Salaries and employee benefits	2,929,149	67,091	2,862,058	2,595,326
Other operating expenditures	2,258,844	424,968	1,833,876	1,934,962
Capital outlay	205,961	1	205,960	312,598
	<u>5,393,954</u>	<u>492,060</u>	<u>4,901,894</u>	<u>4,842,886</u>
<b>Engineering</b>				
Salaries and employee benefits	1,406,496	28,367	1,378,129	1,228,138
Other operating expenditures	334,143	162,751	181,392	270,117
Capital outlay	5,100	5,100	-	8,599
	<u>1,745,739</u>	<u>186,218</u>	<u>1,559,521</u>	<u>1,506,854</u>
<b>Parking</b>				
Other operating expenditures	415,129	45,988	369,141	365,869
<b>Total transportation</b>	<u>7,554,822</u>	<u>724,266</u>	<u>6,830,556</u>	<u>6,715,609</u>
<b>Economic and physical development</b>				
<b>Central business district</b>				
Other operating expenditures	70,940	23,718	47,222	69,507
Capital outlay	-	-	-	6,474
Cost redistribution	33,147	1	33,146	28,320
	<u>104,087</u>	<u>23,719</u>	<u>80,368</u>	<u>104,301</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
With Comparative Actual Statements for the Year Ended June 30, 2012

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Economic and physical development (continued)</b>				
<b>Community development</b>				
Salaries and employee benefits	\$ 212,883	\$ 438	\$ 212,445	\$ 179,139
Other operating expenditures	808,918	229,403	579,515	309,915
Cost redistribution	(31,513)	1,633	(33,146)	(28,320)
	<u>990,288</u>	<u>231,474</u>	<u>758,814</u>	<u>460,734</u>
<b>Planning and development</b>				
Salaries and employee benefits	706,099	4,933	701,166	649,698
Other operating expenditures	495,775	292,713	203,062	212,620
Payments to agencies	13,034	9,348	3,686	1,466
	<u>1,214,908</u>	<u>306,994</u>	<u>907,914</u>	<u>863,784</u>
<b>Lake Valley Drive MSD</b>				
Other operating expenditures	9,402	9,402	-	-
<b>Total economic and physical development</b>	<u>2,318,685</u>	<u>571,589</u>	<u>1,747,096</u>	<u>1,428,819</u>
<b>Recreation and community facilities</b>				
<b>Parks and recreation</b>				
Salaries and employee benefits	7,497,847	87,798	7,410,049	7,181,746
Other operating expenditures	5,091,331	912,183	4,179,148	4,361,978
Capital outlay	710,877	285,335	425,542	912,247
	<u>13,300,055</u>	<u>1,285,316</u>	<u>12,014,739</u>	<u>12,455,971</u>
<b>Total recreation and community facilities</b>	<u>13,300,055</u>	<u>1,285,316</u>	<u>12,014,739</u>	<u>12,455,971</u>
<b>Debt service</b>				
Principal	6,046,766	83,179	5,963,587	5,756,981
Interest	1,121,604	29,213	1,092,391	1,127,387
<b>Total debt service</b>	<u>7,168,370</u>	<u>112,392</u>	<u>7,055,978</u>	<u>6,884,368</u>
<b>Total expenditures</b>	<u>134,823,891</u>	<u>6,516,437</u>	<u>128,307,454</u>	<u>126,079,629</u>
<b>Revenues over (under) expenditures</b>	<u>(4,819,991)</u>	<u>7,906,187</u>	<u>3,086,196</u>	<u>4,155,741</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	230,000	65,425	295,425	356,285
Appropriated fund balance	9,849,298	(9,849,298)	-	-
Transfers in	11,353,041	(1)	11,353,040	10,247,898
Transfers (out)	(16,612,348)	1,046,197	(15,566,151)	(11,571,467)
<b>Total other financing sources (uses)</b>	<u>4,819,991</u>	<u>(8,737,677)</u>	<u>(3,917,686)</u>	<u>(967,284)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (831,490)</u>	<u>(831,490)</u>	<u>3,188,457</u>
<b>Fund balance</b>				
Beginning of year - July 1			<u>51,895,848</u>	<u>48,707,391</u>
End of year - June 30			<u>\$ 51,064,358</u>	<u>\$ 51,895,848</u>

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# Nonmajor Governmental Funds





**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

Assets	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 579,840	\$ 10,157,228	\$ 10,737,068
Accounts receivable	9,380,815	487,225	9,868,040
Interfund receivable	-	-	-
Prepaid expenses	-	-	-
Restricted cash and investments	1,229,518	3,247,855	4,477,373
Restricted accounts receivable	75,254	680	75,934
Total assets	<u>\$ 11,265,427</u>	<u>\$ 13,892,988</u>	<u>\$ 25,158,415</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 348,126	\$ 1,116,516	\$ 1,464,642
Unearned revenue	59,655	1,637,400	1,697,055
Restricted accounts payable and accrued expenses	12,288	71,341	83,629
Total liabilities	<u>420,069</u>	<u>2,825,257</u>	<u>3,245,326</u>
<b>Deferred inflows of resources:</b>			
Accounts receivable	8,730,415	-	8,730,415
Total deferred inflows of resources	<u>8,730,415</u>	<u>-</u>	<u>8,730,415</u>
<b>Fund balances:</b>			
<b>Restricted</b>			
Stabilization by State Statute	1,230,042	3,595,861	4,825,903
Downtown	-	150,647	150,647
Public safety	1,399,491	-	1,399,491
Economic and physical development	-	657,197	657,197
Recreation and community facilities	-	731,950	731,950
<b>Committed</b>			
Administration	-	1,885,529	1,885,529
Public safety	-	216,373	216,373
Transportation	-	1,804,389	1,804,389
Economic and physical development	-	296,016	296,016
Recreation and community facilities	80,444	1,729,769	1,810,213
Unassigned	(595,034)	-	(595,034)
Total fund balances	<u>2,114,943</u>	<u>11,067,731</u>	<u>13,182,674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,265,427</u>	<u>\$ 13,892,988</u>	<u>\$ 25,158,415</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2013

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Other taxes and fees	\$ 775,752	\$ -	\$ 775,752
Restricted intergovernmental	4,073,370	1,439,410	5,512,780
Miscellaneous	1,935,892	44,654	1,980,546
Interest earned on investments	(1,817)	(4,460)	(6,277)
Total revenues	<u>6,783,197</u>	<u>1,479,604</u>	<u>8,262,801</u>
<b>Expenditures</b>			
<b>Current</b>			
Administration	-	2,187,518	2,187,518
Public safety	2,023,253	245,448	2,268,701
Transportation	-	5,322,941	5,322,941
Economic and physical development	3,398,544	613,426	4,011,970
Planning and development	21,347	-	21,347
Recreation and community facilities	249,536	1,107,426	1,356,962
<b>Debt service:</b>			
Principal	675,000	-	675,000
Interest	219,825	-	219,825
Total expenditures	<u>6,587,505</u>	<u>9,476,759</u>	<u>16,064,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>195,692</u>	<u>(7,997,155)</u>	<u>(7,801,463)</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	731,950	731,950
Transfers in	329,227	7,271,925	7,601,152
Transfers out	-	-	-
Total other financing sources (uses)	<u>329,227</u>	<u>8,003,875</u>	<u>8,333,102</u>
Net change in fund balances	524,919	6,720	531,639
Fund balance - beginning	<u>1,590,024</u>	<u>11,061,011</u>	<u>12,651,035</u>
Fund balance - ending	<u>\$ 2,114,943</u>	<u>\$ 11,067,731</u>	<u>\$ 13,182,674</u>

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Special Revenue Funds



Special Revenue Funds are used to account for the proceeds of specific 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
- City of Fayetteville Finance Corporation
- 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, 2013

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
<b>Assets</b>					
Cash and investments	\$ 278,033	\$ 76,877	\$ -	\$ 224,930	\$ 579,840
Accounts receivable	129,464	9,247,464	-	3,887	9,380,815
Restricted cash and investments	-	1,184,624	-	44,894	1,229,518
Restricted accounts receivable	-	75,254	-	-	75,254
<b>Total assets</b>	<b>\$ 407,497</b>	<b>\$ 10,584,219</b>	<b>\$ -</b>	<b>\$ 273,711</b>	<b>\$ 11,265,427</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 28,035	\$ 280,143	\$ -	\$ 39,948	\$ 348,126
Unearned revenue	-	39,549	-	20,106	59,655
Restricted accounts payable and accrued expenses	-	-	-	12,288	12,288
<b>Total liabilities</b>	<b>28,035</b>	<b>319,692</b>	<b>-</b>	<b>72,342</b>	<b>420,069</b>
<b>Deferred inflows of resources:</b>					
Accounts receivable	-	8,730,415	-	-	8,730,415
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>8,730,415</b>	<b>-</b>	<b>-</b>	<b>8,730,415</b>
<b>Fund balances:</b>					
<b>Restricted</b>					
Stabilization by State Statute	129,464	979,653	-	120,925	1,230,042
Public safety	249,998	1,149,493	-	-	1,399,491
<b>Committed</b>					
Recreation and community facilities	-	-	-	80,444	80,444
<b>Assigned</b>					
Unassigned	-	(595,034)	-	-	(595,034)
<b>Total fund balances</b>	<b>379,462</b>	<b>1,534,112</b>	<b>-</b>	<b>201,369</b>	<b>2,114,943</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 407,497</b>	<b>\$ 10,584,219</b>	<b>\$ -</b>	<b>\$ 273,711</b>	<b>\$ 11,265,427</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year Ended June 30, 2013

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
<b>Revenues</b>					
Other taxes and fees	\$ 775,752	\$ -	\$ -	\$ -	\$ 775,752
Restricted intergovernmental	-	4,071,652	-	1,718	4,073,370
Miscellaneous	-	974,268	816,505	145,119	1,935,892
Interest earned on investments	(613)	(1,025)	5	(184)	(1,817)
Total revenues	<u>775,139</u>	<u>5,044,895</u>	<u>816,510</u>	<u>146,653</u>	<u>6,783,197</u>
<b>Expenditures</b>					
Current:					
Public safety	921,990	1,101,263	-	-	2,023,253
Economic and physical development	-	3,395,284	3,260	-	3,398,544
Planning and development	-	21,347	-	-	21,347
Recreation and community facilities	-	85,980	-	163,556	249,536
Debt Service:					
Principal	-	75,000	600,000	-	675,000
Interest	-	6,575	213,250	-	219,825
Total expenditures	<u>921,990</u>	<u>4,685,449</u>	<u>816,510</u>	<u>163,556</u>	<u>6,587,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,851)</u>	<u>359,446</u>	<u>-</u>	<u>(16,903)</u>	<u>195,692</u>
Other financing sources (uses)					
Transfers in	-	329,227	-	-	329,227
Total other financing sources (uses)	<u>-</u>	<u>329,227</u>	<u>-</u>	<u>-</u>	<u>329,227</u>
Net change in fund balances	(146,851)	688,673	-	(16,903)	524,919
Fund balance - beginning	<u>526,313</u>	<u>845,439</u>	<u>-</u>	<u>218,272</u>	<u>1,590,024</u>
Fund balance - ending	<u>\$ 379,462</u>	<u>\$ 1,534,112</u>	<u>\$ -</u>	<u>\$ 201,369</u>	<u>\$ 2,114,943</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, 2013  
(With Comparative Actual Amounts For Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Revenues</b>				
Other fees	\$ 775,752	\$ -	\$ 775,752	\$ 637,221
Interest earned on investments	1,000	(1,613)	(613)	2,275
Total revenues	<u>776,752</u>	<u>(1,613)</u>	<u>775,139</u>	<u>639,496</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Other operating expenditures	671,605	35,102	636,503	576,544
Capital outlay	277,065	-	277,065	-
Cost redistribution	8,422	-	8,422	6,124
S L 2010-158 Expenditures	-	-	-	37,741
Total public safety	<u>957,092</u>	<u>35,102</u>	<u>921,990</u>	<u>620,409</u>
Total expenditures	<u>957,092</u>	<u>35,102</u>	<u>921,990</u>	<u>620,409</u>
Revenues over (under) expenditures	<u>(180,340)</u>	<u>33,489</u>	<u>(146,851)</u>	<u>19,087</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	180,340	(180,340)	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>180,340</u>	<u>(180,340)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (146,851)</u>	<u>(146,851)</u>	<u>19,087</u>
<b>Fund balance</b>				
Beginning of year - July 1			<u>526,313</u>	<u>507,226</u>
End of year - June 30			<u>\$ 379,462</u>	<u>\$ 526,313</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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants	\$ 18,772,770	\$ 18,690,964	\$ 5,913,208	\$ 3,739,478	\$ 16,517,234
State grants	1,955,090	1,663,010	40,383	304,972	1,927,599
County	61,456	20,323	-	27,202	47,525
Total restricted intergovernmental	<u>20,789,316</u>	<u>20,374,297</u>	<u>5,953,591</u>	<u>4,071,652</u>	<u>18,492,358</u>
Miscellaneous	3,965,274	4,216,908	1,144,354	974,268	4,046,822
Interest earned on investments	86,295	93,862	267	(1,025)	92,570
Total revenues	<u>24,840,885</u>	<u>24,685,067</u>	<u>7,098,212</u>	<u>5,044,895</u>	<u>22,631,750</u>
<b>Expenditures</b>					
Current					
Public safety	8,263,763	5,827,638	91,073	1,101,263	6,837,858
Economic and physical development	16,658,073	18,291,681	7,140,693	3,395,284	14,546,272
Planning and development	200,000	178,653	-	21,347	200,000
Recreation and community facilities	584,989	362,493	36,131	85,980	412,342
Total current	<u>25,706,825</u>	<u>24,660,495</u>	<u>7,267,897</u>	<u>4,603,874</u>	<u>21,996,472</u>
Debt service	241,634	233,294	73,462	81,575	241,407
Total expenditures	<u>25,948,459</u>	<u>24,893,789</u>	<u>7,341,359</u>	<u>4,685,449</u>	<u>22,237,879</u>
Revenues over (under) expenditures	<u>(1,107,574)</u>	<u>(208,722)</u>	<u>(243,147)</u>	<u>359,446</u>	<u>393,871</u>
Other financing sources (uses)					
Sale of capital assets	96,283	96,282	-	-	96,282
Transfers in	1,190,228	1,136,449	243,147	329,227	1,222,529
Transfers out	(178,937)	(178,570)	-	-	(178,570)
Total other financing sources (uses)	<u>1,107,574</u>	<u>1,054,161</u>	<u>243,147</u>	<u>329,227</u>	<u>1,140,241</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 845,439</u>	<u>\$ -</u>	<u>688,673</u>	<u>\$ 1,534,112</u>
Fund balance					
Beginning of year - July 1				<u>845,439</u>	
End of year - June 30				<u>\$ 1,534,112</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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Expenditures by project:</b>					
<b>Public safety</b>					
Federal and State Forfeiture	\$ 2,848,772	\$ 1,879,557	\$ -	\$ 72,079	\$ 1,951,636
PSN Anti-Gang, Operation Ceasefire	60,101	58,810	-	-	58,810
PSN Task Force	-	2,446	2,446	-	-
Domestic Violence Training 2011	60,137	4,614	-	16,155	20,769
PSN Law Enforcement Consortium	15,492	13,680	-	-	13,680
PSN Media Blitz	23,000	19,889	-	-	19,889
Gangs across the Carolinas	115,368	56,293	-	46,022	102,315
Juvenile Restitution	371,343	138,204	-	89,881	228,085
Sobriety Court Grant	46,580	78,243	40,383	252	38,112
Cumberland County STARS Drug Treatment Court	265,285	60,848	-	106,182	167,030
Justice Assistance Grant	650,194	658,229	48,244	17,472	627,457
COPS Technology Grant	150,000	142,800	-	-	142,800
FY09 Hazmat Equipment	135,714	135,714	-	-	135,714
FY10 Hazmat Equipment	51,429	-	-	51,429	51,429
FY11 Hazmat Equipment and Training	25,000	-	-	17,500	17,500
FY10 FEMA Defibrillators Grant	100,000	100,000	-	-	100,000
COPS Hiring Recovery Program (ARRA)	2,528,240	1,793,619	-	615,350	2,408,969
Justice Assistance Grant (ARRA)	708,976	684,722	-	24,095	708,817
Gang Partnership 2012	48,196	-	-	18,575	18,575
Prescription Drug Initiative 2012	59,936	-	-	26,271	26,271
<b>Total public safety</b>	<b>8,263,763</b>	<b>5,827,668</b>	<b>91,073</b>	<b>1,101,263</b>	<b>6,837,858</b>
<b>Economic and physical development</b>					
Community Development Block Grant	8,929,814	9,913,480	4,308,579	2,404,488	8,009,389
NC Rural Economic Development	47,335	47,320	-	-	47,320
Community Garden	-	25,247	25,247	-	-
HOME	6,458,447	7,323,046	2,806,867	750,909	5,267,088
CDBG-R (ARRA)	385,584	385,584	-	-	385,584
Homeless Prevention (ARRA)	589,648	589,647	-	-	589,647
Washington St School Site Project	247,245	7,357	-	239,887	247,244
<b>Total economic and physical development</b>	<b>16,658,073</b>	<b>18,291,681</b>	<b>7,140,693</b>	<b>3,395,284</b>	<b>14,546,272</b>
<b>Recreation and community facilities</b>					
Wayfinding signage	500,586	280,536	-	57,856	338,392
Cultural arts program	22,520	35,320	12,800	-	22,520
National Recreation & Parks Association	10,000	-	-	-	-
Badges for Baseball 2011	-	23,331	23,331	-	-
Badges for Baseball 2012	23,309	23,306	-	-	23,306
Badges for Baseball 2012	4,624	-	-	4,177	4,177
Badges for Baseball 2013	23,950	-	-	23,947	23,947
<b>Total recreation and community facilities</b>	<b>584,989</b>	<b>362,493</b>	<b>36,131</b>	<b>85,980</b>	<b>412,342</b>
<b>Planning and development</b>					
Bragg Blvd Corridor Plan	200,000	178,653	-	21,347	200,000
<b>Total planning and development</b>	<b>200,000</b>	<b>178,653</b>	<b>-</b>	<b>21,347</b>	<b>200,000</b>
<b>Total expenditures by project</b>	<b>\$ 25,706,825</b>	<b>\$ 24,660,495</b>	<b>\$ 7,267,897</b>	<b>\$ 4,603,874</b>	<b>\$ 21,996,472</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
City of Fayetteville Finance Corporation Fund

Year Ended June 30, 2013  
(With Comparative Actual Amounts For Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Revenues</b>				
Miscellaneous				
Property leases	\$ 816,750	\$ (245)	\$ 816,505	\$ 1,413,492
Total miscellaneous	<u>816,750</u>	<u>(245)</u>	<u>816,505</u>	<u>1,413,492</u>
Interest earned on investments	<u>-</u>	<u>5</u>	<u>5</u>	<u>18</u>
Total revenues	<u>816,750</u>	<u>(240)</u>	<u>816,510</u>	<u>1,413,510</u>
<b>Expenditures</b>				
Current				
Economic and physical development				
Other operating expenditures	<u>3,500</u>	<u>240</u>	<u>3,260</u>	<u>3,260</u>
Debt service				
Principal	600,000	-	600,000	1,140,000
Interest	<u>213,250</u>	<u>-</u>	<u>213,250</u>	<u>270,250</u>
Total debt service	<u>813,250</u>	<u>-</u>	<u>813,250</u>	<u>1,410,250</u>
Total expenditures	<u>816,750</u>	<u>240</u>	<u>816,510</u>	<u>1,413,510</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Beginning of year - July 1			<u>-</u>	<u>-</u>
End of year - June 30			<u>\$ -</u>	<u>\$ -</u>

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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
<b>Restricted intergovernmental</b>					
County grants and contributions	\$ 130,000	\$ 128,282	\$ -	\$ 1,718	\$ 130,000
Total restricted intergovernmental	<u>130,000</u>	<u>128,282</u>	<u>-</u>	<u>1,718</u>	<u>130,000</u>
<b>Miscellaneous</b>					
Other (donations)	1,833,473	1,669,248	-	145,119	1,814,367
Total miscellaneous	<u>1,833,473</u>	<u>1,669,248</u>	<u>-</u>	<u>145,119</u>	<u>1,814,367</u>
Interest earned on investments	45,415	45,849	-	(184)	45,465
Total revenues	<u>2,008,888</u>	<u>1,843,179</u>	<u>-</u>	<u>146,653</u>	<u>1,989,832</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Recreational and community facilities</b>					
Linear Park	2,059,067	1,675,086	-	163,556	1,838,642
Total expenditures	<u>2,059,067</u>	<u>1,675,086</u>	<u>-</u>	<u>163,556</u>	<u>1,838,642</u>
Revenues over (under) expenditures	<u>(50,179)</u>	<u>168,093</u>	<u>-</u>	<u>(16,903)</u>	<u>151,190</u>
<b>Other financing sources (uses)</b>					
Transfers in	50,179	50,179	-	-	50,179
Total other financing sources (uses)	<u>50,179</u>	<u>50,179</u>	<u>-</u>	<u>-</u>	<u>50,179</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 218,272</u>	<u>\$ -</u>	<u>(16,903)</u>	<u>\$ 201,369</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>218,272</u>	
End of year - June 30				<u>\$ 201,369</u>	



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# 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 Nonmajor Capital Project Funds:

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Bond Improvement Fund
- Economic and Physical Development Fund
- Recreational and Cultural 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, 2013

	General Government Fund	Public Safety Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
<b>Assets</b>							
Cash and investments	\$ 2,195,282	\$ 246,380	\$ 5,205,513	\$ -	\$ 683,525	\$ 1,826,528	\$ 10,157,228
Accounts receivable	20,985	-	202,508	-	259,996	3,736	487,225
Restricted cash and investments	-	-	150,647	-	657,197	2,440,011	3,247,855
Restricted accounts receivable	-	-	-	-	-	680	680
<b>Total assets</b>	<b>\$ 2,216,267</b>	<b>\$ 246,380</b>	<b>\$ 5,558,668</b>	<b>\$ -</b>	<b>\$ 1,600,718</b>	<b>\$ 4,270,955</b>	<b>\$ 13,892,988</b>
<b>Liabilities and fund balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 74,597	\$ 30,007	\$ 1,003,180	\$ -	\$ 8,616	\$ 116	\$ 1,116,516
Unearned revenue	-	-	-	-	-	1,637,400	1,637,400
Restricted accounts payable and accrued expenses	-	-	-	-	-	71,341	71,341
<b>Total liabilities</b>	<b>74,597</b>	<b>30,007</b>	<b>1,003,180</b>	<b>-</b>	<b>8,616</b>	<b>1,708,857</b>	<b>2,825,257</b>
<b>Fund balances:</b>							
<b>Restricted</b>							
Stabilization by State Statute	256,141	-	2,600,452	-	638,889	100,379	3,595,861
Downtown	-	-	150,647	-	-	-	150,647
Economic and physical development	-	-	-	-	657,197	-	657,197
Recreation and community facilities	-	-	-	-	-	731,950	731,950
<b>Committed</b>							
Administration	1,885,529	-	-	-	-	-	1,885,529
Public safety	-	216,373	-	-	-	-	216,373
Transportation	-	-	1,804,389	-	-	-	1,804,389
Economic and physical development	-	-	-	-	296,016	-	296,016
Recreation and community facilities	-	-	-	-	-	1,729,769	1,729,769
<b>Total fund balances</b>	<b>2,141,670</b>	<b>216,373</b>	<b>4,555,488</b>	<b>-</b>	<b>1,592,102</b>	<b>2,562,098</b>	<b>11,067,731</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,216,267</b>	<b>\$ 246,380</b>	<b>\$ 5,558,668</b>	<b>\$ -</b>	<b>\$ 1,600,718</b>	<b>\$ 4,270,955</b>	<b>\$ 13,892,988</b>



CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Project Funds  
 Year Ended June 30, 2013

	General Government Fund	Public Safety Fund	Transportation Fund	Bond Improvement Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
<b>Revenues</b>							
Restricted intergovernmental	\$ 638,491	\$ 169,817	\$ 100,000	\$ -	\$ 103	\$ 530,999	\$ 1,439,410
Miscellaneous	-	-	25,611	-	-	19,043	44,654
Interest earned in investments	-	46	(250)	-	820	(5,076)	(4,460)
Total revenues	<u>638,491</u>	<u>169,863</u>	<u>125,361</u>	<u>-</u>	<u>923</u>	<u>544,966</u>	<u>1,479,604</u>
<b>Expenditures</b>							
Administration	2,187,518	-	-	-	-	-	2,187,518
Public safety	-	245,448	-	-	-	-	245,448
Transportation	-	-	5,322,941	-	-	-	5,322,941
Economic and physical development	-	-	-	-	613,426	-	613,426
Recreational and community facilities	-	-	-	-	-	1,107,426	1,107,426
Total expenditures	<u>2,187,518</u>	<u>245,448</u>	<u>5,322,941</u>	<u>-</u>	<u>613,426</u>	<u>1,107,426</u>	<u>9,476,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,549,027)</u>	<u>(75,585)</u>	<u>(5,197,580)</u>	<u>-</u>	<u>(612,503)</u>	<u>(562,460)</u>	<u>(7,997,155)</u>
<b>Other financing sources (uses)</b>							
Transfers in	2,692,210	992	4,070,996	-	416,767	90,960	7,271,925
Sale of assets	-	-	-	-	-	731,950	731,950
Total other financing sources (uses)	<u>2,692,210</u>	<u>992</u>	<u>4,070,996</u>	<u>-</u>	<u>416,767</u>	<u>822,910</u>	<u>8,003,875</u>
Net change in fund balances	<u>1,143,183</u>	<u>(74,593)</u>	<u>(1,126,584)</u>	<u>-</u>	<u>(195,736)</u>	<u>260,450</u>	<u>6,720</u>
Fund balance - beginning	<u>998,487</u>	<u>290,966</u>	<u>5,682,072</u>	<u>-</u>	<u>1,787,838</u>	<u>2,301,648</u>	<u>11,061,011</u>
Fund balance - ending	<u>\$ 2,141,670</u>	<u>\$ 216,373</u>	<u>\$ 4,555,488</u>	<u>\$ -</u>	<u>\$ 1,592,102</u>	<u>\$ 2,562,098</u>	<u>\$ 11,067,731</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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Restricted intergovernmental					
Federal grants	\$ 1,716,400	\$ 938,785	\$ -	\$ 638,491	\$ 1,577,276
<b>Expenditures</b>					
<b>Current</b>					
<b>Administration</b>					
Clean Cities project	385,491	278,247	-	-	278,247
Computer replacements	1,434,262	806,098	-	350,741	1,156,839
Telephone system upgrade	123,440	123,243	-	-	123,243
Planning software	84,200	51,700	-	-	51,700
Enterprise-wide GIS	62,067	-	-	25,221	25,221
Disaster recovery system	375,318	-	-	372,281	372,281
Lasercache Rio System	131,245	-	-	115,695	115,695
Uninterruptible power supply	58,650	-	-	29,366	29,366
Virtual server expansion	60,034	-	-	21,132	21,132
Wireless network expansion	97,800	-	-	97,042	97,042
Grove Street parking lot paving	412,000	-	-	-	-
Integrated cashing system	106,180	94,039	-	1,520	95,559
Grove Street roof replacement	60,500	50,773	-	-	50,773
Electronic plan review system	68,500	-	-	20,525	20,525
Building projects	2,146,935	460,161	-	449,025	909,186
Parking lot projects	284,890	138,911	-	66,479	205,390
Council chambers upgrade	158,453	158,452	-	-	158,452
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	873,785	-	638,491	1,512,276
Total expenditures	<u>7,675,365</u>	<u>3,035,409</u>	<u>-</u>	<u>2,187,518</u>	<u>5,222,927</u>
Revenues over (under) expenditures	<u>(5,958,965)</u>	<u>(2,096,624)</u>	<u>-</u>	<u>(1,549,027)</u>	<u>(3,645,651)</u>
<b>Other financing sources (uses)</b>					
Transfers in	5,966,465	3,102,611	-	2,692,210	5,794,821
Transfer out	(7,500)	(7,500)	-	-	(7,500)
Total other financing sources (uses)	<u>5,958,965</u>	<u>3,095,111</u>	<u>-</u>	<u>2,692,210</u>	<u>5,787,321</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 998,487</u>	<u>\$ -</u>	<u>1,143,183</u>	<u>\$ 2,141,670</u>
<b>Fund balance</b>					
Beginning of year - July 1				998,487	
End of year - June 30				<u>\$ 2,141,670</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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Restricted Intergovernmental Federal grants and contributions	\$ 170,053	\$ -	\$ -	\$ 169,817	169,817
Miscellaneous	400	400	-	-	400
Interest earned on investments	700	76,370	-	46	76,416
<b>Total revenues</b>	<b>171,153</b>	<b>76,770</b>	<b>-</b>	<b>169,863</b>	<b>246,633</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Public Safety</b>					
Fire station #15	2,564,410	2,532,054	-	-	2,532,054
Police department server upgrade	208,000	185,910	-	-	185,910
Fire station #12	125,000	-	-	-	-
Fire station #19	2,679,085	2,603,400	-	75,629	2,679,029
Police department CAD and RMS	3,209,917	3,134,326	-	-	3,134,326
Police department 800mhz radios	3,600,000	3,169,870	-	-	3,169,870
Police department firing range improvements	50,000	-	-	50,000	50,000
Justice Assistance Grant	120,053	-	-	119,819	119,819
<b>Total expenditures</b>	<b>12,556,465</b>	<b>11,625,560</b>	<b>-</b>	<b>245,448</b>	<b>11,871,008</b>
<b>Revenues over (under) expenditures</b>	<b>(12,385,312)</b>	<b>(11,548,790)</b>	<b>-</b>	<b>(75,585)</b>	<b>(11,624,375)</b>
<b>Other financing sources (uses)</b>					
Issuance of debt	11,016,329	10,571,023	-	-	10,571,023
Transfers in	3,749,423	3,649,173	-	992	3,650,165
Transfers out	(2,380,440)	(2,380,440)	-	-	(2,380,440)
<b>Total other financing sources (uses)</b>	<b>12,385,312</b>	<b>11,839,756</b>	<b>-</b>	<b>992</b>	<b>11,840,748</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 290,966</b>	<b>\$ -</b>	<b>(74,593)</b>	<b>\$ 216,373</b>
<b>Fund balance</b>					
Beginning of year - July 1				290,966	
End of year - June 30				<u>\$ 216,373</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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
<b>Restricted intergovernmental</b>					
Federal grants	\$ 1,330,000	\$ -	\$ -	\$ 100,000	\$ 100,000
State grants	-	474,573	474,573	-	-
<b>Total restricted intergovernmental</b>	<b>1,330,000</b>	<b>474,573</b>	<b>474,573</b>	<b>100,000</b>	<b>100,000</b>
<b>Miscellaneous</b>					
Owner contributions	122,217	172,217	50,000	23,611	145,828
Other	30,408	35,408	5,000	2,000	32,408
<b>Total miscellaneous</b>	<b>152,625</b>	<b>207,625</b>	<b>55,000</b>	<b>25,611</b>	<b>178,236</b>
Interest earned on investments	-	10,216	4,413	(250)	5,553
<b>Total revenues</b>	<b>1,482,625</b>	<b>692,414</b>	<b>533,986</b>	<b>125,361</b>	<b>283,789</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Transportation</b>					
Sidewalks	1,021,437	981,083	884,855	493,841	590,069
Downtown railroad enhancements	1,892,000	105,242	-	273,690	378,932
Transportation improvements	12,067,067	8,101,060	4,358,110	4,555,410	8,298,360
<b>Total expenditures</b>	<b>14,980,504</b>	<b>9,187,385</b>	<b>5,242,965</b>	<b>5,322,941</b>	<b>9,267,361</b>
<b>Revenues (over) under expenditures</b>	<b>(13,497,879)</b>	<b>(8,494,971)</b>	<b>(4,708,979)</b>	<b>(5,197,580)</b>	<b>(8,983,572)</b>
<b>Other financing sources (uses)</b>					
Transfers in	13,566,279	14,245,443	4,708,979	4,070,996	13,607,460
Transfers out	(68,400)	(68,400)	-	-	(68,400)
<b>Total other financing sources (uses)</b>	<b>13,497,879</b>	<b>14,177,043</b>	<b>4,708,979</b>	<b>4,070,996</b>	<b>13,539,060</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 5,682,072</b>	<b>\$ -</b>	<b>(1,126,584)</b>	<b>\$ 4,555,488</b>
<b>Fund balance</b>					
Beginning of year - July 1				5,682,072	
End of year - June 30				\$ 4,555,488	



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Interest earned on investments	\$ -	\$ 452,782	\$ 452,782	\$ -	\$ -
Total revenues	-	452,782	452,782	-	-
<b>Expenditures</b>					
<b>Current</b>					
<b>Economic and physical development</b>					
Bond administration	-	54,475	54,475	-	-
	-	54,475	54,475	-	-
<b>Transportation</b>					
Streets	-	2,971,401	2,971,401	-	-
Sidewalks	-	796,971	796,971	-	-
	-	3,768,372	3,768,372	-	-
<b>Environmental Protection</b>					
Drainage	-	584,672	584,672	-	-
	-	584,672	584,672	-	-
<b>Public Safety</b>					
FSU Fire Station	-	3,494,183	3,494,183	-	-
	-	3,494,183	3,494,183	-	-
<b>Recreational and community facilities</b>					
Cape Fear River Park	-	897,452	897,452	-	-
	-	897,452	897,452	-	-
<b>Debt service</b>					
Total expenditures	-	9,257,012	9,257,012	-	-
Revenues over (under) expenditures	-	(8,804,230)	(8,804,230)	-	-
<b>Other financing sources (uses)</b>					
Transfers in	-	354,230	354,230	-	-
Issuance of debt	-	8,450,000	8,450,000	-	-
Total other financing sources (uses)	-	8,804,230	8,804,230	-	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ -	\$ -	-	\$ -
<b>Fund balance</b>					
Beginning of year - July 1				-	
End of year - June 30				\$ -	

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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
<b>Restricted intergovernmental</b>					
Federal grants	\$ 1,251,150	\$ 1,251,047	\$ -	\$ 103	\$ 1,251,150
County	250,243	250,242	-	-	250,242
Total restricted intergovernmental	1,501,393	1,501,289	-	103	1,501,392
Interest earned on investments	12,000	10,949	-	820	11,769
Total revenues	1,513,393	1,512,238	-	923	1,513,161
<b>Expenditures</b>					
<b>Current</b>					
<b>Economic and physical development</b>					
300 Block of Hay Street	-	1,857,474	1,857,474	-	-
Texti Project	728,619	559,940	-	94,278	654,218
HOPE VI	6,526,000	4,938,147	-	456,839	5,394,986
Downtown parking deck	5,719,998	5,570,874	-	(916)	5,569,958
Military Business Park	1,251,150	1,251,047	-	103	1,251,150
Murchison Road redevelopment	200,000	-	-	50,216	50,216
Festival Park Plaza renovations	100,000	-	-	12,906	12,906
Festival Park Plaza	-	6,243,324	6,243,324	-	-
Total economic and physical development	14,525,767	20,420,806	8,100,798	613,426	12,933,434
Debt service	242,002	242,002	-	-	242,002
Total expenditures	14,767,769	20,662,808	8,100,798	613,426	13,175,436
Revenues over (under) expenditures	(13,254,376)	(19,150,570)	(8,100,798)	(612,503)	(11,662,275)
<b>Other financing sources (uses)</b>					
Transfers in	7,304,376	8,511,976	1,624,366	416,767	7,304,377
Sale of capital assets	-	245,435	245,435	-	-
Issuance of debt	5,950,000	12,180,997	6,230,997	-	5,950,000
Total other financing sources (uses)	13,254,376	20,938,408	8,100,798	416,767	13,254,377
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,787,838	\$ -	(195,736)	\$ 1,592,102
<b>Fund balance</b>					
Beginning of year - July 1				1,787,838	
End of year - June 30				\$ 1,592,102	

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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
<b>Restricted Intergovernmental</b>					
Federal grants and contributions	\$ 250,000	\$ 25,000	\$ 25,000	\$ -	\$ -
State grants and contributions	18,000,000	15,379,240	-	233,360	15,612,600
Local	529,202	231,563	-	297,639	529,202
<b>Total restricted intergovernmental</b>	<u>18,779,202</u>	<u>15,635,803</u>	<u>25,000</u>	<u>530,999</u>	<u>16,141,802</u>
<b>Miscellaneous</b>					
Other	150	139,156	-	18,853	158,009
Donations	225,505	229,570	-	190	229,760
<b>Total miscellaneous</b>	<u>225,655</u>	<u>368,726</u>	<u>-</u>	<u>19,043</u>	<u>387,769</u>
Interest earned on investments	503,670	526,954	78	(5,076)	521,800
<b>Total revenues</b>	<u>19,508,527</u>	<u>16,531,483</u>	<u>25,078</u>	<u>544,966</u>	<u>17,051,371</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Recreational and community facilities</b>					
Disabled accessibility minibus	-	54,069	54,069	-	-
Freedom Park	482,175	478,685	-	224	478,909
NC State Veterans Park	2,397,000	2,309,261	-	4,844	2,314,105
Western Area Neighborhood Park	856,756	143,361	-	637,568	780,929
NC State Veterans Park #2	14,050,000	12,271,211	-	234,768	12,505,979
Playground equipment and improvements	630,535	470,241	-	113,543	583,784
Reid Ross track facility	176,404	174,346	-	-	174,346
Joint use facilities with Cumberland County	431,000	282,564	-	95,133	377,697
Cape Fear River Trail Phase 2	2,614,345	123,818	-	21,346	145,164
<b>Total expenditures</b>	<u>21,638,215</u>	<u>16,307,556</u>	<u>54,069</u>	<u>1,107,426</u>	<u>17,360,913</u>
<b>Revenues over (under) expenditures</b>	<u>(2,129,688)</u>	<u>223,927</u>	<u>(28,991)</u>	<u>(562,460)</u>	<u>(309,542)</u>
<b>Other financing sources (uses)</b>					
Transfers in	2,215,843	2,161,520	28,991	90,960	2,223,489
Transfers out	(86,155)	(86,155)	-	-	(86,155)
Sale of capital assets	-	-	-	731,950	731,950
Issuance of debt	-	2,356	-	-	2,356
<b>Total other financing sources (uses)</b>	<u>2,129,688</u>	<u>2,077,721</u>	<u>28,991</u>	<u>822,910</u>	<u>2,871,640</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 2,301,648</u>	<u>\$ -</u>	<u>260,450</u>	<u>\$ 2,562,098</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>2,301,648</u>	
End of year - June 30				<u>\$ 2,562,098</u>	

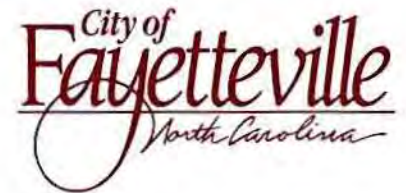
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Proprietary Funds



- Enterprise Funds
- Internal Service Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The accounting principles used here are generally accepted in the United States of America and are applicable to similar businesses in the private sector.



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Enterprise Funds



Enterprise Funds account for operations that are either financed or operated in a similar manner 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:

- Electric Fund
- Water and Wastewater Fund
- Storm Water Management Fund
- Nonmajor Enterprise Funds
  - Transit Fund
  - Airport Fund
  - Solid Waste Recycling Fund

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

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position  
Electric Fund  
June 30, 2013

	Electric Fund	Rate Stabilization Fund	Total
<b>ASSETS</b>			
<b>Current unrestricted assets</b>			
Cash and cash equivalents	\$ 39,604,524	\$ -	\$ 39,604,524
Investments	25,828,500	-	25,828,500
Receivables	27,314,416	-	27,314,416
Internal balances	(359,796)	-	(359,796)
Less allowance for doubtful accounts	(259,113)	-	(259,113)
Inventories	11,308,869	-	11,308,869
Other current assets	441,007	-	441,007
<b>Total current unrestricted assets</b>	<b>103,874,407</b>	<b>-</b>	<b>103,874,407</b>
<b>Current restricted assets</b>			
Cash and cash equivalents	9,095,439	30,349,462	39,444,901
Investments	21,228,752	28,787,918	50,016,670
Collateral pledged in lieu of deposits	323,624	-	323,624
Receivables	596	800,702	801,298
<b>Total current restricted assets</b>	<b>30,649,411</b>	<b>59,938,082</b>	<b>90,587,493</b>
<b>Total current assets</b>	<b>134,523,818</b>	<b>59,938,082</b>	<b>194,461,900</b>
<b>Noncurrent assets</b>			
Other assets	1,208,617	11,116,400	12,325,017
<b>Capital assets:</b>			
Land	6,195,252	-	6,195,252
Construction in process	17,416,812	-	17,416,812
Electric utility systems	178,525,713	-	178,525,713
Buildings	26,026,362	-	26,026,362
Equipment and machinery	8,088,293	-	8,088,293
Computer programs	1,206,936	-	1,206,936
Intangibles	2,224,751	-	2,224,751
Vehicles	3,188,738	-	3,188,738
Office equipment	212,558	-	212,558
<b>Capital assets, net</b>	<b>241,085,415</b>	<b>-</b>	<b>241,085,415</b>
<b>Total noncurrent assets</b>	<b>242,294,032</b>	<b>11,116,400</b>	<b>253,410,432</b>
<b>Total assets</b>	<b>376,817,850</b>	<b>71,054,482</b>	<b>447,872,332</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	704,889	-	704,889
<b>Total deferred outflows of resources</b>	<b>704,889</b>	<b>-</b>	<b>704,889</b>
<b>LIABILITIES</b>			
<b>Current liabilities to be paid from unrestricted current assets</b>			
Current portion of long-term liabilities	2,740,987	-	2,740,987
Accounts payable and accrued expenses	20,342,163	-	20,342,163
<b>Total current liabilities to be paid from unrestricted current assets</b>	<b>23,083,150</b>	<b>-</b>	<b>23,083,150</b>
<b>Current liabilities to be paid from restricted current assets</b>			
Accounts payable and accrued expenses	7,001,349	-	7,001,349
<b>Total current liabilities to be paid from restricted current assets</b>	<b>7,001,349</b>	<b>-</b>	<b>7,001,349</b>
<b>Total current liabilities</b>	<b>30,084,499</b>	<b>-</b>	<b>30,084,499</b>
<b>Noncurrent liabilities</b>			
Long-term liabilities	12,095,776	-	12,095,776
Other liabilities	2,269,346	-	2,269,346
Unearned deposits	6,295	-	6,295
<b>Total noncurrent liabilities</b>	<b>14,371,418</b>	<b>-</b>	<b>14,371,418</b>
<b>Total liabilities</b>	<b>44,455,917</b>	<b>-</b>	<b>44,455,917</b>
<b>NET POSITION</b>			
Net investment in capital assets	228,824,620	-	228,824,620
Restricted for -			
Capital Projects	-	-	-
Debt service	29	-	29
Unrestricted Net Position	104,442,173	71,054,482	175,496,655
<b>Total Net Position</b>	<b>\$ 333,066,822</b>	<b>\$ 71,054,482</b>	<b>\$ 404,121,304</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Net Position  
 Electric Fund  
 Year ended June 30, 2013

	Electric Fund	Electric Rate Stabilization Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 211,789,791	\$ -	\$ 211,789,791
Total operating revenues	<u>211,789,791</u>	<u>-</u>	<u>211,789,791</u>
<b>Operating expenses</b>			
Power supply and generation	148,520,775	-	148,520,775
Electric operation	14,276,714	-	14,276,714
General and administrative	15,446,200	-	15,446,200
Depreciation	17,806,298	-	17,806,298
Total operating expenses	<u>196,049,987</u>	<u>-</u>	<u>196,049,987</u>
Operating income	<u>15,739,804</u>	<u>-</u>	<u>15,739,804</u>
<b>Nonoperating revenue (expense)</b>			
Interest earned on investments	472,127	192,944	665,071
Gain (loss) on disposal of assets	2,809,566	-	2,809,566
Interest expense	(1,231,332)	-	(1,231,332)
Amortization	(267,205)	-	(267,205)
Finance costs	(5,182)	-	(5,182)
Total nonoperating revenue (expense)	<u>1,777,974</u>	<u>192,944</u>	<u>1,970,918</u>
<b>Income before transfers and contributions</b>	<u>17,517,778</u>	<u>192,944</u>	<u>17,710,722</u>
Transfers in	-	250,000	250,000
Transfers out	(271,229)	-	(271,229)
Transfers in - City of Fayetteville	20,847	-	20,847
Transfers out - City of Fayetteville	(10,961,399)	-	(10,961,399)
Contributions	889,399	-	889,399
<b>Change in Net Position</b>	<u>7,195,396</u>	<u>442,944</u>	<u>7,638,340</u>
Total Net Position - beginning	326,279,274	70,611,538	396,890,812
Change in accounting principle (Note 15)	(407,848)	-	(407,848)
Total Net Position - beginning restated	<u>325,871,426</u>	<u>70,611,538</u>	<u>396,482,964</u>
<b>Total Net Position - ending</b>	<u>\$ 333,066,822</u>	<u>\$ 71,054,482</u>	<u>\$ 404,121,304</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013			2012 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Revenues</b>				
<b>Operating revenues</b>				
<b>Electric operations</b>				
Sale of electricity	\$ 194,102,300	\$ (6,824,718)	\$ 187,277,582	\$ 185,935,572
City Services	1,174,400	87,111	1,261,511	1,247,421
Non-utility charges	1,846,100	78,833	1,924,933	1,848,158
Service charges	4,100,200	(29,924)	4,070,276	4,919,386
Miscellaneous	17,412,840	(157,351)	17,255,489	3,705,790
<b>Total operating revenues</b>	<u>218,635,840</u>	<u>(6,846,049)</u>	<u>211,789,791</u>	<u>197,656,327</u>
<b>Non-operating revenues</b>				
Gain (loss) on asset disposal	3,174,460	(364,894)	2,809,566	(312,517)
Interest earned on investments	792,000	(1,208,683)	(416,683)	1,129,274
<b>Total non-operating revenues</b>	<u>3,966,460</u>	<u>(1,573,577)</u>	<u>2,392,883</u>	<u>816,757</u>
<b>Contributions</b>				
Contributions	2,005,000	(1,628,097)	376,903	371,766
<b>Total contributions</b>	<u>2,005,000</u>	<u>(1,628,097)</u>	<u>376,903</u>	<u>371,766</u>
<b>Transfers in</b>				
Transfer from City of Fayetteville	20,900	(53)	20,847	20,847
<b>Total transfers in</b>	<u>20,900</u>	<u>(53)</u>	<u>20,847</u>	<u>20,847</u>
<b>Budgetary appropriations</b>				
Appropriated Net Position	10,623,400	(7,831,665)	2,791,735	5,395,614
<b>Total budgetary appropriations</b>	<u>10,623,400</u>	<u>(7,831,665)</u>	<u>2,791,735</u>	<u>5,395,614</u>
<b>Total revenues</b>	<u>\$ 235,251,600</u>	<u>\$ (17,879,441)</u>	<u>\$ 217,372,159</u>	<u>\$ 204,261,311</u>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
<b>Electric operations</b>				
Power supply and generation	\$ 154,817,140	\$ 6,296,385	\$ 148,520,775	\$ 103,819,819
Administration	698,500	8	698,492	535,274
Apparatus repair shop	439,000	28,100	410,900	352,477
Electric meter shop	295,200	101,735	193,465	527,606
Construction and maintenance	7,687,000	5	7,686,995	6,701,789
Substation construction	1,967,800	42,000	1,925,800	1,710,593
Engineering	2,491,000	91,986	2,399,014	2,263,008
Fiber	131,200	52,077	79,123	17,098
SCADA	150,000	42,721	107,279	34,724
CT metering crews	498,700	9,323	489,377	264,082
Compliance	511,700	223,431	288,269	94,521
<b>Total electric operations</b>	<u>169,685,240</u>	<u>6,887,751</u>	<u>162,797,489</u>	<u>118,120,989</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013			2012 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Expenditures (continued)</b>				
<b>General and administrative</b>				
Executive	\$ 1,033,050	\$ 194,232	\$ 838,818	\$ 881,107
Internal audit	-	(1,857)	1,857	105,774
Communications and community relations	668,800	50,010	618,790	590,786
Financial administration	141,200	7,129	134,072	244,926
Support systems administration	-	-	-	274,303
Human resources	781,050	53,981	727,069	633,540
Accounting	503,300	7,099	496,201	626,674
Accounts receivable	764,900	28,181	736,719	781,777
Payroll	75,700	4,625	71,075	67,526
Customer accounts	1,631,850	3,523	1,628,327	2,502,525
Utility field services	1,136,950	32,070	1,104,880	1,244,154
Business planning	-	-	-	134,957
Corporate development	1,057,000	10,038	1,046,962	396,295
Risk management	704,800	57,981	646,839	400,221
Collections	1,180,150	130,835	1,049,315	-
Capital Projects	267,700	3,105	264,595	241,320
Rates	194,950	43,490	151,460	328,518
Budget	128,000	38	127,964	121,386
Purchasing	274,200	29	274,171	258,273
Warehouse	550,750	35	550,715	533,527
Fleet maintenance	1,517,400	534,361	983,039	915,665
Facilities maintenance	266,050	56	265,994	223,108
Customer programs and call center	260,350	163	260,187	111,351
Corporate services administration	391,400	18	391,382	128,900
Development and marketing	699,550	340,504	359,046	524,211
Telecommunications systems	763,000	77,843	685,157	553,877
Information systems	1,430,900	22,266	1,408,634	1,508,481
Pension expense	1,000	1,000	-	66
Medical insurance	4,775,000	146,311	4,628,689	3,274,654
Other	3,581,200	1,018,201	2,542,999	2,221,843
Allocated rent and fiber clearing	(2,280,000)	(79,077)	(2,180,923)	(2,276,522)
Overhead clearing	(3,953,175)	812,215	(4,765,390)	(4,308,663)
<b>Total general and administrative</b>	<b>18,547,025</b>	<b>3,498,382</b>	<b>15,048,643</b>	<b>13,244,570</b>
<b>Total operating expenditures</b>	<b>188,232,265</b>	<b>10,386,133</b>	<b>177,846,132</b>	<b>129,365,559</b>
<b>Non-operating expenditures</b>				
Interest expense	902,000	559,478	342,522	698,847
Finance costs	11,000	5,818	5,182	5,728
<b>Total non-operating expenditures</b>	<b>913,000</b>	<b>565,296</b>	<b>347,704</b>	<b>704,575</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013			2012 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Transfers out</b>				
Transfers to City of Fayetteville	\$ 10,961,400	\$ (1)	\$ 10,961,399	\$ 9,820,653
Transfers to Electric Rate Stabilization Fund	250,000	-	250,000	29,327,200
Transfers to Fleet Maintenance Fund	140,000	(118,771)	21,229	297,167
<b>Total transfers out</b>	<u>11,351,400</u>	<u>(118,772)</u>	<u>11,232,628</u>	<u>39,445,020</u>
<b>Budgetary appropriations</b>				
Inventory increase (decrease)	(2,215,460)	(680,988)	(1,534,472)	858,726
Vehicle and equipment	-	(29,081)	29,081	(24,077)
Debt principal payments	1,704,200	(46)	1,704,248	1,469,370
Capital outlay	25,546,800	2,255,045	23,291,755	24,179,816
Appropriated Net Position	9,719,395	368,655	9,350,740	4,184,788
<b>Total budgetary appropriations</b>	<u>34,754,935</u>	<u>1,913,585</u>	<u>32,841,350</u>	<u>30,646,623</u>
<b>Total expenditures</b>	<u>\$ 235,251,600</u>	<u>\$ 12,983,786</u>	<u>\$ 222,267,814</u>	<u>\$ 200,161,777</u>
<b>Reconciliation of change in Net Position</b>				
Total revenues		\$ (17,879,441)	\$ 217,372,159	\$ 204,261,311
Total expenditures		12,983,786	222,267,814	200,161,777
<b>Subtotal</b>		<u>\$ (4,895,655)</u>	(4,895,655)	4,099,534
<b>Reconciling items:</b>				
Budgetary appropriations			30,049,615	25,251,009
Developer			512,496	-
Depreciation			(17,806,298)	(15,096,341)
Amortization			(287,205)	(372,570)
OPEB expense			(397,557)	(265,269)
<b>Total reconciling items</b>			<u>12,091,051</u>	<u>9,516,829</u>
<b>Change in Net Position</b>			<u>\$ 7,195,396</u>	<u>\$ 13,616,363</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes In the Status of Electric Rate Stabilization Fund  
From Inception and for the Year Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Rate stabilization transfer	\$ 4,189,725	\$ 4,189,725	\$ -	\$ 4,189,725
Interest earned on investments	3,800,000	3,314,813	192,944	3,507,557
<b>Total revenues</b>	<u>7,969,725</u>	<u>7,484,338</u>	<u>192,944</u>	<u>7,677,282</u>
<b>Expenditures</b>				
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over expenditures</b>	<u>7,969,725</u>	<u>7,484,338</u>	<u>192,944</u>	<u>7,677,282</u>
<b>Other financing sources (uses)</b>				
Transfer from Electric Fund	68,377,155	68,127,200	250,000	68,377,200
Transfer to Electric Fund	(5,000,000)	(5,000,000)	-	(5,000,000)
Loan to Annexation Phase V Reserve Fund	(15,000,000)	(1,294,400)	(237,000)	(1,531,400)
Loan to Electric & WWWW General Fund	(13,588,150)	(2,171,250)	(8,100,000)	(10,271,250)
Appropriated Net Position	(42,780,730)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(7,969,725)</u>	<u>59,661,550</u>	<u>(8,087,000)</u>	<u>51,574,550</u>
<b>Revenues and other financing sources (uses) over expenditures</b>	<u>\$ -</u>	<u>\$ 67,145,888</u>	<u>(7,894,056)</u>	<u>\$ 59,251,832</u>
<b>Reconciling Items:</b>				
Advance receivable from Annexation Phase V Reserve			237,000	
Advance receivable from WWWW for Proposed Bond Projects			8,100,000	
Change in Net Position			<u>\$ 442,944</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position  
Water and Wastewater Fund  
June 30, 2013

	Water and Wastewater Fund	Water and Wastewater Stabilization Fund	Annexation Phase V Reserve Fund	2003B Revenue Bond Capital Project Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/16 Capital Project Fund	2011 Edgewater Northview SRLCP Fund	2012 WTF Clearwell Chemical Fund	2013 Outfall Rehab Project	Total
<b>ASSETS</b>										
<b>Current unrestricted assets</b>										
Cash and cash equivalents	\$ 24,897,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,897,396
Investments	1,188,431	-	-	-	-	-	-	-	-	1,188,431
Receivables	15,005,173	-	-	-	-	-	-	-	-	15,005,173
Internal balances	(1,229,387)	2,000,000	43	-	(192,370)	(22,400)	(435,722)	(608,316)	-	(488,242)
Less Allowance for doubtful accounts	(65,858)	-	-	-	-	-	-	-	-	(65,858)
Inventories	1,698,529	-	-	-	-	-	-	-	-	1,698,529
Other current assets	613,121	-	-	-	-	-	-	-	-	613,121
<b>Total current unrestricted assets</b>	<b>42,107,405</b>	<b>2,000,000</b>	<b>43</b>	<b>-</b>	<b>(192,370)</b>	<b>(22,400)</b>	<b>(435,722)</b>	<b>(608,316)</b>	<b>-</b>	<b>42,848,550</b>
<b>Current restricted assets</b>										
Cash and cash equivalents	10,174,557	4,295,499	887,338	-	-	-	-	-	-	15,367,392
Investments	18,152,509	-	-	-	-	-	-	-	-	18,152,509
Receivables	85,082	8,810	-	-	337,858	-	435,722	1,253,603	1,801,452	3,932,517
<b>Total current restricted assets</b>	<b>28,412,128</b>	<b>4,304,309</b>	<b>887,336</b>	<b>-</b>	<b>337,858</b>	<b>-</b>	<b>435,722</b>	<b>1,263,603</b>	<b>1,801,452</b>	<b>37,442,418</b>
<b>Total current assets</b>	<b>70,519,533</b>	<b>6,304,309</b>	<b>887,379</b>	<b>-</b>	<b>145,488</b>	<b>(22,400)</b>	<b>-</b>	<b>855,287</b>	<b>1,801,452</b>	<b>80,290,968</b>
<b>Noncurrent assets</b>										
Other assets	10,781,912	-	-	-	-	-	-	-	-	10,781,912
<b>Capital Assets:</b>										
Land	9,089,539	-	-	-	-	-	-	-	-	9,089,539
Construction in process	14,692,710	-	-	-	2,436,167	370,406	382,788	5,001,954	1,890,945	24,844,970
Water system	178,863,478	-	-	-	-	-	-	-	-	178,863,478
Sewer system	286,280,338	-	-	-	-	-	-	-	-	286,280,338
Buildings	2,423,981	-	-	-	-	-	-	-	-	2,423,981
Equipment and machinery	3,163,240	-	-	-	-	-	-	-	-	3,163,240
Computer equipment	807,288	-	-	-	-	-	-	-	-	807,288
Intangibles	213,897	-	-	-	-	-	-	-	-	213,897
Vehicles	3,398,933	-	-	-	-	-	-	-	-	3,398,933
Office equipment	53,687	-	-	-	-	-	-	-	-	53,687
<b>Capital assets, net</b>	<b>499,557,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,436,167</b>	<b>470,406</b>	<b>382,788</b>	<b>5,001,954</b>	<b>1,890,945</b>	<b>509,739,349</b>
<b>Total noncurrent assets</b>	<b>\$10,339,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,436,167</b>	<b>470,406</b>	<b>382,788</b>	<b>5,001,954</b>	<b>1,890,945</b>	<b>520,521,261</b>
<b>Total assets</b>	<b>560,858,534</b>	<b>6,304,309</b>	<b>887,379</b>	<b>-</b>	<b>2,581,655</b>	<b>447,916</b>	<b>382,788</b>	<b>5,657,241</b>	<b>3,692,397</b>	<b>600,812,729</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Deferred charge on refunding	6,688,518	-	-	-	-	-	-	-	-	6,688,518
<b>Total deferred outflows of resources</b>	<b>6,688,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,688,518</b>



CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position  
Water and Wastewater Fund  
June 30, 2013

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Z008B Revenue Bond Capital Project Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 Edgewater Northflow SRLCP Fund	2012 WTF Clearwell Chonica Fund	2013 Outfall Rehab Project Fund	Total
<b>LIABILITIES</b>										
Current liabilities to be paid from unrestricted current assets	\$ 13,231,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,139	\$ -	\$ -	\$ 13,250,844
Current portion of long-term liabilities	12,947,492	-	-	-	-	-	-	-	-	12,947,492
Accounts payable and accrued expenses	26,179,187	-	-	-	-	-	19,139	-	-	26,198,326
Total current liabilities to be paid from unrestricted current assets										
Current liabilities to be paid from restricted current assets										
Accounts payable and accrued expenses	2,394,651	-	16,285	619,422	11,218	1,894,898	-	779,632	1,894,898	5,716,104
Total current liabilities to be paid from restricted current assets	2,394,651	-	16,285	619,422	11,218	1,894,898	-	779,632	1,894,898	5,716,104
Total current liabilities	28,573,848	-	16,285	610,422	11,218	1,894,898	19,139	779,632	1,894,898	31,914,440
<b>Noncurrent liabilities</b>										
Long-term liabilities	135,168,984	-	-	-	-	-	363,649	4,877,609	1,797,501	142,207,743
Other liabilities	13,471,288	-	1,531,400	-	-	-	-	-	-	15,002,688
Unearned deposits	3,015,239	-	1,531,400	-	-	-	363,649	4,877,609	1,797,501	3,015,238
Total noncurrent liabilities	151,655,511	-	1,531,400	-	-	-	363,649	4,877,609	1,797,501	160,225,669
Total liabilities	180,229,359	-	1,547,685	619,422	11,218	1,894,898	382,788	5,657,241	3,692,399	192,140,109
<b>NET POSITION</b>										
Net investment in capital assets	359,522,851	-	-	2,436,167	470,406	470,406	-	124,345	93,444	362,647,213
Restricted for -										
Capital Projects	9,758	-	-	-	-	-	-	-	-	9,758
Debt service	60,694	-	-	-	-	-	-	-	-	60,694
Unrestricted Net Position	47,724,391	6,304,309	(680,306)	(473,924)	(33,709)	(93,444)	-	(124,345)	(93,444)	52,642,973
Total Net Position	\$ 407,317,584	\$ 6,304,309	\$ (680,306)	\$ 1,962,243	\$ 436,697	\$ 436,697	\$ -	\$ -	\$ -	\$ 415,360,639

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position  
Water and Wastewater Fund  
Year ended June 30, 2013

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	2009B Revenue Capital Project Fund	Annexation Phase V Areas 14/16 Capital Project Fund	2012 Edgewater Northview SRLCP Fund	2012 WTP Clearwell Chemical Fund	2013 Outfall Rehab Project Fund	Total
<b>Operating revenues</b>	\$ 71,403,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,403,280
Charges for services:	71,403,280	-	-	-	-	-	-	-	71,403,280
<b>Total operating revenues</b>	\$ 71,403,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,403,280
<b>Operating expenses</b>	14,562,603	-	-	-	-	-	-	-	14,562,603
Miscellaneous operating expense water	-	-	-	-	-	-	-	-	-
Wastewater operations	13,016,609	-	-	-	-	-	-	-	13,016,609
General and administrative	15,821,133	-	-	-	-	-	-	-	15,821,133
Depreciation	18,804,428	-	-	-	-	-	-	-	18,804,428
<b>Total operating expenses</b>	62,004,863	-	-	-	-	-	-	-	62,004,863
<b>Operating income</b>	9,398,417	-	-	-	-	-	-	-	9,398,417
<b>Nonoperating revenue (expense)</b>	767,481	30,032	753	-	-	-	-	-	768,266
Interest earned on investments	(849,764)	-	-	-	-	-	-	-	(849,764)
Gain (loss) on disposal of assets	(6,007,693)	-	(31,868)	-	-	-	-	-	(6,039,561)
Interest expense	(737,219)	-	-	-	-	-	-	-	(737,219)
Amortization	(94,980)	-	-	-	-	-	-	-	(94,980)
Finance costs	(6,922,175)	30,032	(31,115)	-	-	-	-	-	(6,923,258)
<b>Total nonoperating revenue (expense)</b>	2,478,242	30,032	(31,115)	-	-	-	-	-	2,476,159
<b>Income (loss) before transfers and contributions</b>	16,892,426	290,000	2,706,381	(6,794,872)	436,608	-	-	-	28,165,249
Transfers in	(7,239,186)	-	(4,593,809)	-	7,822,844	-	-	-	(28,190,478)
Transfers out	385,200	-	2,528,451	-	(5,582,811)	-	-	-	2,813,651
Capital contributions	2,914,570	-	-	-	-	-	-	-	2,914,570
<b>Change in Net Position</b>	15,480,252	290,032	639,808	(6,794,872)	436,608	-	-	-	8,282,151
<b>Total Net Position - beginning</b>	394,696,631	6,024,277	(1,390,114)	6,794,872	3,702,010	-	-	-	408,717,676
Change in accounting principle (Note 15)	(2,639,189)	-	-	-	-	-	-	-	(2,639,189)
<b>Total Net Position - beginning restated</b>	391,857,442	6,024,277	(1,390,114)	6,794,872	3,702,010	-	-	-	407,078,487
<b>Total Net Position - ending</b>	\$ 407,317,694	\$ 6,304,309	\$ (690,306)	\$ -	\$ 1,962,243	\$ -	\$ 436,608	\$ -	\$ 415,960,638

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013			2012 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Revenues</b>				
<b>Operating revenues</b>				
<b>Water operations</b>				
Water Sales	\$ 32,759,500	\$ (1,571,129)	\$ 31,188,371	\$ 31,351,711
Connection fees	300,000	72,635	372,635	385,297
City Services	254,800	(54,637)	200,163	257,647
<b>Total water operations</b>	<b>33,314,300</b>	<b>(1,553,131)</b>	<b>31,761,169</b>	<b>32,004,655</b>
<b>Wastewater operations</b>				
Sewer charges	37,101,100	(505,564)	36,595,536	35,388,234
Connection fees	195,000	1,024,799	1,219,799	248,952
City services	80,500	2,941	83,441	94,715
<b>Total wastewater operations</b>	<b>37,376,600</b>	<b>522,176</b>	<b>37,898,776</b>	<b>35,729,901</b>
<b>Other operating revenues</b>				
Non-utility charges	1,225,600	28,233	1,253,833	1,466,414
Service charges	1,322,200	(1,098,321)	223,879	1,544,293
Miscellaneous	303,800	(38,177)	265,623	169,945
<b>Total other operating revenues</b>	<b>2,851,600</b>	<b>(1,108,265)</b>	<b>1,743,335</b>	<b>3,180,652</b>
<b>Total operating revenues</b>	<b>73,542,500</b>	<b>(2,139,220)</b>	<b>71,403,280</b>	<b>70,915,208</b>
<b>Non-operating revenues</b>				
Gain (loss) on asset disposal	-	(849,764)	(849,764)	154,119
Interest earned on investments	1,200,000	(432,519)	767,481	1,473,953
<b>Total non-operating revenues</b>	<b>1,200,000</b>	<b>(1,282,283)</b>	<b>(82,283)</b>	<b>1,628,072</b>
<b>Contributions</b>				
Contributions	4,210,200	(803,105)	3,407,095	3,988,913
<b>Total contributions</b>	<b>4,210,200</b>	<b>(803,105)</b>	<b>3,407,095</b>	<b>3,988,913</b>
<b>Transfers in</b>				
Transfer from City of Fayetteville	385,200	-	385,200	385,200
Transfer from Annexation Phase V Reserve Fund	110,000	455,943	565,943	351,301
<b>Total transfers in</b>	<b>495,200</b>	<b>455,943</b>	<b>951,143</b>	<b>736,501</b>
<b>Budgetary appropriations</b>				
Department of Transportation financing	-	(85,027)	(85,027)	1,078,518
Cumberland county note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	153,000	(811)	152,189	131,100
Appropriations of Net Position	19,801,025	(6,408,149)	13,392,876	1,072,037
<b>Total budgetary appropriations</b>	<b>19,993,625</b>	<b>(6,493,987)</b>	<b>13,499,638</b>	<b>2,321,255</b>
<b>Total revenues</b>	<b>\$ 99,441,525</b>	<b>\$ (10,282,652)</b>	<b>\$ 89,178,873</b>	<b>\$ 79,569,949</b>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
<b>Water operations</b>				
Administration and engineering	\$ 1,214,300	\$ 2,482	\$ 1,211,818	\$ 1,135,126
Water meter shop	90,900	6,056	84,844	67,121
Water maintenance and repair	5,222,900	43	5,222,857	4,737,538
Contract system maintenance	109,800	(21,900)	131,700	193,742
P. O. Hoffer water treatment plant	4,953,900	41,260	4,912,640	4,907,377
Glenville Lake water treatment plant	2,409,700	93,413	2,316,287	2,295,207
Water Resources environmental system protection	182,350	2,847	179,403	175,400
Laboratory	238,950	12,338	226,612	236,503
Environmental	109,850	22	109,828	108,038
Watersheds	167,500	796	166,704	203,042
<b>Total water operations</b>	<b>14,700,150</b>	<b>137,457</b>	<b>14,562,693</b>	<b>14,059,094</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	Budget	2013 Variance Positive (Negative)	Actual	2012 Actual
<b>Expenditures (continued)</b>				
<b>Operating expenditures (continued)</b>				
<b>Wastewater operations</b>				
Administration and engineering	\$ 1,214,300	\$ 2,481	\$ 1,211,819	\$ 1,135,126
Sewer maintenance and repair	5,890,800	49,843	5,840,957	5,981,151
Contract system maintenance	109,800	22,000	87,800	129,161
Cross Creek WW treatment plant	2,609,300	25,611	2,583,689	2,426,229
Rockfish Creek WW treatment plant	2,492,800	94	2,492,706	2,255,459
Residuals management	305,000	21,203	283,797	296,590
Water resource environmental system protection	182,350	2,948	179,402	175,400
Laboratory	238,950	12,339	226,611	236,504
Environmental	109,850	22	109,828	108,039
<b>Total wastewater operations</b>	<b>13,153,150</b>	<b>136,541</b>	<b>13,016,609</b>	<b>12,743,659</b>
<b>General and administrative</b>				
Executive	559,850	100,332	459,518	398,484
Internal audit	-	(1,857)	1,857	104,607
Communications and community relations	604,500	14,071	590,429	592,822
Financial administration	141,200	6,580	134,620	237,403
Support Systems	-	-	-	83,204
Human resources	717,750	30,014	687,736	618,957
Accounting	493,300	36,948	456,352	476,067
Accounts receivable	751,200	17,315	733,885	778,421
Payroll	75,700	4,921	70,779	66,950
Customer accounts	1,610,450	28,970	1,581,480	1,827,726
Utility field service	1,203,350	94	1,203,256	1,206,974
Corporate development	1,044,400	47,778	996,622	394,692
Business planning	-	-	-	139,797
Risk management	601,700	16,828	584,872	384,510
Collections	443,450	24	443,426	-
Capital projects	267,700	4,847	262,853	237,248
Rates	174,950	2,434	172,516	122,301
Budget	127,900	10	127,890	121,049
Purchasing	271,800	32	271,768	257,410
Warehouse	395,550	204,647	190,903	210,523
Fleet maintenance	1,772,100	77,030	1,695,070	1,595,856
Facilities maintenance	260,750	51	260,699	219,974
Customer programs administration and call center	257,250	111	257,139	104,008
Corporate services administration	286,700	87	286,613	128,650
Development and marketing	349,950	1,686	348,264	431,578

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013			2012 Actual
	Budget	Variance Positive (Negative)	Actual	
<b>Expenditures (continued)</b>				
<b>Operating expenditures (continued)</b>				
<b>General and administrative (continued)</b>				
Telecommunications systems	\$ 762,300	\$ 83,114	\$ 679,186	\$ 549,710
Information systems	1,441,400	48	1,441,352	1,503,586
Pension expenses	1,000	1,000	-	68
Medical insurance	4,775,000	(572,140)	5,347,140	4,502,878
Other	1,407,400	541,286	866,114	956,003
Overhead clearing	(4,178,775)	820,020	(4,998,795)	(4,435,130)
<b>Total general and administrative</b>	<b>15,619,825</b>	<b>1,466,281</b>	<b>15,153,544</b>	<b>13,616,323</b>
<b>Total operating expenditures</b>	<b>44,473,125</b>	<b>1,740,279</b>	<b>42,732,846</b>	<b>40,619,076</b>
<b>Non-operating expenditures</b>				
Interest expense	7,186,000	1,178,307	8,007,693	6,793,932
Finance costs	231,800	136,820	94,980	13,697
<b>Total non-operating expenditures</b>	<b>7,417,800</b>	<b>1,315,127</b>	<b>8,102,673</b>	<b>6,797,629</b>
<b>Transfers out</b>				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	-	(2,736,281)	2,736,281	2,608,387
Transfer to Fleet Maintenance Fund	140,000	118,771	21,229	297,167
<b>Total transfers out</b>	<b>390,000</b>	<b>(2,617,510)</b>	<b>3,007,510</b>	<b>3,155,554</b>
<b>Budgetary appropriations</b>				
Inventory increase	204,500	60,782	143,738	354,666
Vehicle and equipment	-	(213,037)	213,037	239,046
Debt principal payments	11,593,800	1,267,901	10,325,899	9,900,775
Note payments	-	(1,267,849)	1,267,849	1,267,849
NC DOT project payments	2,000,000	1,668,837	331,163	328,399
Capital outlay	22,451,200	124,919	22,326,281	12,654,649
Appropriation of Net Position	10,911,100	7,139,100	3,772,000	2,250,000
<b>Total budgetary appropriations</b>	<b>47,160,600</b>	<b>8,780,633</b>	<b>38,379,967</b>	<b>28,995,384</b>
<b>Total expenditures</b>	<b>\$ 99,441,525</b>	<b>\$ 9,218,529</b>	<b>\$ 90,222,996</b>	<b>\$ 77,567,643</b>



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2013  
(with comparative actual amounts for the year ended June 30, 2012)

	2013		2012 Actual
	Budget	Variance Positive (Negative)	
<b>Reconciliation of change in Net Position</b>			
Total revenue	\$	(10,262,652)	\$ 89,178,873
Total expenditures		9,218,529	90,222,996
<b>Subtotal</b>	<b>\$</b>	<b>(1,044,123)</b>	<b>(1,044,123)</b>
<b>Reconciling items:</b>			
Budgetary appropriations			24,880,329
Depreciation			(18,804,428)
Amortization			(737,219)
OPEB expense			(467,589)
Developer and FIF credits			(494,974)
Assessments			2,449
Transfer of assets (to) / from Annexation Phase V, Areas 8-13			5,330,935
Transfer of assets (to) / from Series 2009B Revenue Bond Capital Project Fund			6,794,872
<b>Total reconciling items</b>			<b>16,504,375</b>
<b>Change in Net Position</b>	<b>\$</b>		<b>\$ 15,460,252</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund  
From Inception and for the Period Ended June 30, 2013

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>				
Interest earned on investments	\$ 320,000	\$ 274,277	\$ 30,032	\$ 304,309
<b>Total revenues</b>	<u>320,000</u>	<u>274,277</u>	<u>30,032</u>	<u>304,309</u>
<b>Other financing sources</b>				
Transfer from Water and Wastewater Fund	6,000,000	5,750,000	250,000	6,000,000
Appropriated Net Position	(6,320,000)	-	-	-
<b>Total other financing sources</b>	<u>(320,000)</u>	<u>5,750,000</u>	<u>250,000</u>	<u>6,000,000</u>
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ 6,024,277</u>	<u>280,032</u>	<u>\$ 6,304,309</u>
Change in Net Position			<u>\$ 280,032</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation Phase V Reserve Fund  
From Inception and for the Year Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Interest earned on investments	\$ 6,500	\$ 4,025	\$ 753	\$ 4,778
<b>Total revenues</b>	<u>6,500</u>	<u>4,025</u>	<u>753</u>	<u>4,778</u>
<b>Expenditures</b>				
Interest	35,000	6,952	31,868	38,820
<b>Total expenditures</b>	<u>35,000</u>	<u>6,952</u>	<u>31,868</u>	<u>38,820</u>
<b>Revenues over (under) expenditures</b>	<u>(28,500)</u>	<u>(2,927)</u>	<u>(31,115)</u>	<u>(34,042)</u>
<b>Other financing sources (uses)</b>				
Advance from Electric Rate Stabilization Fund	15,000,000	1,294,400	237,000	1,531,400
Assessments transfer	3,000,000	1,948,838	1,097,190	3,046,028
Transfer from Water and Wastewater Fund	5,547,547	3,908,447	1,639,091	5,547,538
Transfer from the City	4,332,583	1,804,133	2,528,451	4,332,584
Transfer from Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer to Annexation Phase V, Areas 8-13 Fund	(20,768,323)	(8,991,134)	(3,591,168)	(12,582,302)
Transfer to Annexation Phase V, Areas 14-15 Fund	(6,200,000)	-	(436,698)	(436,698)
Transfer to Water and Wastewater Fund	(1,280,000)	(695,374)	(565,943)	(1,261,317)
Appropriated Net Position	(331,210)	-	-	-
<b>Total other financing sources (uses)</b>	<u>28,500</u>	<u>(2,787)</u>	<u>907,923</u>	<u>905,136</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (5,714)</u>	<u>876,808</u>	<u>\$ 871,094</u>
<b>Reconciling items:</b>				
Advance Payable to Electric Rate Stabilization Fund			(237,000)	
Change in Net Position			<u>\$ 639,808</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Series 2009B Revenue Bond Capital Project Fund  
From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Interest earned on invested bond proceeds	\$ 47,254	\$ 46,388	\$ 865	\$ 47,253
<b>Total revenues</b>	<u>47,254</u>	<u>46,388</u>	<u>865</u>	<u>47,253</u>
<b>Expenditures</b>				
Construction	-	24,324,640	68,994	24,393,634
Engineering	-	428,681	1,476	430,157
Land and Land Rights	-	20,000	-	20,000
DOT project payments	-	3,399,059	-	3,399,059
Other	-	1,148,348	14,091	1,162,439
<b>Total expenditures</b>	<u>29,405,289</u>	<u>29,320,728</u>	<u>84,561</u>	<u>29,405,289</u>
<b>Revenues under expenditures</b>	<u>(29,358,035)</u>	<u>(29,274,340)</u>	<u>(83,696)</u>	<u>(29,358,036)</u>
<b>Other financing sources</b>				
Cost of Issuance -Adjusted Bond Proceeds	10,257	-	-	-
Bond proceeds	29,347,778	33,589,712	(4,231,676)	29,358,036
<b>Total other financing sources</b>	<u>29,358,035</u>	<u>33,589,712</u>	<u>(4,231,676)</u>	<u>29,358,036</u>
<b>Revenues and other financing sources over(under) expenditures</b>	<u>\$ -</u>	<u>\$ 4,315,372</u>	<u>(4,315,372)</u>	<u>\$ -</u>
<b>Reconciling items:</b>				
Capital outlay			83,695	
DOT project payments			-	
Transfer of assets (to)/from the Water and Wastewater Fund			(2,563,195)	
Change in Net Position			<u>\$ (6,794,872)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund  
From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	7,611,795	7,522,627	15,134,422
Engineering	-	2,146,727	119,717	2,266,444
Rights of way	-	409,529	124,864	534,393
Less City of Fayetteville participation	-	(669,262)	(1,095,775)	(1,765,037)
Other	-	716,267	401,413	1,117,680
<b>Total expenditures</b>	<u>25,000,000</u>	<u>10,215,056</u>	<u>7,072,846</u>	<u>17,287,902</u>
<b>Revenues under expenditures</b>	<u>(25,000,000)</u>	<u>(10,215,056)</u>	<u>(7,072,846)</u>	<u>(17,287,902)</u>
<b>Other financing sources</b>				
Transfer from Annexation Phase V Reserve Fund	20,768,323	8,991,133	3,591,168	12,582,301
Series 2009B Bond Proceeds	4,231,677	-	4,231,676	4,231,676
<b>Total other financing sources</b>	<u>25,000,000</u>	<u>8,991,133</u>	<u>7,822,844</u>	<u>16,813,977</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ (1,223,923)</u>	749,998	<u>\$ (473,925)</u>
<b>Reconciling items:</b>				
Capital outlay			7,072,846	
Transfer of assets (to)/from the Water and Wastewater Fund			(9,562,611)	
Change in Net Position			<u>\$ (1,739,767)</u>	



CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation - Phase V-Areas 14 through 15 Capital Project Fund  
From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Engineering	-	-	427,653	427,653
Rights of way	-	-	20,039	20,039
Other	-	-	22,714	22,714
Total expenditures	6,200,000	-	470,406	470,406
Revenues under expenditures	(6,200,000)	-	(470,406)	(470,406)
<b>Other financing sources</b>				
Transfer from Annexation Phase V Reserve Fund	6,200,000	-	436,698	436,698
Total other financing sources	6,200,000	-	436,698	436,698
Revenues and other financing sources under expenditures	\$ -	\$ -	(33,708)	\$ (33,708)
<b>Reconciling items:</b>				
Capital outlay			470,406	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			\$ 436,698	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2012 Edgewater/Northview  
 State Revolving Loan Capital Project Fund  
 From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	-	426,666	426,666
Engineering	-	-	2,500	2,500
City Participation	-	-	(51,727)	(51,727)
Other	-	-	5,349	5,349
<b>Total expenditures</b>	<u>656,376</u>	<u>-</u>	<u>382,788</u>	<u>382,788</u>
Revenues under expenditures	<u>(656,376)</u>	<u>-</u>	<u>(382,788)</u>	<u>(382,788)</u>
<b>Other financing sources</b>				
State Revolving Loan Proceeds	656,376	-	382,788	382,788
<b>Total other financing sources</b>	<u>656,376</u>	<u>-</u>	<u>382,788</u>	<u>382,788</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Reconciling items:</b>				
Capital outlay			382,788	
Loan Proceeds			(382,788)	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2012 Water Treatment Facility Clearwell and Chemical Improvement  
 State Revolving Loan Capital Project Fund  
 From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
<b>Total revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	-	4,472,784	4,472,784
Engineering	-	-	415,876	415,876
Other	-	-	113,294	113,294
<b>Total expenditures</b>	<u>5,400,000</u>	<u>-</u>	<u>5,001,954</u>	<u>5,001,954</u>
<b>Revenues under expenditures</b>	<u>(5,400,000)</u>	<u>-</u>	<u>(5,001,954)</u>	<u>(5,001,954)</u>
<b>Other financing sources</b>				
State Revolving Loan Proceeds	5,400,000	-	4,877,609	4,877,609
<b>Total other financing sources</b>	<u>5,400,000</u>	<u>-</u>	<u>4,877,609</u>	<u>4,877,609</u>
<b>Revenues and other financing sources     under expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(124,345)</u>	<u>\$ (124,345)</u>
<b>Reconciling items:</b>				
Capital outlay			5,001,954	
Loan Proceeds			(4,877,609)	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2013 Outfall Rehabilitation  
 State Revolving Loan Capital Project Fund  
 From Inception and for the Period Ended June 30, 2013

	Project Authorization	Total Prior Years	Current Year	Total
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Construction	-	-	1,864,731	1,864,731
Other	-	-	26,214	26,214
Total expenditures	3,922,282	-	1,890,945	1,890,945
Revenues under expenditures	(3,922,282)	-	(1,890,945)	(1,890,945)
<b>Other financing sources</b>				
State Revolving Loan Proceeds	3,922,282	-	1,797,501	1,797,501
Total other financing sources	3,922,282	-	1,797,501	1,797,501
Revenues and other financing sources under expenditures	\$ -	\$ -	(93,444)	\$ (93,444)
<b>Reconciling Items:</b>				
Capital outlay			1,890,945	
Loan Proceeds			(1,797,501)	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Balance Sheet  
 Storm Water Management Fund  
 June 30, 2013

		<u>2013</u>
<b>Assets</b>		
Current assets		
Cash and investments	\$	10,574,251
Accounts receivable		101,901
Restricted accounts receivable		23,667
Restricted cash and investments		5,853,022
<b>Total current assets</b>		<u>16,552,841</u>
Noncurrent assets		
Capital assets		22,655,627
<b>Total noncurrent assets</b>		<u>22,655,627</u>
<b>Total assets</b>		<u>\$ 39,208,468</u>
<b>Liabilities and net position</b>		
Current liabilities		
Accounts payable and accrued expenses	\$	1,157,002
Current portion of long-term liabilities		883,124
Restricted unearned deposits		1,144,892
Restricted accounts payable and accrued expenses		644,166
<b>Total current liabilities</b>		<u>3,629,184</u>
Noncurrent liabilities		
Net OPEB obligation		282,049
Long-term debt		9,560,478
Unearned revenue		42,112
<b>Total noncurrent liabilities</b>		<u>9,884,639</u>
<b>Total liabilities</b>		<u>13,513,823</u>
Net position		
Net investment in capital assets		19,491,750
Restricted for:		
Capital projects		698,371
Unrestricted net position		5,504,524
<b>Total net position</b>		<u>25,694,645</u>
<b>Total liabilities and net position</b>		<u>\$ 39,208,468</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Storm Water Management Fund  
 Year Ended June 30, 2013

	<u>2013</u>
<b>Operating revenues</b>	
Charges for services	\$ 5,233,338
Other revenue from operations	14,327
Total operating revenues	<u>5,247,665</u>
<b>Operating expenses</b>	
Salaries and employee benefits	1,442,645
Other operating expenses	942,279
Depreciation	632,312
Total operating expenses	<u>3,017,236</u>
<b>Operating income (loss)</b>	<u>2,230,429</u>
<b>Nonoperating revenue (expense)</b>	
Interest earned on investments	(6,841)
Miscellaneous revenues	17,888
Gain (loss) on disposal of capital assets	6,021
Interest expense	(208,594)
Total nonoperating revenue (expense)	<u>(191,526)</u>
<b>Income (loss) before transfers and contributions</b>	<u>2,038,903</u>
<b>Change in net position</b>	2,038,903
<b>Total net position - beginning</b>	23,736,085
<b>Change in accounting principle (Note 15)</b>	(80,343)
<b>Total net position - beginning restated</b>	23,655,742
<b>Total net position - ending</b>	<u>\$ 25,694,645</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
(With Comparative Actual Amounts for Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Operating revenues</b>				
Charges for services	\$ 5,180,306	\$ 48,760	\$ 5,229,066	\$ 5,154,352
Other revenue from operations	20,305	(5,978)	14,327	19,215
<b>Total operating revenues</b>	<u>5,200,611</u>	<u>42,782</u>	<u>5,243,393</u>	<u>5,173,567</u>
<b>Operating expenditures</b>				
Personnel	1,416,490	2,657	1,413,833	1,365,534
Other operating expenditures	1,267,956	402,431	865,525	806,250
Capital outlay	-	-	-	301,956
Cost redistribution	75,000	-	75,000	75,000
<b>Total operating expenditures</b>	<u>2,759,446</u>	<u>405,088</u>	<u>2,354,358</u>	<u>2,548,740</u>
<b>Operating income (loss)</b>	<u>2,441,165</u>	<u>447,870</u>	<u>2,889,035</u>	<u>2,624,827</u>
<b>Nonoperating revenues (expenditures)</b>				
Interest earned on investments	32,700	(43,649)	(10,949)	45,194
Miscellaneous	60,000	(42,112)	17,888	-
Debt service - principal payment	(600,030)	-	(600,030)	(290,030)
Interest expense	(319,379)	1	(319,378)	(156,850)
<b>Nonoperating revenues (expenditures)</b>	<u>(826,709)</u>	<u>(85,760)</u>	<u>(912,469)</u>	<u>(401,686)</u>
<b>Revenues over (under) expenditures</b>	<u>1,614,456</u>	<u>362,110</u>	<u>1,976,566</u>	<u>2,223,141</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	6,021	6,021	36,470
Transfers out	(5,506,599)	-	(5,506,599)	(1,718,277)
Appropriated fund balance	3,892,143	(3,892,143)	-	-
<b>Total other financing sources (uses)</b>	<u>(1,614,456)</u>	<u>(3,886,122)</u>	<u>(5,500,578)</u>	<u>(1,681,807)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (3,524,012)</u>	<u>\$ (3,524,012)</u>	<u>\$ 541,334</u>
<b>Reconciliation of change in net position</b>				
Total revenues			\$ 5,256,353	\$ 5,255,231
Total expenditures			8,780,365	4,713,897
<b>Subtotal</b>			<u>(3,524,012)</u>	<u>541,334</u>
Depreciation			(632,312)	(559,991)
Change in accrued vacation			1,939	(1,638)
Capital outlay			-	301,956
Proceeds from sale of assets			(6,021)	(36,470)
Gain (loss) on disposal of assets			6,021	36,470
Principal payment			600,030	290,030
Unearned revenue			4,272	9,877
Bad debt expense			(292)	(14)
Capitalized interest			103,273	252,836
Accrued interest			7,511	(134,936)
Net OPEB expense			(30,751)	(38,880)
<b>Subtotal</b>			<u>53,670</u>	<u>119,240</u>
<b>Change in net position</b>			<u>\$ (3,470,342)</u>	<u>\$ 660,574</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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Restricted Intergovernmental					
Local	\$ -	\$ 10,499	\$ -	\$ -	\$ 10,499
Total restricted Intergovernmental	-	10,499	-	-	10,499
Interest earned on investments	-	27,795	-	11,103	38,898
Total revenues	-	38,294	-	11,103	49,397
<b>Expenditures</b>					
<b>Current</b>					
<b>Environmental Protection</b>					
Annexation area improvements	3,506,031	1,308,309	321,869	1,243,549	2,229,989
Godfray Outfall	372,000	35,100	-	8,775	43,875
James Creek at Trayburn	-	49,756	49,756	-	-
Norwood/Ancor	-	67,421	67,421	-	-
Bonnie Doone	44,961	35,982	-	7,250	43,232
Lyon Rd/Rogers Dr Construction	150,006	150,006	-	-	150,006
Lockwood and Ravenhill	216,454	216,454	-	-	216,454
Seabrook	375,441	375,010	-	431	375,441
Spruce St/Forest Hill Dr	997,445	217,715	-	377,299	595,014
LaFayette Village/Spruce Dr	2,359,200	2,178,861	-	180,338	2,359,199
Cottonade	462,902	471,677	8,775	-	462,902
Buckhead Creek Group 1	257,981	257,981	-	-	257,981
McNeill Circle	1,827,131	126,780	-	1,090,257	1,217,037
Yadkin Rd	2,659,313	134,715	-	2,030	136,745
Summerhill	1,053,818	399,415	-	654,403	1,053,818
Anson Pond	322,791	322,791	-	-	322,791
Buckhead Creek Watershed	827,917	595,916	-	98,685	694,601
Regiment	65,000	-	-	-	-
Spruce St - Phase II	75,000	-	-	-	-
Roxie Ave Phase I	315,000	-	-	-	-
N Edgewater Drive	57,887	-	-	51,909	51,909
Seabrook Phase II	50,503	-	-	-	-
Bonnie Doone (West of 3)	808,500	-	-	-	-
Murray Hill Rd repair	604,465	-	-	536,317	536,317
Coventry Rd culvert stream imp	1,088,230	-	-	-	-
Stormwater drainage miscellaneous	2,000,086	186,678	-	147,352	334,030
Total expenditures	20,498,062	7,130,567	447,821	4,398,595	11,081,341
Revenues over (under) expenditures	(20,498,062)	(7,092,273)	(447,821)	(4,387,492)	(11,031,944)
<b>Other financing sources (uses)</b>					
Transfers in	9,903,062	4,844,284	447,821	5,506,599	9,903,062
Bond proceeds	10,595,000	10,595,000	-	-	10,595,000
Total other financing sources (uses)	20,498,062	15,439,284	447,821	5,506,599	20,498,062
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 8,347,011	\$ -	\$ 1,119,107	\$ 9,466,118
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				\$ 1,119,107	
Capital outlay				4,398,595	
Non-capitalizable items				(1,462)	
Capitalized interest				(6,995)	
Change in net position				\$ 5,509,245	

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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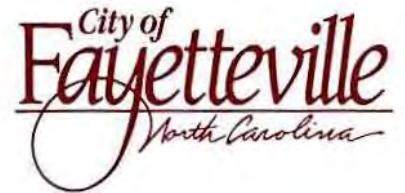
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# Nonmajor Enterprise Funds





CITY OF FAYETTEVILLE, NORTH CAROLINA

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet  
Nonmajor Enterprise Funds  
June 30, 2013

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>				
<b>Current assets</b>				
Cash and investments	\$ 2,975,311	\$ 8,319,878	\$ 1,514,370	\$ 12,809,559
Accounts receivable	751,824	1,595,730	127,697	2,475,251
Inventories	192,815	6,077	13,804	212,696
Restricted accounts receivable	-	78,786	-	78,786
Restricted cash and investments	-	1,128,374	-	1,128,374
<b>Total current assets</b>	<b>3,919,950</b>	<b>11,128,845</b>	<b>1,655,671</b>	<b>16,704,666</b>
<b>Noncurrent assets</b>				
Capital assets	12,828,352	45,548,376	26,236	58,402,964
<b>Total noncurrent assets</b>	<b>12,828,352</b>	<b>45,548,376</b>	<b>26,236</b>	<b>58,402,964</b>
<b>Total assets</b>	<b>\$ 16,748,302</b>	<b>\$ 56,677,221</b>	<b>\$ 1,682,107</b>	<b>\$ 75,107,630</b>
<b>Liabilities and net position</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 571,167	\$ 1,112,272	\$ 359,220	\$ 2,042,659
Current portion of long-term liabilities	184,584	97,224	636	282,444
Restricted accounts payable and accrued expenses	-	90,018	-	90,018
Restricted unearned deposits	-	1,025	-	1,025
<b>Total current liabilities</b>	<b>755,751</b>	<b>1,300,539</b>	<b>359,856</b>	<b>2,416,146</b>
<b>Noncurrent liabilities</b>				
Net OPEB obligation	630,700	232,188	1,361	864,249
Unearned revenues	660	39,036	-	39,696
Long-term debt	19,069	-	-	19,069
<b>Total noncurrent liabilities</b>	<b>650,429</b>	<b>271,224</b>	<b>1,361</b>	<b>923,014</b>
<b>Total liabilities</b>	<b>1,406,180</b>	<b>1,571,763</b>	<b>361,217</b>	<b>3,339,160</b>
<b>Net position</b>				
Net investment in capital assets	12,828,352	45,548,376	26,236	58,402,964
Restricted for:				
Capital projects	-	1,116,117	-	1,116,117
Unrestricted	2,513,770	8,440,965	1,294,654	12,249,389
<b>Total net position</b>	<b>15,342,122</b>	<b>55,105,458</b>	<b>1,320,890</b>	<b>71,768,470</b>
<b>Total liabilities and net position</b>	<b>\$ 16,748,302</b>	<b>\$ 56,677,221</b>	<b>\$ 1,682,107</b>	<b>\$ 75,107,630</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
 Nonmajor Enterprise Funds  
 Year Ended June 30, 2013

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 1,103,947	\$ 4,122,711	\$ 2,295,326	\$ 7,521,984
Other revenue from operations	14,202	171,331	9,069	194,602
Total operating revenues	<u>1,118,149</u>	<u>4,294,042</u>	<u>2,304,395</u>	<u>7,716,586</u>
Operating expenses				
Salaries and employee benefits	4,384,554	1,317,262	28,440	5,730,256
Other operating expenses	2,267,472	1,584,711	2,153,677	6,005,860
Depreciation	1,068,920	2,744,928	7,496	3,821,344
Total operating expenses	<u>7,720,946</u>	<u>5,646,901</u>	<u>2,189,613</u>	<u>15,557,460</u>
Operating income (loss)	<u>(6,602,797)</u>	<u>(1,352,859)</u>	<u>114,782</u>	<u>(7,840,874)</u>
Nonoperating revenue (expense)				
Interest earned on investments	(497)	(8,541)	(1,593)	(10,631)
Federal and State grants	2,355,194	112,888	-	2,468,082
Passenger facility charges	-	512,646	-	512,646
Miscellaneous revenues	-	188,312	117,461	305,773
Gain (loss) on disposal of capital assets	8,878	716	-	9,594
County revenue	-	-	301,250	301,250
Vehicle fee revenue	660,193	-	-	660,193
Interest expense	(1,031)	-	-	(1,031)
Miscellaneous expense	-	(438,493)	-	(438,493)
Total nonoperating revenue (expense)	<u>3,022,737</u>	<u>367,528</u>	<u>417,118</u>	<u>3,807,383</u>
Income (loss) before transfers and contributions	<u>(3,580,060)</u>	<u>(985,331)</u>	<u>531,900</u>	<u>(4,033,491)</u>
Transfers in	4,543,198	-	-	4,543,198
Transfers out	-	-	(391,641)	(391,641)
Capital contributions	1,802,682	6,066,127	-	7,868,809
Change in net position	<u>2,765,820</u>	<u>5,080,796</u>	<u>140,259</u>	<u>7,986,875</u>
Total net position - beginning	<u>12,576,302</u>	<u>50,024,662</u>	<u>1,180,631</u>	<u>63,781,595</u>
Total net position - ending	<u>\$ 15,342,122</u>	<u>\$ 55,105,458</u>	<u>\$ 1,320,890</u>	<u>\$ 71,768,470</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended June 30, 2013

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
<b>Operating activities</b>				
Cash received from customers	\$ 2,393,530	\$ 7,563,125	\$ 2,740,256	\$ 12,696,911
Cash paid to or on behalf of employees for services	(4,301,623)	(1,272,606)	(27,876)	(5,602,105)
Cash paid for goods and services	(2,016,216)	(4,707,837)	(1,954,023)	(8,680,076)
Net cash provided by (used in) operating activities	(3,926,309)	1,582,682	758,357	(1,585,270)
<b>Noncapital financing activities</b>				
Transfers in	4,543,198	-	-	4,543,198
Federal and State grants	2,355,194	112,888	-	2,468,082
Transfers out	-	-	(391,641)	(391,641)
Net cash provided (used) by noncapital financing activities	6,898,392	112,888	(391,641)	6,619,639
<b>Capital and related financing activities</b>				
Proceeds from sale of assets	6,678	716	-	9,594
Contributed capital received	1,802,682	6,066,127	-	7,868,809
Acquisition and construction of capital assets	(2,063,332)	(6,741,179)	-	(8,804,511)
Principal paid in debt maturities	(19,980)	-	-	(19,980)
Interest paid on debt maturities	(1,031)	-	-	(1,031)
Net cash provided (used) by capital and related financing activities	(272,783)	(674,336)	-	(947,119)
<b>Investing activities</b>				
Interest and dividends	(497)	(8,541)	(1,593)	(10,631)
Net cash provided (used) by investing activities	(497)	(8,541)	(1,593)	(10,631)
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<b>2,698,803</b>	<b>1,012,693</b>	<b>365,123</b>	<b>4,076,619</b>
<b>Cash and cash equivalents/investments</b>				
Beginning of year	276,508	8,435,559	1,149,247	9,861,314
End of year	\$ 2,975,311	\$ 9,448,252	\$ 1,514,370	\$ 13,937,933
Cash and cash equivalents	\$ 2,975,311	\$ 9,448,252	\$ 1,514,370	\$ 13,937,933
Total cash and cash equivalents/investments	\$ 2,975,311	\$ 9,448,252	\$ 1,514,370	\$ 13,937,933
Unrestricted cash and cash equivalents/investments	\$ 2,975,311	\$ 8,319,878	\$ 1,514,370	\$ 12,809,559
Restricted cash and equivalents/investments	-	1,128,374	-	1,128,374
Total cash and cash equivalents/investments	\$ 2,975,311	\$ 9,448,252	\$ 1,514,370	\$ 13,937,933

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows  
 Nonmajor Enterprise Funds  
 Year Ended June 30, 2013

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (6,602,797)	\$ (1,352,859)	\$ 114,782	\$ (7,840,874)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,068,920	2,744,928	7,496	3,821,344
Nonoperating payments for goods and services	-	(438,493)	-	(438,493)
Nonoperating receipts from customers	660,193	700,958	418,711	1,779,862
Change in assets and liabilities				
(Increase) decrease in accounts receivable	814,528	2,553,136	17,150	3,184,814
(Increase) decrease in inventory	(11,652)	(472)	7,613	(4,511)
(Increase) decrease in prepaid items	-	-	-	-
(Increase) decrease in unearned deposits	-	-	-	-
(Increase) decrease in accounts payable and accrued liabilities	260,910	(2,684,161)	192,041	(2,231,210)
(Increase) decrease in accrued compensated absences	(6,834)	18,414	(121)	11,459
(Increase) decrease in unearned revenues	660	14,989	-	15,649
(Increase) decrease in Net OPEB Obligation	89,763	26,242	685	116,690
Total adjustments	<u>2,676,488</u>	<u>2,935,541</u>	<u>643,575</u>	<u>6,255,604</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (3,926,309)</u>	<u>\$ 1,582,682</u>	<u>\$ 758,357</u>	<u>\$ (1,585,270)</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
(With Comparative Actual Amounts for Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Operating revenues</b>				
Charges for services	\$ 1,062,265	\$ 41,682	\$ 1,103,947	\$ 1,013,331
Other revenues from operations	20,345	(6,143)	14,202	11,849
<b>Total operating revenues</b>	<b>1,082,610</b>	<b>35,539</b>	<b>1,118,149</b>	<b>1,025,180</b>
<b>Operating expenditures</b>				
Salaries and employee benefits	4,310,907	9,284	4,301,623	4,054,459
Other operating expenditures	2,260,357	291,385	1,968,972	2,019,070
<b>Total operating expenditures</b>	<b>6,571,264</b>	<b>300,669</b>	<b>6,270,595</b>	<b>6,073,529</b>
<b>Operating loss</b>	<b>(5,488,654)</b>	<b>336,208</b>	<b>(5,152,446)</b>	<b>(5,048,349)</b>
<b>Nonoperating revenues (expenditures)</b>				
Interest earned on investments	-	(497)	(497)	3,508
Federal grants	1,479,686	27,298	1,506,984	1,193,896
State grants	696,713	(25,129)	671,584	674,998
Vehicle fee revenue	638,475	(12,520)	625,955	625,282
Interest expense	(1,038)	7	(1,031)	(1,438)
Debt service - principal payment	(19,980)	-	(19,980)	(19,573)
<b>Total nonoperating revenues (expenditures)</b>	<b>2,793,856</b>	<b>(10,841)</b>	<b>2,783,015</b>	<b>2,476,673</b>
<b>Revenues under expenditures</b>	<b>(2,694,798)</b>	<b>325,367</b>	<b>(2,369,431)</b>	<b>(2,571,676)</b>
<b>Other financing sources (uses)</b>				
Transfers in	2,679,798	(319,245)	2,360,553	2,555,640
Proceeds from sale of assets	15,000	(6,122)	8,878	19,017
<b>Total other financing sources (uses)</b>	<b>2,694,798</b>	<b>(325,367)</b>	<b>2,369,431</b>	<b>2,574,657</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,981</b>
<b>Reconciliation of change in net position:</b>				
Total revenues			\$ 6,291,606	\$ 6,097,521
Total expenditures			(6,291,606)	(6,094,540)
<b>Subtotal</b>			<b>-</b>	<b>2,981</b>
Depreciation			(1,068,920)	(941,053)
Net OPEB expense			(89,763)	(109,452)
Change in inventory			12,586	8,284
Decrease (increase) in accrued vacation			6,834	(33,890)
Bad debt expense			(15,206)	(344)
Debt principal payments			19,980	19,573
Unearned revenue			34,238	24,189
Proceeds from sale of assets			(8,878)	(19,017)
Gain (loss) on disposal of assets			8,878	19,017
<b>Subtotal</b>			<b>(1,100,251)</b>	<b>(1,032,693)</b>
<b>Change in net position</b>			<b>\$ (1,100,251)</b>	<b>\$ (1,029,712)</b>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of  
Transit Capital Project Fund

From Inception and for Year Ended June 30, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Federal grants	\$ 21,452,720	\$ 9,085,486	\$ -	\$ 1,619,620	\$ 10,705,106
State grants	1,348,905	970,747	-	183,062	1,153,809
Miscellaneous	-	43,000	-	-	43,000
<b>Total revenues</b>	<b>22,801,625</b>	<b>10,099,233</b>	<b>-</b>	<b>1,802,682</b>	<b>11,901,915</b>
<b>Expenditures</b>					
FTA Capital 0327	940,000	869,326	-	70,673	939,999
FTA Capital 0406	270,415	255,531	-	12,924	268,455
FTA Capital 0425	387,000	384,841	-	2,158	386,999
FTA Capital 0444	-	-	-	-	-
FTA Capital 04.0027	1,880,844	1,873,962	-	6,831	1,880,793
Multi-Modal Center (no grant)	372,144	279,042	-	87,976	367,018
FTA Capital 0457	203,422	203,420	-	-	203,420
NCDOT Capital 09-AT-004	419,012	394,084	-	18,504	412,588
FTA Capital 0464	811,667	634,137	-	156,601	790,738
Improvements & Enhancements (no grant)	466,909	347,361	-	53,263	400,624
New Freedom Sidewalks FY11	200,000	198,281	-	1,646	199,927
Transit Multimodal Center Land	1,662,307	1,174,406	-	333,108	1,507,514
FTA Capital 90.469	3,348,926	1,931,964	-	368,679	2,300,643
New Freedom Sidewalks FY12	145,426	-	-	136,991	136,991
FTA Capital 90.514	2,777,441	-	-	900,706	900,706
FTA 04 0055 Multimodal Transit Center	10,018,750	-	-	-	-
FTA 04.0054 Veterans Website	38,900	-	-	-	-
ARRA Capital 06.002	3,129,010	2,959,662	-	12,901	2,972,563
<b>Total expenditures</b>	<b>27,072,173</b>	<b>11,506,017</b>	<b>-</b>	<b>2,162,961</b>	<b>13,668,978</b>
<b>Revenues over (under) expenditures</b>	<b>(4,270,548)</b>	<b>(1,406,784)</b>	<b>-</b>	<b>(360,279)</b>	<b>(1,767,063)</b>
<b>Other financing sources (uses)</b>					
Proceeds from the sale of assets	-	23,592	-	-	23,592
Transfers in	4,270,548	2,051,311	-	2,152,645	4,203,956
<b>Total other financing sources (uses)</b>	<b>4,270,548</b>	<b>2,074,903</b>	<b>-</b>	<b>2,152,645</b>	<b>4,227,548</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 668,119</b>	<b>\$ -</b>	<b>\$ 1,792,366</b>	<b>\$ 2,460,485</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				\$ 1,792,366	
Capital outlay				2,162,959	
Non-capitalizable items				(99,627)	
<b>Change in net position</b>				<b>\$ 3,855,698</b>	

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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Intergovernmental					
Federal grants	\$ 1,441,506	\$ 776,770	\$ -	\$ 157,003	\$ 933,773
State grants	178,243	97,095	-	19,623	116,718
Total intergovernmental	<u>1,619,749</u>	<u>873,865</u>	<u>-</u>	<u>176,626</u>	<u>1,050,491</u>
Total revenues	<u>1,619,749</u>	<u>873,865</u>	<u>-</u>	<u>176,626</u>	<u>1,050,491</u>
<b>Expenditures</b>					
Current					
Transportation	1,797,993	970,963	-	196,253	1,167,216
Total expenditures	<u>1,797,993</u>	<u>970,963</u>	<u>-</u>	<u>196,253</u>	<u>1,167,216</u>
Revenues over (under) expenditures	<u>(178,244)</u>	<u>(97,098)</u>	<u>-</u>	<u>(19,627)</u>	<u>(116,725)</u>
<b>Other financing sources (uses)</b>					
Transfers in	178,244	148,244	-	30,000	178,244
Total other financing sources (uses)	<u>178,244</u>	<u>148,244</u>	<u>-</u>	<u>30,000</u>	<u>178,244</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 51,146</u>	<u>\$ -</u>	<u>\$ 10,373</u>	<u>\$ 61,519</u>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				<u>\$ 10,373</u>	
Change in net position				<u>\$ 10,373</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project  
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Expenditures by project:</b>					
<b>Transportation</b>					
FTA 90.2406	\$ 292,300	\$ 290,281	\$ -	\$ 2,019	\$ 292,300
FTA 90.2425	181,750	180,606	-	1,144	181,750
FTA 90.2453	300,000	280,225	-	11,372	291,597
FTA 90.2464	273,236	190,971	-	55,180	246,151
FTA 90.2469	235,147	28,880	-	57,307	86,187
FTA 90.2514	500,000	-	-	69,231	69,231
FTA 26.0008	15,560	-	-	-	-
<b>Total transportation</b>	<u>1,797,993</u>	<u>970,963</u>	<u>-</u>	<u>196,253</u>	<u>1,167,216</u>
<b>Total expenditures by project</b>	<u>\$ 1,797,993</u>	<u>\$ 970,963</u>	<u>\$ -</u>	<u>\$ 196,253</u>	<u>\$ 1,167,216</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
(With Comparative Actual Amounts for Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Operating revenues</b>				
Charges for services	\$ 4,076,051	\$ 46,660	\$ 4,122,711	\$ 4,173,705
Other revenues from operations	162,220	9,111	171,331	172,997
<b>Total operating revenues</b>	<u>4,238,271</u>	<u>55,771</u>	<u>4,294,042</u>	<u>4,346,702</u>
<b>Operating expenditures</b>				
Salaries and employee benefits	1,315,984	43,378	1,272,606	1,250,562
Other operating expenditures	2,194,052	683,412	1,510,640	1,458,732
Capital outlay	294,605	75,325	219,280	324,239
<b>Total operating expenditures</b>	<u>3,804,641</u>	<u>802,115</u>	<u>3,002,526</u>	<u>3,033,533</u>
<b>Operating income (loss)</b>	<u>433,630</u>	<u>857,886</u>	<u>1,291,516</u>	<u>1,313,169</u>
<b>Nonoperating revenues</b>				
Interest earned on investments	19,500	(24,295)	(4,795)	20,633
Miscellaneous	84,297	104,015	188,312	83,769
Federal and State grants	133,687	(20,799)	112,888	138,131
<b>Total nonoperating revenues</b>	<u>237,484</u>	<u>58,921</u>	<u>296,405</u>	<u>242,533</u>
<b>Nonoperating expenditures</b>				
Public safety reimbursements	439,600	1,107	438,493	437,664
<b>Total nonoperating expenditures</b>	<u>439,600</u>	<u>1,107</u>	<u>438,493</u>	<u>437,664</u>
<b>Revenues over (under) expenditures</b>	<u>231,514</u>	<u>917,914</u>	<u>1,149,428</u>	<u>1,118,038</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	-	716	716	5,552
Transfers in	-	16,502	16,502	21,034
Transfers out	(755,933)	307,152	(448,781)	(1,164,424)
Appropriated fund balance	524,419	(524,419)	-	-
<b>Total other financing sources (uses)</b>	<u>(231,514)</u>	<u>(200,049)</u>	<u>(431,563)</u>	<u>(1,137,838)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 717,865</u>	<u>\$ 717,865</u>	<u>\$ (19,800)</u>
<b>Reconciliation of change in net position</b>				
Total revenues			\$ 4,607,665	\$ 4,615,821
Total expenditures			3,889,800	4,635,621
Subtotal			<u>717,865</u>	<u>(19,800)</u>
Depreciation			(2,744,928)	(2,067,009)
Change in accrued vacation			(18,414)	6,351
Change in inventory			472	(1,662)
Capital outlay			219,280	324,239
Proceeds from sale of assets			(716)	(5,552)
Gain (loss) on disposal of assets			716	5,552
Bad debt expense			(2,764)	(15,904)
Net OPEB expense			(26,242)	(33,828)
Subtotal			<u>(2,572,596)</u>	<u>(1,787,813)</u>
<b>Change in net position</b>			<u>\$ (1,854,731)</u>	<u>\$ (1,807,613)</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, 2013

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Federal grants	\$ 20,716,027	\$ 19,536,339	\$ 7,321,241	\$ 5,998,873	\$ 18,213,971
State grants	953,166	854,881	-	67,254	922,135
Passenger facility charges	458,990	3,548,586	1,080,589	512,646	2,980,643
Investment income	88,303	339,731	-	(3,746)	335,986
<b>Total revenues</b>	<b>22,216,486</b>	<b>24,279,537</b>	<b>8,401,830</b>	<b>6,575,027</b>	<b>22,452,734</b>
<b>Expenditures</b>					
AIP-30 Loop, Building, Beacon	3,558,021	3,340,963	-	-	3,340,963
AIP-32 Airport Improvement Projects	-	716,870	716,870	-	-
West GA Ramp Rehabilitation	746,378	720,983	-	-	720,983
Taxiway A Rehabilitation	206,710	-	-	-	-
AIP-35 ARFF Rehabilitation and AIP-36 Local Match/Future Projects	1,693,090	1,509,298	-	-	1,509,298
AIP-34 Runway 4/22 Rehabilitation	-	6,987,132	6,987,132	-	-
Tree Clearing Runways 10 & 4	282,619	198,809	-	74,726	273,535
Taxiway A, C, D, F Rehabilitation	7,173,777	6,264,557	-	146,031	6,410,588
ARFF Airport Vehicle	-	695,261	695,261	-	-
AIP-38 Apron Rehab, Taxiway	5,243,379	1,735,931	-	2,928,424	4,664,355
AIP-39 Improve Runway Safety	4,525,239	-	-	3,357,644	3,357,644
Renovation of Airport Parking	1,542,969	1,435,739	-	12,656	1,448,395
Jetbridge 4 Replacement	489,500	467,917	-	2,417	470,334
Stormdrain Pipe Installation	115,000	2,600	-	-	2,600
GA Fence Replacement	175,000	-	-	-	-
North GA Parking	165,000	-	-	-	-
Runway 4 Safety Area FAA Reimbursement	71,779	-	-	71,779	71,779
<b>Total expenditures</b>	<b>26,337,461</b>	<b>24,076,060</b>	<b>8,399,263</b>	<b>6,593,677</b>	<b>22,270,474</b>
<b>Revenues over (under) expenditures</b>	<b>(4,120,975)</b>	<b>203,477</b>	<b>2,567</b>	<b>(18,650)</b>	<b>182,260</b>
<b>Other financing sources (uses)</b>					
Transfers in	4,192,733	3,996,797	7,950	448,781	4,437,628
Transfers out	(100,042)	(94,056)	(10,517)	(16,503)	(100,042)
Proceeds from sale of assets	28,284	28,284	-	-	28,284
<b>Total other financing sources (uses)</b>	<b>4,120,975</b>	<b>3,931,025</b>	<b>(2,567)</b>	<b>432,278</b>	<b>4,365,870</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 4,134,502</b>	<b>\$ -</b>	<b>\$ 413,628</b>	<b>\$ 4,548,130</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Excess of revenues over expenditures				\$ 413,628	
Capital outlay				6,593,677	
Non-capitalizable items				(71,779)	
<b>Change in net position</b>				<b>\$ 6,935,527</b>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Solid Waste Recycling Fund

Year Ended June 30, 2013  
(With Comparative Actual Amounts for Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Operating revenues</b>				
Charges for services	\$ 2,290,900	\$ 4,916	\$ 2,295,816	\$ 2,273,708
Other revenue from operations	9,000	69	9,069	8,915
<b>Total operating revenues</b>	<u>2,299,900</u>	<u>4,985</u>	<u>2,304,885</u>	<u>2,282,623</u>
<b>Operating expenditures</b>				
Personnel	30,521	2,645	27,876	20,824
Other operating expenditures	2,278,638	124,961	2,153,677	2,119,145
Capital outlay	-	-	-	37,480
<b>Total operating expenditures</b>	<u>2,309,159</u>	<u>127,606</u>	<u>2,181,553</u>	<u>2,177,449</u>
<b>Operating income (loss)</b>	<u>(9,259)</u>	<u>132,591</u>	<u>123,332</u>	<u>105,174</u>
<b>Nonoperating revenues (expenditures)</b>				
County revenue	301,500	(250)	301,250	299,525
Miscellaneous	94,800	22,661	117,461	168,323
Interest earned on investments	4,600	(6,193)	(1,593)	7,438
<b>Nonoperating revenues (expenditures)</b>	<u>400,900</u>	<u>16,218</u>	<u>417,118</u>	<u>475,286</u>
<b>Revenues over (under) expenditures</b>	<u>391,641</u>	<u>148,809</u>	<u>540,450</u>	<u>580,460</u>
<b>Other financing sources (uses)</b>				
Transfers out	(391,641)	-	(391,641)	(427,245)
<b>Total other financing sources (uses)</b>	<u>(391,641)</u>	<u>-</u>	<u>(391,641)</u>	<u>(427,245)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 148,809</u>	<u>\$ 148,809</u>	<u>\$ 153,215</u>
<b>Reconciliation of change in net position</b>				
Total revenues			\$ 2,722,003	\$ 2,757,909
Total expenditures			2,573,194	2,604,694
<b>Subtotal</b>			<u>148,809</u>	<u>153,215</u>
Depreciation			(7,496)	(3,748)
Decrease (increase) in accrued vacation			121	(757)
Net OPEB expense			(685)	(676)
Unearned revenue			(490)	2,395
Capital outlay			-	37,480
<b>Subtotal</b>			<u>(8,550)</u>	<u>34,694</u>
<b>Change in net position</b>			<u>\$ 140,259</u>	<u>\$ 187,909</u>

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## 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
- PWC Fleet Maintenance 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

Combining Balance Sheet  
Internal Service Funds  
June 30, 2013

	Insurance Fund	PWC Fleet Maintenance Fund	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and investments	\$ 20,313,197	\$ -	\$ 20,313,197
Accounts receivable	31,573	837,344	868,917
Interfund receivable	-	848,038	848,038
Prepaid expenses	313,092	-	313,092
<b>Total current assets</b>	<u>20,657,862</u>	<u>1,685,382</u>	<u>22,343,244</u>
<b>Noncurrent assets</b>			
Capital assets	-	2,023,701	2,023,701
<b>Total noncurrent assets</b>	<u>-</u>	<u>2,023,701</u>	<u>2,023,701</u>
<b>Total assets</b>	<u>\$ 20,657,862</u>	<u>\$ 3,709,083</u>	<u>\$ 24,366,945</u>
<b>Liabilities and net position</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 2,946,087	\$ 683,224	\$ 3,629,311
Current portion of long-term debt	3,518	111,218	114,736
<b>Total current liabilities</b>	<u>2,949,605</u>	<u>794,442</u>	<u>3,744,047</u>
<b>Noncurrent liabilities</b>			
Net OPEB obligation	72,494	391,314	463,808
Unearned revenues	12,705	-	12,705
Long-term debt	-	48,491	48,491
<b>Total noncurrent liabilities</b>	<u>85,199</u>	<u>439,805</u>	<u>525,004</u>
<b>Total liabilities</b>	<u>3,034,804</u>	<u>1,234,247</u>	<u>4,269,051</u>
<b>Net position</b>			
Net investment in capital assets	-	2,023,701	2,023,701
Unrestricted net position	17,623,058	451,135	18,074,193
<b>Total net position</b>	<u>17,623,058</u>	<u>2,474,836</u>	<u>20,097,894</u>
<b>Total liabilities and net position</b>	<u>\$ 20,657,862</u>	<u>\$ 3,709,083</u>	<u>\$ 24,366,945</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
Year Ended June 30, 2013

	Insurance Fund	PWC Fleet Maintenance Fund	Total
<b>Operating revenues</b>			
Other revenue from operations	\$ 449,936	\$ 7,921,271	\$ 8,371,207
Interfund charges and employee contributions	15,410,985	-	15,410,985
Miscellaneous operating revenues	-	5,021	5,021
Total operating revenues	<u>15,860,921</u>	<u>7,926,292</u>	<u>23,787,213</u>
<b>Operating expenses</b>			
Salaries and employee benefits	295,778	-	295,778
Other operating expenses	14,553,196	7,826,061	22,379,257
Depreciation	-	144,101	144,101
Total operating expenses	<u>14,848,974</u>	<u>7,970,162</u>	<u>22,819,136</u>
<b>Operating income (loss)</b>	<u>1,011,947</u>	<u>(43,870)</u>	<u>968,077</u>
<b>Nonoperating revenue (expense)</b>			
Interest earned on investments	(20,262)	-	(20,262)
Miscellaneous revenue	8,628	-	8,628
Gain (loss) on disposal of capital assets	-	1,412	1,412
Total nonoperating revenue (expense)	<u>(11,634)</u>	<u>1,412</u>	<u>(10,222)</u>
<b>Income (loss) before transfers and contributions</b>	<u>1,000,313</u>	<u>(42,458)</u>	<u>957,855</u>
Transfers in	487,303	42,458	529,761
<b>Change in net position</b>	<u>1,487,616</u>	<u>-</u>	<u>1,487,616</u>
<b>Total net position - beginning</b>	<u>16,135,442</u>	<u>2,474,836</u>	<u>18,610,278</u>
<b>Total net position - ending</b>	<u>\$ 17,623,058</u>	<u>\$ 2,474,836</u>	<u>\$ 20,097,894</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2013

	Insurance Fund	PWC Fleet Maintenance Fund	Total
<b>Operating activities</b>			
Cash received from customers	\$ 15,405,844	\$ 8,456,029	\$ 23,861,873
Cash received from insurance reimbursements	449,936	-	449,936
Cash paid to or on behalf of employees for services	(292,356)	(2,302,441)	(2,594,797)
Cash paid for goods and services	(14,154,463)	(6,158,098)	(20,312,561)
Net cash provided by (used in) operating activities	<u>1,408,761</u>	<u>(4,508)</u>	<u>1,404,253</u>
<b>Noncapital financing activities</b>			
Transfers in	487,303	42,458	529,761
Net cash provided (used) by noncapital financing activities	<u>487,303</u>	<u>42,458</u>	<u>529,761</u>
<b>Capital and related financing activities</b>			
Proceeds from sale of assets	-	2,983	2,983
Acquisition and construction of capital assets	-	(40,933)	(40,933)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(37,950)</u>	<u>(37,950)</u>
<b>Investing activities</b>			
Interest and dividends	(20,262)	-	(20,262)
Net cash provided (used) by investing activities	<u>(20,262)</u>	<u>-</u>	<u>(20,262)</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>1,875,802</u>	<u>-</u>	<u>1,875,802</u>
<b>Cash and cash equivalents/investments</b>			
Beginning of year	18,437,395	-	18,437,395
End of year	<u>\$ 20,313,197</u>	<u>\$ -</u>	<u>\$ 20,313,197</u>
Cash and cash equivalents	<u>\$ 20,313,197</u>	<u>\$ -</u>	<u>\$ 20,313,197</u>
Total cash and cash equivalents/investments	<u>\$ 20,313,197</u>	<u>\$ -</u>	<u>\$ 20,313,197</u>
Unrestricted cash and cash equivalents/investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and cash equivalents/investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 1,011,947	\$ (43,870)	\$ 968,077
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	144,101	144,101
Nonoperating receipts from customers	8,628	-	8,628
Gain (loss) on sale of capital assets	-	-	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(15,842)	529,737	513,895
(Increase) decrease in prepaid items	73,035	-	73,035
(Increase) decrease in internal balances	-	(1,021,702)	(1,021,702)
(Increase) decrease in accounts payable and accrued liabilities	325,698	371,062	696,760
(Increase) decrease in accrued compensated absences	(2,925)	16,164	13,239
(Increase) decrease in unearned revenues	1,873	-	1,873
(Increase) decrease in Net OPEB Obligation	6,347	-	6,347
Net cash provided by (used in) operating activities	<u>\$ 1,408,761</u>	<u>\$ (4,508)</u>	<u>\$ 1,404,253</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2013  
(With Comparative Actual Amounts for Year Ended June 30, 2012)

	Budget	Variance Positive (Negative)	2013 Actual	2012 Actual
<b>Operating revenues</b>				
Other revenues from operations	\$ 122,500	\$ 327,436	\$ 449,936	\$ 1,092,686
Interfund charges and employee contributions	15,944,425	(533,440)	15,410,985	15,149,692
<b>Total operating revenues</b>	<u>16,066,925</u>	<u>(206,004)</u>	<u>15,860,921</u>	<u>16,242,378</u>
<b>Operating expenditures</b>				
Salaries and employee benefits	304,251	11,895	292,356	283,793
Other operating expenditures	16,499,252	2,072,884	14,426,368	14,381,153
<b>Total operating expenditures</b>	<u>16,803,503</u>	<u>2,084,779</u>	<u>14,718,724</u>	<u>14,664,951</u>
<b>Operating income (loss)</b>	<u>(736,578)</u>	<u>1,878,775</u>	<u>1,142,197</u>	<u>1,577,427</u>
<b>Nonoperating revenues (expenditures)</b>				
Interest earned on investments	86,100	(106,362)	(20,262)	90,816
Miscellaneous	-	8,628	8,628	2,279
<b>Total nonoperating revenues (expenditures)</b>	<u>86,100</u>	<u>(97,734)</u>	<u>(11,634)</u>	<u>93,095</u>
<b>Revenues over (under) expenditures</b>	<u>(650,478)</u>	<u>1,781,041</u>	<u>1,130,563</u>	<u>1,670,522</u>
<b>Other financing sources (uses)</b>				
Transfers in	487,303	-	487,303	500,183
Appropriated fund balance	163,175	(163,175)	-	-
<b>Total other financing sources (uses)</b>	<u>650,478</u>	<u>(163,175)</u>	<u>487,303</u>	<u>500,183</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 1,617,866</u>	<u>\$ 1,617,866</u>	<u>\$ 2,170,705</u>
<b>Reconciliation to change in net position:</b>				
Total revenues			\$ 16,336,590	\$ 16,835,656
Total expenditures			14,718,724	14,664,951
Subtotal			<u>1,617,866</u>	<u>2,170,705</u>
Decrease (increase) in accrued vacation			2,925	950
Change in net OPEB expense			(6,347)	(8,278)
Decrease (increase) in insurance liability			(126,828)	30,389
Subtotal			<u>(130,250)</u>	<u>23,061</u>
<b>Change in net position</b>			<u>\$ 1,487,616</u>	<u>\$ 2,193,766</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -  
PWC Fleet Maintenance Fund

Year ended June 30, 2013  
(with comparative actual amounts for the period ended June 30, 2012)

	2013		2013 Actual	2012 Actual
	Budget	Variance Positive (Negative)		
<b>Revenues</b>				
<b>Operating revenues</b>				
City services	\$ 5,171,100	\$ 536,806	\$ 5,707,906	\$ 5,404,382
PWC services	2,353,600	(145,652)	2,207,948	2,037,760
Other revenue	-	10,438	10,438	3,987
<b>Total operating revenues</b>	<u>7,524,700</u>	<u>401,592</u>	<u>7,926,292</u>	<u>7,446,129</u>
<b>Non-operating revenues</b>				
Gain (loss) on asset disposal	-	1,412	1,412	16,334
<b>Total non-operating revenues</b>	<u>-</u>	<u>1,412</u>	<u>1,412</u>	<u>16,334</u>
<b>Transfers in</b>				
Transfers from Electric Fund	280,000	(280,000)	-	-
<b>Total transfers-in</b>	<u>280,000</u>	<u>(280,000)</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>\$ 7,804,700</u>	<u>\$ 123,004</u>	<u>\$ 7,927,704</u>	<u>\$ 7,462,463</u>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
Fleet maintenance	\$ 7,524,700	\$ 228,916	\$ 7,753,616	\$ 7,294,577
<b>Total operating expenditures</b>	<u>7,524,700</u>	<u>228,916</u>	<u>7,753,616</u>	<u>7,294,577</u>
<b>Budgetary appropriations</b>				
Capital outlay	280,000	(280,000)	-	-
<b>Total budgetary appropriations</b>	<u>280,000</u>	<u>(280,000)</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 7,804,700</u>	<u>\$ (51,084)</u>	<u>\$ 7,753,616</u>	<u>\$ 7,294,577</u>
<b>Reconciliation of changes in net position</b>				
Total revenues		\$ 123,004	\$ 7,927,704	\$ 7,462,463
Total expenditures		(51,084)	7,753,616	7,294,577
<b>Subtotal</b>		<u>\$ 174,088</u>	<u>174,088</u>	<u>167,886</u>
<b>Reconciling items:</b>				
Budgetary appropriations			42,458	594,334
Depreciation			(144,101)	(124,727)
OPEB expense			(72,445)	(43,159)
<b>Total reconciling items</b>			<u>(174,088)</u>	<u>426,448</u>
<b>Change in net position</b>			<u>\$ -</u>	<u>\$ 594,334</u>



CITY OF FAYETTEVILLE, NORTH CAROLINA

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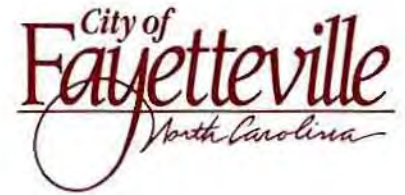
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Fiduciary Funds



- Pension Trust Funds
- Private-Purpose Trust Funds

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

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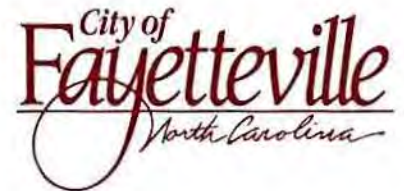
# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Trust 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:

- Pension Trust Funds
  - Special Separation Allowance Trust Fund
- Private-Purpose Trust Funds
  - Police Benefit Trust Fund
  - Firemen's Relief Trust Fund

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Position  
Pension Trust Fund  
June 30, 2013

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	<u>Special Separation Allowance Pension Trust Fund</u>
<b>Assets</b>	
Cash and investments	
Cash and cash equivalents	\$ 2,720,918
Total cash and investments	<u>2,720,918</u>
Accounts receivable	963
Total assets	<u>2,721,881</u>
<b>Liabilities</b>	
Other liabilities	-
Accounts payable	37,377
Total liabilities	<u>37,377</u>
<b>Net position</b>	
Held in Trust for:	
Pension benefits	2,684,504
Total net position	<u>\$ 2,684,504</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position  
Pension Trust Fund  
Year Ended June 30, 2013

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	<u>Special Separation Allowance Pension Trust Fund</u>
<b>Additions</b>	
Employer contributions	\$ 734,796
Investment earnings	<u>(2,948)</u>
Total additions	<u>731,848</u>
<b>Deductions</b>	
Benefit payments and premiums	<u>619,426</u>
Total deductions	<u>619,426</u>
Change in net position	112,422
Total net position - beginning	<u>2,572,082</u>
Total net position - ending	<u>\$ 2,684,504</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Position  
 Private-purpose Trust Funds  
 June 30, 2013

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 334	\$ 1,374,210	\$ 1,374,544
Accounts receivable	-	2,545	2,545
Total assets	<u>334</u>	<u>1,376,755</u>	<u>1,377,089</u>
<b>Liabilities</b>			
<b>Net position</b>			
Held in Trust for benefits and other purposes	334	1,376,755	1,377,089
Total net position	<u>\$ 334</u>	<u>\$ 1,376,755</u>	<u>\$ 1,377,089</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Net Position  
 Private-purpose Trust Funds  
 Year Ended June 30, 2013

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
<b>Additions</b>			
Contributions	\$ -	\$ 113,856	\$ 113,856
Investment earnings	(1)	8,141	8,140
Total additions	<u>(1)</u>	<u>121,997</u>	<u>121,996</u>
<b>Deductions</b>			
Benefit payments and premiums	-	123,407	123,407
Total deductions	<u>-</u>	<u>123,407</u>	<u>123,407</u>
Change in net position	(1)	(1,410)	(1,411)
Total net position - beginning	<u>335</u>	<u>1,378,165</u>	<u>1,378,500</u>
Total net position - ending	<u>\$ 334</u>	<u>\$ 1,376,755</u>	<u>\$ 1,377,089</u>

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Other Supplemental Financial Data



Other supplemental data is presented to provide a more detailed view of the current tax levy and taxes receivable.

These schedules are not funds and do not measure results of operations.



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

Year Ended June 30, 2013

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
General Fund	\$ 13,562,826,623	\$ 0.456	\$ 61,848,489	\$ 55,713,682	\$ 6,132,827
General Fund Deferred Property Taxes <sup>(a)</sup>	408,472	0.000	-	-	-
<b>Late Listing Penalties:</b>					
General Fund			44,920	44,920	-
Subtotal			<u>61,891,409</u>	<u>55,758,582</u>	<u>6,132,827</u>
<b>Discoveries:</b>					
General Fund	1,351,071,169	0.456	6,160,885	6,130,523	30,362
General Fund <sup>(b)</sup>	54,293,866	0.456	247,580	247,580	-
<b>Late Listing Penalties:</b>					
General Fund			90,691	90,691	-
Subtotal			<u>6,499,156</u>	<u>6,468,794</u>	<u>30,362</u>
<b>Releases</b>					
General Fund	(1,424,540,982)	0.456	(6,496,907)	(5,883,627)	(512,280)
General Fund <sup>(b)</sup>	(2,590)	0.456	(12)	(12)	-
<b>Late Listing Penalties:</b>					
General Fund			(25,254)	(25,254)	-
Subtotal			<u>(6,521,173)</u>	<u>(6,008,893)</u>	<u>(512,280)</u>
<b>Adjusted Tax Levy</b>			<u>61,869,392</u>	<u>58,218,483</u>	<u>5,650,909</u>
<b>Uncollected Current Year Taxes at 6/30/2013</b>			<u>(1,525,890)</u>	<u>(423,461)</u>	<u>(1,102,429)</u>
<b>City-wide Current Year's Taxes Collected</b>			<u>\$ 60,343,502</u>	<u>\$ 55,795,022</u>	<u>\$ 4,548,480</u>
<b>City-wide Current Levy Collection Percentage</b>			<u>97.53%</u>	<u>99.25%</u>	<u>80.49%</u>

(a) Pursuant to N.C.G.S. 105-277.1B, properties subject to tax deferral under the Property Tax Homestead Circuit Breaker.

(b) Pro-rated valuation of 3/12ths of taxable value for properties annexed for the period April, May and June, 2012

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2013

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions &amp; Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2013</u>
2013	\$ -	\$ 61,869,392	\$ 60,343,502	\$ 1,525,890
2012	1,397,889	(108,708)	934,564	354,617
2011	335,292	(9,269)	61,280	264,743
All Prior	1,744,458	(153,979)	65,181	1,525,298
	<u>3,477,639</u>	<u>\$ 61,597,436</u>	<u>\$ 61,404,527</u>	<u>3,670,548</u>
Less: Allowance for Uncollectible Taxes General Fund	(747,527)			(762,649)
	<u>\$ 2,730,112</u>			<u>\$ 2,907,899</u>
General Fund Taxes Receivable				\$ 3,239,535
Less: CBTD Taxes Receivable				(7,177)
Less: Vehicle License Fee Receivable				(323,358)
Less: Lake Valley Dr MSD				(1,101)
General Fund Ad Valorem Taxes Receivable				<u>\$ 2,907,899</u>

Reconciliations of collections and credit  
with revenues

Ad Valorem Taxes per the fund financial statements	\$ 61,873,098
Less Penalties & Interest	(283,413)
Less Taxes - CBTD	(129,248)
Less Taxes - Lake Valley Dr MSD	(55,910)
Less Barred by Statute	-
General Fund Ad Valorem Taxes	<u>\$ 61,404,527</u>

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

## Statistical Section

*City of*  
**Fayetteville**  
*North Carolina*

**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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities</b>										
Investment in capital assets	\$ 252,737,261	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848	\$ 349,628,675	\$ 350,685,197	\$ 346,285,486	\$ 348,741,323
Restricted for:										
Capital projects	2,369,817	2,446,529	2,702,713	3,525,148	1,047,622	-	-	35,832,753	26,200,123	27,136,010
Other purposes	-	-	-	-	1,883,445	1,895,171	3,225,781	-	-	-
Grant compliance	60,110,584	63,005,016	69,369,779	73,912,222	70,335,914	72,912,216	69,873,837	37,909,248	43,633,514	40,944,759
Unrestricted	\$ 315,217,642	\$ 328,509,314	\$ 423,242,660	\$ 430,845,149	\$ 427,749,747	\$ 425,857,235	\$ 422,728,293	\$ 432,407,196	\$ 416,099,103	\$ 416,822,002
<b>Total governmental activities net position</b>										
Business-type activities										
Investment in capital assets	\$ 384,130,802	\$ 426,046,564	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726	\$ 572,740,121	\$ 612,211,243	\$ 635,244,018	\$ 669,186,547
Restricted for:										
Capital projects	10,953,452	512,536	527,965	420,040	2,075,219	943,384	806,982	1,701,371	1,958,397	1,824,246
Debt service	8,968,444	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723
Other purposes	-	-	-	-	-	-	-	-	-	-
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	71,918,803	73,155,311	97,857,374	121,366,653	122,189,894	148,697,773	162,197,819	186,407,794	259,396,012	248,376,752
<b>Total business-type activities net position</b>	\$ 476,007,501	\$ 500,534,044	\$ 531,384,248	\$ 581,840,313	\$ 630,228,012	\$ 673,906,806	\$ 735,786,180	\$ 800,421,798	\$ 895,609,379	\$ 919,428,268
<b>Primary Government</b>										
Investment in capital assets	\$ 638,874,063	\$ 689,106,333	\$ 783,560,557	\$ 812,645,328	\$ 860,424,203	\$ 875,322,574	\$ 922,368,796	\$ 970,876,440	\$ 961,509,484	\$ 1,017,907,870
Restricted for:										
Capital projects	10,953,452	512,536	527,965	420,040	3,122,841	943,384	806,982	1,761,371	1,958,397	1,824,246
Debt service	8,968,444	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723
Other purposes	2,369,817	2,446,529	2,702,713	3,525,148	1,883,445	1,895,171	3,225,781	35,832,753	26,200,123	27,136,010
Grant compliance	-	-	-	-	1,883,445	1,895,171	3,225,781	-	-	-
Unrestricted	132,020,387	136,160,327	167,027,153	195,278,875	192,535,808	221,609,889	242,071,658	224,317,040	302,999,526	269,321,511
<b>Total primary government net position</b>	\$ 791,225,143	\$ 829,043,356	\$ 954,926,908	\$ 1,012,865,482	\$ 1,057,977,759	\$ 1,099,763,841	\$ 1,190,514,473	\$ 1,232,828,984	\$ 1,312,708,482	\$ 1,336,250,360

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental Activities										
Administration	\$ 10,560,627	\$ 11,641,655	\$ 13,268,565	\$ 19,032,872	\$ 19,090,722	\$ 17,815,439	\$ 19,932,088	\$ 20,792,610	\$ 21,677,385	\$ 22,721,662
Public safety	43,692,505	47,285,832	52,752,676	56,605,521	63,458,091	64,355,111	72,108,589	70,903,587	72,118,645	72,692,847
Environmental protection	8,871,462	7,514,882	9,940,477	11,000,841	12,126,391	12,048,837	11,098,182	14,636,753	8,360,933	8,100,683
Transportation	13,846,642	14,919,733	17,115,971	18,702,014	20,396,537	18,985,600	20,281,431	19,233,330	19,948,019	20,294,164
Economic and physical development	4,416,477	5,827,988	5,132,048	1,229,376	4,558,635	4,532,166	5,371,176	9,323,817	5,568,559	6,300,683
Recreation and community facilities	6,134,501	9,305,228	10,501,877	14,020,434	12,113,646	12,880,611	13,117,175	12,992,237	13,450,480	13,502,165
Debt Service:										
Interest and fees	2,542,194	2,541,390	2,766,700	2,621,502	2,051,409	1,981,641	1,893,633	1,585,197	1,464,554	1,157,838
Total governmental activities	90,054,611	98,135,718	111,458,134	123,216,559	133,795,431	132,579,405	143,610,274	149,437,531	142,637,575	144,770,042
Business type activities										
Electric	132,677,111	131,305,788	137,856,324	130,839,305	137,561,749	144,714,714	142,995,626	149,700,921	146,116,831	197,553,706
Water and wastewater	44,147,344	45,275,518	45,659,650	49,623,073	52,767,113	65,163,237	69,053,071	60,743,759	65,169,166	68,876,823
Storm water management*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,225,930
Transit	5,021,030	4,910,142	4,864,135	4,884,528	5,684,011	5,975,160	6,230,449	6,847,471	7,654,911	7,721,077
Airport	3,450,156	3,806,671	3,769,259	4,091,002	3,896,357	4,329,383	4,589,767	4,660,624	5,259,583	6,085,364
Solid waste recycling					1,945,628	1,919,318	1,944,210	1,926,760	2,145,150	2,189,913
Total business-type activities	185,295,681	185,298,110	192,340,968	189,417,936	201,844,859	222,101,812	224,823,123	223,899,535	229,247,158	285,653,143
Total primary government	\$ 275,350,292	\$ 283,433,828	\$ 303,847,502	\$ 312,634,495	\$ 335,640,290	\$ 354,681,217	\$ 368,433,397	\$ 373,337,066	\$ 371,884,733	\$ 430,423,185
<b>Program Revenues</b>										
Governmental Activities										
Administration	\$ 716,892	\$ 728,451	\$ 702,004	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,783	\$ 995,905	\$ 1,024,970	\$ 594,965
Charges for services	5,215	7,501	5,632	32,298	63,268	7,264	30,000	31,141	3,585	16,374
Operating grants and contributions										
Capital grants and contributions										
Public Safety										
Charges for services	2,138,108	2,661,753	4,446,832	3,708,443	3,213,741	3,512,402	3,648,358	3,905,523	4,473,761	4,837,963
Operating grants and contributions	1,345,821	2,489,423	480,476	673,108	309,859	1,111,218	2,784,654	3,889,426	3,078,134	2,422,030
Capital grants and contributions	5,750	514,388	367,540	95,887	45,154	33,802	5,408	560,157	27,563	62,112
Environmental Protection										
Charges for services	66,150	23,856	80,998	40,785	3,416,607	3,484,078	5,321,592	5,313,078	192,595	202,215
Operating grants and contributions				2,259,339	2,303,890	2,330,984	75,000	2,750,040	272,962	24,198
Capital grants and contributions							520,597	281,056	593,228	758,309
Transportation										
Charges for services	1,454,034	1,466,881	537,051	1,224,243	882,698	1,048,358	924,384	1,442,076	1,266,686	1,130,521
Operating grants and contributions	3,920,822	4,254,601	3,833,510	5,710,433	5,954,823	5,545,020	5,509,654	5,217,073	6,311,546	5,426,591
Capital grants and contributions			98,785	13,446	155,400	85,372	96,757	204,583	3,511,719	3,487,233

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

Schedule 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Economic and physical development</i>										
Charges for services	\$ 1,073,627	\$ 715,098	\$ 57,172	\$ -	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138	\$ 512,467
Operating grants and contributions	1,792,478	2,743,680	1,742,468	1,778,840	2,364,282	1,828,540	2,398,848	3,067,922	3,081,017	2,890,716
Capital grants and contributions	1,526,900	2,060,539	2,423,512	1,163,385	339,684	30,913	383,277	503,614	847,788	103
<i>Recreation and community facilities</i>										
Charges for services	438,338	758,482	4,151,275	3,751,071	3,873,021	4,012,612	4,428,944	4,557,373	4,714,656	4,874,495
Operating grants and contributions	107,587	3,572,557	60,388	45,213	56,282	35,844	105,460	123,063	140,384	168,446
Capital grants and contributions	1,162,748	592,963	2,161,508	2,622,609	781,410	1,312,932	2,642,657	10,696,075	2,004,325	695,162
<i>Interest and fees</i>										
Operating grants and contributions	15,755,468	22,988,285	21,148,277	23,919,355	24,515,031	25,255,918	29,755,178	44,179,163	31,272,262	111,724
Total governmental activities programs										
	141,981,920	146,059,329	155,773,020	159,647,302	166,889,655	169,451,426	173,192,801	194,811,519	197,656,327	211,789,791
<i>Business-type activities:</i>										
<i>Electric</i>										
Charges for services	116,185	951,364	178,965	977,641	405,686	1,944,143	1,407,410	1,535,614	371,766	889,398
Operating grants and contributions	45,282,126	47,044,634	51,508,272	54,520,183	57,080,057	64,945,746	75,419,483	68,749,604	70,830,218	71,403,280
Capital grants and contributions	8,029,173	13,900,517	14,125,818	16,730,748	14,452,661	11,599,860	22,835,906	10,618,542	10,780,807	2,914,570
<i>Storm water management</i>										
Charges for services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,183,444	5,247,665
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-
<i>Transit</i>										
Charges for services	842,658	838,084	828,623	801,185	774,345	801,967	839,490	881,454	1,025,180	1,118,149
Operating grants and contributions	1,898,267	1,900,622	2,097,338	1,922,181	2,149,594	2,681,466	2,337,806	2,353,263	2,050,348	2,355,184
Capital grants and contributions	269,732	417,242	63,915	157,381	2,101,418	681,884	1,733,733	3,933,095	3,692,128	1,802,682
<i>Airport</i>										
Charges for services	2,119,754	2,408,129	2,849,836	3,035,265	3,224,170	3,942,522	3,735,652	4,157,463	4,346,702	4,284,042
Operating grants and contributions	14,789	-	-	114,380	146,092	-	1,040,076	144,153	138,131	112,888
Capital grants and contributions	2,002,812	2,418,216	1,145,829	3,565,784	822,403	6,283,746	3,752,877	3,827,485	7,275,532	6,578,773
<i>Solid waste recycling</i>										
Charges for services	-	-	-	-	-	2,521,038	2,758,683	2,274,461	2,285,018	2,304,365
Operating grants and contributions	-	-	-	-	-	283,070	296,121	288,005	299,525	301,250
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program	202,547,427	215,944,187	228,671,714	241,472,031	248,056,301	264,225,868	288,850,168	283,584,628	305,935,126	311,112,078
Total primary government program	\$ 218,302,895	\$ 238,932,472	\$ 249,720,961	\$ 265,391,368	\$ 272,671,332	\$ 289,481,798	\$ 318,605,346	\$ 337,773,791	\$ 337,207,406	\$ 339,847,742
<i>Net (expense)/revenue</i>										
Governmental activities	\$ (74,209,143)	\$ (75,147,433)	\$ (80,348,657)	\$ (95,287,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,056)	\$ (105,258,368)	\$ (111,385,293)	\$ (116,034,378)
Business-type activities	17,251,746	30,648,068	36,222,346	52,054,085	46,211,442	42,124,056	64,027,045	69,686,093	76,687,968	25,458,935
Total primary government net expense	\$ (57,047,397)	\$ (44,501,365)	\$ (54,126,311)	\$ (47,243,109)	\$ (63,068,958)	\$ (65,199,431)	\$ (49,828,011)	\$ (35,563,275)	\$ (34,677,325)	\$ (90,575,443)

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

Schedule 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Ad valorem taxes	\$ 38,485,985	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,318	\$ 55,406,617	\$ 58,518,101	\$ 59,016,748	\$ 60,130,081	\$ 62,087,430
Other taxes	31,127,455	34,023,971	35,863,026	41,307,138	43,193,017	42,524,787	44,482,890	45,850,043	47,167,974	48,752,661
Unrestricted grants and contributions	569,087	571,232	578,491	768,290	801,059	814,901	295,870	789,192	965,944	839,788
Interest earned on investments	507,806	1,752,379	2,327,165	4,050,088	3,704,974	2,212,641	1,157,788	1,379,722	1,174,240	513,652
Miscellaneous	385,105	908,208	169,858	474,945	627,860	885,351	652,055	1,343,836	396,076	1,063,285
Gain on sale of capital assets	8,171,258	8,418,200	162,592	189,853	254,875	240,485	210,072	7,577,732	6,082,634	3,917,802
Transfers			8,601,682	7,150,056	3,307,854	3,366,213	5,409,378			
Special item			89,555,831							
Total governmental activities	79,256,696	85,018,712	185,082,203	106,899,693	106,184,988	105,430,975	110,726,154	114,937,271	116,408,416	117,183,150
Business-type activities										
Other taxes	1,493,186	2,018,035	3,137,307	5,173,828	5,382,197	4,810,234	3,133,521	2,186,769	3,089,310	1,445,865
Interest earned on investments	237,004	280,640	84,287	366,079	90,271	86,058	87,444	247,622	252,092	323,661
Miscellaneous	(8,171,268)	(8,418,200)	7,906	12,318	(3,307,854)	(3,366,213)	(5,409,378)	(7,577,732)	(6,082,634)	(3,917,802)
Transfers					1,643	22,459	40,942	73,866	240,158	1,975,417
Gain on sale of capital assets	702,500		(8,601,682)	(7,150,056)						
Extraordinary item	(5,738,598)	(6,119,525)	(5,372,142)	(1,598,030)	2,176,257	1,554,538	(2,147,471)	(5,059,475)	(1,851,603)	487,334
Total business-type activities	\$ 73,518,128	\$ 78,899,187	\$ 179,710,061	\$ 105,301,683	\$ 108,381,255	\$ 106,985,513	\$ 108,878,683	\$ 108,877,796	\$ 114,556,813	\$ 117,650,484
Total primary government	\$ 4,967,553	\$ 9,871,279	\$ 94,733,346	\$ 7,602,489	\$ (3,095,402)	\$ (1,662,512)	\$ (3,128,942)	\$ 9,678,903	\$ 5,043,123	\$ 1,128,772
Governmental activities	11,513,178	24,528,543	30,850,204	50,459,065	48,387,699	43,676,594	61,878,574	64,635,618	74,836,365	25,946,269
Business-type activities	16,470,731	34,397,922	125,583,550	58,058,554	45,292,297	41,766,082	58,750,832	74,314,521	79,879,488	27,075,041
Total primary government	\$ 28,011,909	\$ 58,926,465	\$ 256,717,300	\$ 108,517,619	\$ 93,679,996	\$ 85,442,676	\$ 120,629,406	\$ 138,950,139	\$ 154,715,853	\$ 53,021,310

\*The 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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Reserved	\$ 13,309,127	\$ 12,567,572	\$ 14,222,851	\$ 19,689,249	\$ 17,226,906	\$ 17,084,934	\$ 17,972,528	\$ -	\$ -	\$ -
Unreserved	28,495,129	31,396,476	29,273,509	26,952,047	35,781,835	27,934,081	28,616,050	160,391	170,322	137,604
Nonspendable	-	-	-	-	-	-	-	18,160,858	18,018,110	19,370,822
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	13,578,711	13,545,829	14,004,183
Unassigned	-	-	-	-	-	-	-	16,807,431	20,181,587	17,551,749
<b>Total General Fund</b>	<b>\$ 41,804,256</b>	<b>\$ 43,964,048</b>	<b>\$ 43,496,760</b>	<b>\$ 49,650,296</b>	<b>\$ 53,008,741</b>	<b>\$ 45,919,015</b>	<b>\$ 46,588,578</b>	<b>\$ 48,707,391</b>	<b>\$ 51,895,848</b>	<b>\$ 51,064,358</b>
<b>Recreational and Cultural Fund<sup>1</sup></b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328,058	\$ 633,469	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	87,800	702,865	-	-	-
Capital Projects	-	-	-	-	-	1,415,858	1,336,334	-	-	-
<b>Total Recreational and Cultural Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,415,858</b>	<b>\$ 1,336,334</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All other governmental funds</b>										
Reserved	\$ 6,991,081	\$ 10,827,524	\$ 8,445,918	\$ 5,285,897	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	2,217,571	2,332,563	2,402,644	3,569,224	3,384,703	2,893,684	3,526,252	-	-	-
Capital Projects	4,213,485	12,668,139	8,842,547	8,024,751	5,148,775	4,691,155	2,510,508	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	17,671,895	8,182,013	7,765,188
Committed	-	-	-	-	-	-	-	9,788,921	5,524,169	6,012,520
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(1,411,539)	(1,055,147)	(595,034)
<b>Total all other governmental funds</b>	<b>\$ 13,422,137</b>	<b>\$ 25,828,226</b>	<b>\$ 19,691,109</b>	<b>\$ 16,870,842</b>	<b>\$ 12,683,843</b>	<b>\$ 17,685,642</b>	<b>\$ 23,743,874</b>	<b>\$ 26,049,277</b>	<b>\$ 12,651,035</b>	<b>\$ 13,182,874</b>

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

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Ad valorem taxes	\$ 36,431,862	\$ 39,622,100	\$ 41,590,885	\$ 58,574,870	\$ 54,765,877	\$ 55,553,012	\$ 58,698,957	\$ 58,087,439	\$ 60,089,069	\$ 61,873,098
Other taxes <sup>1</sup>	32,436,194	34,038,280	35,870,262	43,544,220	48,774,154	9,317,800	8,637,309	9,069,228	4,804,043	4,523,204
Intergovernmental	9,037,443	14,751,881	12,418,414	13,824,511	13,009,887	-	-	-	-	-
Unrestricted intergovernmental <sup>1</sup>	-	-	-	-	-	40,367,061	41,927,788	43,347,716	44,355,828	46,363,857
Restricted intergovernmental <sup>1</sup>	3,925,901	5,003,604	6,015,640	5,475,181	4,893,419	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807
Other functional	-	-	-	-	-	-	-	-	-	-
Permits and fees <sup>1</sup>	-	-	-	-	-	1,886,966	1,880,274	2,824,584	2,757,155	2,933,818
Sales and services <sup>1</sup>	-	-	-	-	-	3,263,932	3,182,815	3,581,895	4,424,754	4,347,871
Miscellaneous	2,386,356	3,903,274	5,117,571	4,543,875	2,820,264	3,108,912	2,837,133	4,186,300	4,254,638	3,543,069
Interest earned on investments	472,368	1,558,697	1,892,615	3,695,228	3,030,672	1,748,164	929,789	538,984	307,465	(42,273)
<b>Total revenues</b>	<b>88,640,124</b>	<b>98,877,836</b>	<b>102,905,496</b>	<b>129,657,485</b>	<b>127,094,073</b>	<b>127,077,085</b>	<b>135,060,027</b>	<b>149,258,387</b>	<b>140,867,657</b>	<b>139,656,451</b>
<b>Expenditures</b>										
Administration	10,685,384	11,600,043	13,235,511	18,261,328	17,796,870	17,473,782	19,865,248	22,269,092	23,463,776	24,004,298
Public safety	41,790,686	44,146,545	50,841,673	56,216,348	57,479,621	60,041,364	65,840,294	65,408,955	66,478,558	68,000,401
Environmental protection	8,605,600	6,500,082	8,970,319	10,075,527	10,439,749	10,328,809	9,493,404	12,859,355	6,650,486	6,386,275
Transportation	4,563,345	4,581,844	4,532,369	7,559,378	7,697,138	6,111,323	7,437,380	6,213,150	6,853,125	6,986,927
Economic and physical development	3,957,976	6,792,621	5,676,733	1,079,198	4,568,228	4,362,581	4,685,441	9,521,505	5,933,527	5,555,167
Recreation and community facilities	5,509,353	8,776,825	9,858,885	13,491,872	10,918,848	11,858,912	12,025,817	11,863,297	12,097,831	11,892,121
Capital outlay	12,201,995	20,236,090	17,185,840	18,409,969	14,848,256	13,030,239	12,383,988	33,839,406	18,586,780	13,595,726
Debt Service										
Principal	5,240,181	6,697,440	8,478,146	9,159,387	8,681,196	8,521,585	9,285,316	6,145,066	6,971,981	6,636,587
Interest and fees	2,508,413	2,262,103	2,956,522	2,724,064	2,081,737	1,965,844	1,528,589	1,487,161	1,539,137	1,312,216
Issuance costs	58,084	368,693	-	-	-	-	131,014	-	-	-
<b>Total expenditures</b>	<b>95,119,217</b>	<b>112,262,066</b>	<b>121,745,998</b>	<b>137,977,272</b>	<b>134,511,641</b>	<b>133,684,439</b>	<b>142,646,501</b>	<b>169,697,017</b>	<b>148,595,208</b>	<b>144,371,718</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,479,093)</b>	<b>(13,384,230)</b>	<b>(18,840,502)</b>	<b>(8,319,787)</b>	<b>(7,417,568)</b>	<b>(6,607,354)</b>	<b>(7,586,474)</b>	<b>(20,348,630)</b>	<b>(7,727,552)</b>	<b>(4,715,267)</b>
<b>Other financing sources (uses)</b>										
Refunding Bonds issued	3,815,605	21,261,589	-	-	-	-	7,896,115	-	-	-
Proceeds from capital leases, bonds and other debt	8,070,428	3,104,407	3,834,415	4,537,000	3,303,940	-	6,560,808	14,857,940	-	-
Transfers in	13,972,839	15,334,209	16,793,410	15,283,819	20,000,451	22,695,465	23,323,681	21,357,058	17,197,216	18,954,192
Transfers out	(5,801,581)	(5,916,009)	(8,391,728)	(8,158,763)	(18,724,377)	(17,007,152)	(17,259,363)	(13,106,802)	(11,614,765)	(15,598,151)
Sale of Capital Assets <sup>1</sup>	(3,788,439)	(6,265,297)	-	-	-	240,972	210,072	328,310	383,380	1,027,375
Payment to refund bond escrow agent	-	-	-	-	-	-	(8,600,308)	-	-	-
Proceeds from loans	-	-	-	-	-	-	1,250,568	-	-	-
Premium on bonds	-	431,212	-	-	-	-	883,131	-	-	-
<b>Total other financing sources (uses)</b>	<b>16,268,852</b>	<b>27,950,111</b>	<b>12,236,097</b>	<b>11,662,056</b>	<b>6,580,014</b>	<b>5,935,285</b>	<b>14,234,745</b>	<b>23,436,512</b>	<b>5,945,831</b>	<b>4,415,410</b>
<b>Net change in fund balances</b>	<b>\$ 7,769,759</b>	<b>\$ 14,565,601</b>	<b>\$ (6,604,405)</b>	<b>\$ 3,342,269</b>	<b>\$ (837,554)</b>	<b>\$ (972,059)</b>	<b>\$ 6,648,271</b>	<b>\$ 3,087,882</b>	<b>\$ (1,761,721)</b>	<b>\$ (299,851)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>9.41%</b>	<b>10.45%</b>	<b>10.94%</b>	<b>10.02%</b>	<b>8.99%</b>	<b>8.68%</b>	<b>8.38%</b>	<b>5.62%</b>	<b>6.56%</b>	<b>6.08%</b>

<sup>1</sup> Beginning fiscal year 2008, 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 <sup>1</sup>	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax <sup>1</sup>	Rental Property Gross Receipts	Consolidated 911 Tax <sup>2</sup>	Total
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	10,178,085	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
2008	54,765,677	31,659,262	8,072,068	635,993	984,727	801,099	491,902	416,176	361,922	98,188,826
2007	58,574,670	30,488,647	6,554,283	623,019	920,196	788,290	1,243,013	391,124	1,064,599	100,647,841
2006	41,590,985	23,457,449	5,602,548	533,750	815,156	578,491	1,918,758	373,114	950,499	75,820,750
2005	39,622,100	22,543,521	5,245,207	469,488	731,719	578,481	1,547,289	344,913	996,840	72,079,558
2004	38,431,862	20,698,993	5,121,788	444,521	684,806	561,588	2,016,045	305,860	1,041,170	69,306,633

<sup>1</sup> 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.

<sup>2</sup> Effective January 1, 2008, separate local and state 911 taxes on wireline and wireless phone services were replaced by a consolidated state 911 fee. Tax revenues reported for fiscal year 2008 and prior reflect the combined total of the previous local and state taxes.

City of Fayetteville, North Carolina  
Revenue Base by Customer Class  
Charges for Services  
Electric Kilowatt Hours Sold  
Last Ten Fiscal Years  
(Unaudited)

Schedule 6

Fiscal Year	Residential	Commercial	Industrial	Lighting	Other	Total	Total Direct Rate		
							Electric		
							Base Rate <sup>a</sup>	Usage Rate <sup>b</sup>	
			first 500 kWh	ea kWh > 500					
2013	\$ 912,090,576	\$ 746,303,677	\$ 281,595,874	\$ 35,189,619	\$ 62,223,142	\$ 2,037,402,888	\$10.80	\$0.0946	\$0.0946
2012	897,373,380	760,894,124	299,989,818	35,420,886	59,706,692	2,053,384,900	10.80	0.0946	0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	10.80	0.0900	0.0977
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	9.90	0.0825	0.0896
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	9.00	0.0750	0.0815
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	9.00	0.0750	0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	9.00	0.0719	0.0794
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	9.00	0.0719	0.0794
2005	865,456,446	743,676,014	376,769,957	27,107,118	54,415,761	2,067,425,296	8.00	0.0710	0.0670
2004	882,688,409	744,796,652	379,140,092	26,154,369	53,410,167	2,086,189,689	8.00	0.0710	0.0670

<sup>a</sup> Rate shown is for Residential Service- basic facilities charge.

<sup>b</sup> Rate shown is for Residential Service-energy charge per kWh.

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

Schedule 7

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property <sup>1</sup>	Less: Tax Exempt Real Property <sup>2</sup>	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio <sup>3</sup>
2013 <sup>4</sup>	\$ 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 <sup>5</sup>	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%
2008	8,432,008,954	1,699,309,481	156,856,864	71,058,615	10,217,116,684	0.530	11,603,736,461	86.00%
2007	8,166,720,922	1,634,081,615	172,573,842	74,375,245	9,899,001,134	0.530	10,853,177,565	89.65%
2006	6,275,715,436	1,431,355,898	138,799,665	65,483,117	7,780,387,882	0.530	8,286,824,738	92.46%
2005	6,119,634,059	1,207,511,007	133,171,846	63,057,620	7,397,259,292	0.530	7,500,121,924	98.33%
2004 <sup>5</sup>	6,022,674,221	1,150,100,683	127,680,027	61,704,378	7,238,750,553	0.530	7,238,750,553	100.00%

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.

<sup>1</sup> 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.

<sup>2</sup> Exempt real estate only.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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 8

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate <sup>2</sup>	Overlapping Rates <sup>1</sup>
				Cumberland County County wide
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
2008	0.530	0.100	-	0.880
2007	0.530	0.100	-	0.880
2006	0.530	0.100	-	0.880
2005	0.530	0.100	-	0.880
2004	0.530	0.100	-	0.880

Source: Cumberland County Tax Office

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

<sup>2</sup> 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 9

Taxpayer	2013 <sup>1</sup>			2004 <sup>2</sup>		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 113,194,500	1	0.84%			
Carolina Telephone	54,129,382	2	0.40%	\$ 58,303,196	2	0.81%
Piedmont Natural Gas Co. Inc.	50,112,011	3	0.37%			
Wal-Mart	39,767,050	4	0.29%			
Westlake at Morganton LLC	28,107,800	5	0.21%			
Hidden Creek Village	24,803,500	6	0.18%			
Independence Place West Fay	24,064,200	7	0.18%			
DDRM Fayetteville Pavilion LLC	23,862,500	8	0.18%			
Eagle Point Village Apartments	22,919,500	9	0.17%			
Fayetteville Publishing Company	22,361,840	10	0.17%	25,797,553	5	0.36%
Cumberland Associates				72,650,500	1	1.00%
UDRT of North Carolina				30,953,800	3	0.43%
NC Natural Gas Corporation				29,228,070	4	0.40%
Edward Rose Bldg Company				14,538,147	6	0.20%
Progress Energy Carolinas, Inc.				14,372,770	7	0.20%
Inland Southeast Fayetteville				13,620,300	8	0.19%
BNP Chason Ridge LLC				13,511,700	9	0.19%
Thomas & Hollinshed Investments				13,486,700	10	0.19%
	<u>\$ 403,322,283</u>		<u>2.99%</u>	<u>\$ 286,462,736</u>		<u>3.97%</u>

<sup>1</sup> Assessed valuations are as of January 1, 2012 and the associated tax levies were due in the fiscal year ended June 30, 2013.

<sup>2</sup> Assessed valuations are as of January 1, 2003 and the associated tax levies were due in the fiscal year ended June 30, 2004.

Source: Cumberland County Tax Office

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

Schedule 10

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2013	\$ 61,869,392	\$ 60,343,502	97.53%	\$ -	\$ 60,343,502	97.53%
2012	59,990,898	58,593,009	97.67%	934,564	59,527,573	99.23%
2011	58,795,924	57,406,499	97.64%	1,001,861	58,408,360	99.34%
2010	58,418,406	57,126,777	97.79%	941,918	58,068,695	99.40%
2009	55,349,877	53,901,099	97.38%	1,073,090	54,974,189	99.32%
2008	54,216,530	52,738,807	97.27%	1,093,611	53,832,418	99.29%
2007	52,534,182	50,964,492	97.01%	1,199,827	52,164,319	99.30%
2006	2 41,311,088	39,855,571	96.48%	1,120,079	40,975,650	99.19%
2005	39,252,202	37,879,950	96.50%	1,094,448	38,974,398	99.29%
2004	38,404,079	36,806,753	95.84%	1,299,436	38,106,189	99.22%

1 Schedule reflects the general tax levy only.

2 Does not include \$6,400,613 in 2005 real and personal property taxes related to the Phase V annexation areas since payment of these taxes were due in three installments in fiscal years 2007 through 2009 as a result of legislation approved by the North Carolina General Assembly in May 2006.

Source: Cumberland County Tax Office

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

Schedule 11

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases			
2013 <sup>2</sup>	\$ 14,110,875	\$ 17,927,431	\$ 525,000	\$ 4,270,372	\$ 150,206,030	\$ 22,650,444	\$ 39,455	\$ 209,729,617	N/A	1,003
2012	15,996,406	21,998,896	600,000	4,843,594	150,245,000	15,866,039	59,445	209,609,380	N/A	1,008
2011	19,111,260	25,781,023	1,150,568	5,648,740	150,480,000	16,883,349	79,018	218,933,958	N/A	1,051
2010	22,216,115	13,863,293	1,250,598	6,453,885	169,120,000	17,951,198	98,191	230,953,280	2.624%	1,112
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.981%	1,217
2008	33,383,061	14,343,816	-	9,041,939	167,735,000	20,486,896	-	244,990,812	3.319%	1,350
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	4.371%	1,670
2006	52,240,000	14,203,330	65,000	2,705,000	172,585,000	136,357,559	-	378,135,889	8.208%	2,894
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144	-	277,424,619	6.297%	2,120
2004	46,470,000	13,341,744	185,000	4,585,000	194,630,000	11,867,713	-	271,079,457	6.857%	2,074

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

<sup>1</sup> See schedule 17 for per capita personal income and population data.

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

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

Schedule 12

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Revenue Bonds	Total Primary Government	Property <sup>1</sup>	Per Capita <sup>2</sup>
2013	\$ 13,955,000	\$ 141,965,000	\$ 155,920,000	1.16%	746
2012	16,720,000	154,365,000	171,085,000	1.30%	823
2011	19,500,000	155,740,000	175,240,000	1.36%	841
2010	22,290,000	175,500,000	197,790,000	1.55%	952
2009	26,620,000	164,775,000	191,395,000	1.83%	1,055
2008	31,140,000	179,020,000	210,160,000	2.06%	1,158
2007	35,600,000	175,495,000	211,095,000	2.13%	1,214
2006	40,005,000	188,505,000	228,510,000	2.94%	1,749
2005	44,450,000	200,995,000	245,445,000	3.32%	1,876
2004	40,075,000	205,610,000	245,685,000	3.39%	1,880

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

<sup>1</sup> See Schedule 7 for property value data.

<sup>2</sup> Population data can be found in Schedule 17.



City of Fayetteville, North Carolina  
 Direct and Overlapping Governmental Activities Debt  
 For the fiscal year ending June 30, 2013  
 (Unaudited)

Schedule 13

<u>Governmental Unit</u>	<u>Debt Outstanding <sup>1</sup></u>	<u>Estimated Percentage Applicable</u>	<u>Estimated share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cumberland County	\$ 198,358,897	59.32%	\$ 117,668,796
Subtotal, overlapping debt			117,668,796
City of Fayetteville direct debt			<u>38,595,302</u>
Total direct and overlapping debt			<u>\$ 156,264,098</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.

<sup>1</sup> 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  
 (amounts expressed in thousands)  
 (Unaudited)

Schedule 14

	2004	2005	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 791,920,091	\$ 817,969,335	\$ 834,518,516	\$ 1,018,479,369	\$ 1,030,676,213	\$ 1,051,128,209	\$ 1,083,524,525	
Total net debt applicable to limit	76,449,457	93,104,619	91,755,869	85,462,079	77,255,812	65,836,614	61,833,280	68,453,958	59,304,380	58,617,340	
Legal debt margin	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902	\$ 956,646,089	\$ 961,622,255	\$ 991,793,829	\$ 1,024,907,185	

Total net debt applicable to the limit as a percentage of debt limit

13.20%

15.73%

14.74%

10.79%

9.45%

7.89%

6.07%

6.65%

5.65%

5.41%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed Value											
Debt Limit (9% of total assessed value)											\$ 13,544,056,558
Debt applicable to limit:											1,083,524,525
Bonds debt											17,475,000
Notes payable											23,175,444
Capitalized leases											17,968,898
Subtotal											58,617,340
Authorized and unissued debt											-
Total Gross Debt											58,617,340
Less: Statutory deductions											-
Bonds issued and outstanding for water and sewer purposes											-
Authorized and unissued debt											-
Total amount of debt applicable to debt limit											58,617,340
Legal debt margin											\$ 1,024,907,185

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

Schedule 15

Fiscal Year Ended June 30	Utility Service Charges	Less: Operating Expenses <sup>1</sup>	Other Adjustments <sup>2</sup>	Net Available Revenue	Debt Service Requirements <sup>6</sup>			Coverage <sup>4</sup>
					Principal	Interest <sup>3</sup>	Total	
2013	\$ 283,193,071	\$ 221,444,124		\$ 61,748,947	\$ 12,492,849	\$ 6,076,168	\$ 18,569,017	\$ 3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	\$ 5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,739,550	93,386,006	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,882,230	49,381,586	1.94
2005	193,113,963	141,516,235	-	51,597,728	10,689,756	7,067,747	17,757,503	2.91
2004	187,264,046	140,800,522	-	46,463,524	7,794,756	7,164,702	14,959,458	3.11

Notes:

- <sup>1</sup> Operating expenses include operating expenses exclusive of depreciation and all other amortization.
- <sup>2</sup> Other adjustments is the recognition of Prepaid Purchase Power Supply net of discount.
- <sup>3</sup> Interest represents accrual based interest excluding capitalized interest.
- <sup>4</sup> Coverage ratios do not represent coverage calculations as defined in the bond order.
- <sup>5</sup> Debt service includes revenue bonds and notes and excludes G.O. bonds.

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

City of Fayetteville, North Carolina  
Pledged Revenue Coverage - Stormwater  
Last Ten Fiscal Years<sup>1</sup>  
(Unaudited)

Schedule 16

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service Requirements <sup>5</sup>			Coverage <sup>4</sup>
				Principal	Interest <sup>3</sup>	Total	
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:

- <sup>1</sup> The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012.
- <sup>2</sup> Operating expenses include operating expenses exclusive of depreciation and all other amortization.
- <sup>3</sup> Interest represents accrual based interest excluding capitalized interest.
- <sup>4</sup> Coverage ratios do not represent coverage calculations as defined in the bond order.
- <sup>5</sup> 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 17

Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate <sup>4</sup>	Retail Sales in Billions \$	
						City	County
2013	209,080	N/A	N/A	52,729	N/A	N/A (a)	\$3.559
2012	208,001	N/A	N/A	53,063	7.5%	N/A (a)	3.532
2011	208,291	9,306,025,298	44,678	53,361	7.6%	N/A (a)	3.376
2010	207,779	8,800,271,766	42,354	52,187	7.3%	N/A (a)	3.241
2009	181,481	7,409,687,749	40,829	53,162	6.7%	2.348	2.844
2008	181,453	7,380,419,322	40,674	52,912	5.1%	2.301	2.752
2007	173,898	6,646,207,662	38,219	53,912	4.3%	2.253	2.747
2006	130,646	4,606,708,606	35,261	53,403	4.3%	2.062 (b)	2.505 (b)
2005	130,850	4,405,981,200	33,672	53,399	5.1%	2.987	3.684
2004	130,692	3,953,433,000	30,250	53,092	5.9%	2.680	3.352

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2003 through July 1, 2012.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2012 and 2013 data not yet available.
3. Cumberland County Schools, District Profile.
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC. 2012 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.
  - (b) Tax reporting changed to reflect only taxable sales effective July 2005.
  - (c) Tax reporting changed to add use tax effective December 2001.



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

Schedule 18

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian)	14,515	1	11.38%	9,412	1	8.04%
Cumberland County Board of Education	6,531	2	5.12%	6,313	2	5.39%
Cape Fear Valley Health System	5,401	3	4.24%	3,650	3	3.12%
Wal-Mart Associates Inc	2,864	4	2.25%	3,064	4	2.62%
Cumberland County Government	2,353	5	1.85%	2,386	6	2.04%
Goodyear Tire & Rubber Company	2,334	6	1.83%	2,700	5	2.31%
City of Fayetteville	2,056	7	1.61%	1,742	7	1.49%
Fayetteville Technical Community College	1,391	8	1.09%	1,150	9	0.98%
Veterans Administration	1,250	9	0.98%			
Fayetteville State University	840	10	0.66%			
US Postal Service						
Puroator, Inc.				1,300	8	1.11%
M.J. Soffe				1,100	10	0.94%
<b>Total Employment (Ten Largest Civilian Employers)</b>	<b>39,535</b>		<b>31.01%</b>	<b>32,817</b>		<b>28.04%</b>

Sources: Fayetteville-Cumberland County Chamber of Commerce, North Carolina Department of Commerce Division of Employment Security, Individual Employers

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

Schedule 19

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration	84	85	76	92	97	91	91	93	96	105
Public Safety	751	800	806	834	827	827	829	875	851	898
Environmental Protection <sup>1</sup>	101	108	91	123	145	118	136	124	85	84
Transportation	53	60	57	77	52	79	79	72	77	78
Economic and physical development	11	10	14	18	15	15	19	24	20	20
Recreation and community facilities	120	127	115	126	125	125	133	114	121	121
Electric	244	244	254	254	237	244	255	240	249	257
Internal Service	32	45	45	30	44	44	52	48	45	46
Water	154	153	145	139	193	194	194	143	150	155
Wastewater	134	135	133	142	90	96	100	142	152	154
Transit	48	53	52	50	54	54	61	76	87	92
Airport	13	15	14	21	18	18	18	18	19	19
Stormwater <sup>1</sup>	-	-	-	-	-	-	-	-	26	26
Solid Waste Recycling	-	-	-	-	-	-	-	-	-	1
<b>Total</b>	<b>1,745</b>	<b>1,835</b>	<b>1,802</b>	<b>1,906</b>	<b>1,897</b>	<b>1,905</b>	<b>1,967</b>	<b>1,969</b>	<b>1,978</b>	<b>2,056</b>

Source: City Finance Office Annual Cost Allocation Plan and Public Works Commission

<sup>1</sup>The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012 and is no longer included with Environmental Protection

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

Schedule 20

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Safety</b>										
Fire <sup>(1)</sup>										
Emergency responses	14,424	15,397	18,882	20,215	22,608	23,197	25,166	25,272	27,843	20,864 <sup>(2)</sup>
Fires extinguished	867	1,985	1,065	1,495	1,092	930	1,118	809	977	735 <sup>(2)</sup>
Fire inspections	3,358	3,389	4,584	4,824	6,052	4,159	5,670	6,900	6,335	4,314 <sup>(2)</sup>
Police <sup>(1)</sup>										
Number of law violations:										
Physical arrests	7,668	7,864	7,607	8,522	9,372	7,968	8,665	10,336	8,968	5,890 <sup>(2)</sup>
Traffic citations	26,944	22,171	19,225	28,339	39,240	35,484	45,982	48,162	31,054	17,491 <sup>(2)</sup>
Warning citations	9,026	11,528	11,114	12,493	12,577	13,481	13,096	21,034	19,713	13,501 <sup>(2)</sup>
Calls for service	185,200	191,331	199,314	204,549	215,797	215,127	219,428	222,136	230,389	191,626 <sup>(2)</sup>
<b>Development Services</b>										
Number of permits issued										
Residential										
New single family	335	388	691	588	362	317	401	431	548	502
New multi-family										
Number of units	514	713	1,111	1,154	459	712	619	1,165	966	983
Renovations	735	750	1,095	1,222	1,303	1,364	1,297	1,390	1,350	2,098
Commercial										
New	63	61	93	88	60	52	60	87	62	71
Renovations	300	307	281	301	299	259	294	461	611	541
Other:										
Miscellaneous	11,653	12,716	16,695	16,057	14,824	16,731	16,185	17,598	19,290	13,132
Yard sale	1,173	1,075	1,202	1,227	1,229	1,175	1,186	1,188	1,114	921

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

Schedule 20

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Cultural and Recreational (6)</b>										
Youth Sports participants	7,905	11,953	12,718	10,921	9,580	11,543	9,871	16,081	10,870	11,805
Adult Sports participants	1,797	2,267	1,768	1,976	1,648	2,100	5,348	6,772	1,036	1,172
Senior participants	39,189	53,136	54,172	66,718	85,554	89,481	62,818	92,894	102,170	109,503
Therapeutic participants	N/A	N/A	26,926	30,993	34,169	38,966	2,346	22,192	20,048	29,622
Aquatics participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23,811	24,903	22,394
Park programs participants	N/A	N/A	25,209	29,161	29,359	27,594	16,810	24,182	24,074	21,712
Special events participants	N/A	N/A	5,415	3,698	2,745	2,841	2,979	6,567	11,161	11,983
Permitted events	N/A	N/A	44	35	61	66	82	81	64	69
Mobile stage/bleacher rentals	N/A	N/A	48	36	50	44	49	51	47	44
Recreation center participants	N/A	N/A	N/A	419,041	514,943	673,904	430,654	508,801	524,772	525,848
Historical properties participants	N/A	N/A	N/A	14,499	15,713	22,354	15,401	34,011	134,247	105,128
Picnic shelter rentals	N/A	N/A	N/A	28,597	30,041	29,211	31,772	38,381	50,218	46,839
Festival Park	N/A	N/A	N/A	107,148	323,028	267,794	N/A	N/A	N/A	N/A
Tier 1 Events ( 0 - 500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	6	2	5	3
Tier 2 Events ( 501 - 2,500 Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	12	7	11	13
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	N/A	N/A	N/A	15	13	14	13
<b>Transportation</b>										
Street Maintenance										
Streets maintained (miles)	529.63	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13
Street resurfacing and cape sealing (miles)	6.89	12.15	8.82	13.29	14.68	20.42	31.77	25.05	19.52	17.80
Number of traffic signals maintained (6)	170	169	175	178	178	205	225	225	225	228
Engineering										
Driveway permits (residential)	217	345	433	581	323	310	378	426	429	578
Driveway permits (commercial)	40	66	33	75	43	40	23	42	42	42
<b>Public Utilities</b>										
Water System:										
Water main breaks	126	152	119	128	146	130	180	182	165	104
Average daily consumption (Mgals) (6)	20,524	20,635	21,850	21,675	22,879	22,450	22,423	25,446	26,724	24,648
Peaks (MGO) (1)(4)	30.8	33.4	32.6	37.0	38.4	34.9	37.2	39.4	37.9	35.5
Total solids (Mgals) (6)	7,039,476	7,135,082	7,951,199	7,555,333	7,894,590	7,707,256	7,749,106	8,896,870	8,950,423	9,009,524

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

Schedule 20

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Sewer System*</b>										
Man breaks	122	149	208	150	156	291	342	293	342	344
Average daily consumption (Mgals) <sup>(6)</sup>	14,941	15,337	15,810	16,026	16,509	16,338	16,436	16,557	24,720	24,400
Peaks (MGD) <sup>(8)</sup>	32.0	28.1	26.6	27.9	27.7	31.5	27.8	26.3	35.9	27.7
Total sold (Mgals) <sup>(6)</sup>	5,453,295	5,583,643	5,754,784	5,637,838	6,014,627	5,953,806	5,989,105	6,043,126	5,972,764	5,933,960
<b>Electric System*</b>										
Electric outages (minutes)	7,279,107	3,449,900	3,450,039	2,079,493	3,016,526	2,210,508	2,296,534	2,340,931	2,807,700	3,821,640
Peaks (MW) <sup>(9)</sup>	440.1	439.3	474.5	462.5	476.6	459.5	462.4	459.1	459.1	446.0
Total Kwh sold <sup>(10)</sup>	2,041,587,543	2,022,146,431	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439	2,139,521,914	2,194,905,986	2,053,364,900	2,037,402,888
Average daily consumption (Kwh) <sup>(10)</sup>	5,717,142	5,664,179	5,764,771	5,585,720	5,811,055	5,810,833	5,878,920	6,030,630	5,917,365	5,591,926
<b>Airport<sup>(1)</sup></b>										
Number of enplaned passengers	158,782	153,524	153,164	175,432	189,438	229,480	259,454	254,134	253,330	182,277 <sup>(11)</sup>
Number of deplaned passengers	156,626	150,675	154,877	174,967	197,092	229,993	254,891	258,719	253,575	182,833 <sup>(11)</sup>

- (1) Statistics for the fire, police and airport functions are based on calendar years
- (2) Statistics for the Fire Department for 2013 are reflected through September 30, 2013
- (3) Statistics for the Police Department for 2013 are reflected through October 23, 2013.
- (4) Statistics for 2005 and beyond reflect the merger of Cumberland County and City of Fayetteville Parks and Recreation Departments
- (5) Reflects the number of traffic signals maintained by the City of Fayetteville
- (6) Mgals = 1,000 gallons
- (7) Reflects highest monthly average
- (8) MGD = 1,000,000 gallons per day
- (9) MW = megawatts
- (10) Kwh = kilowatt hours
- (11) Statistics for the Airport for 2013 are reflected through September 30, 2013.

Source: Information provided by various city departments and Public Works Commission



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

Schedule 21

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Safety</b>										
<b>Fire</b>										
Number of stations	13	13	15	15	16	16	16	16	16	16
<b>Police</b>										
Number of stations	2	2	2	2	2	2	2	2	2	2
<b>Cultural and Recreational</b>										
Mini parks (.5 - 3 acres)	N/A	N/A	13	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	N/A	N/A	13	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	N/A	N/A	7	6	6	6	6	6	7	7
Sports complexes (40 - 80 acres)	N/A	N/A	2	2	2	2	2	2	3	3
Green spaces	N/A	N/A	7	8	8	8	8	8	8	8
Neighborhood school-parks	N/A	N/A	32	34	34	34	34	34	34	34
Community school-parks	N/A	N/A	1	1	1	1	1	1	1	1
Linear parks	N/A	N/A	3	3	3	3	3	3	3	3
Special use parks	N/A	N/A	12	6	7	7	7	7	8	8
Program sites	N/A	N/A	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	N/A	N/A	4	3	3	3	3	3	3	3
Community center with gym	N/A	N/A	N/A	16	16	16	16	16	16	16

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

Schedule 21

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Utilities</b>										
<b>Water System:</b>										
Miles of water main	1,179.3	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4	1,329.2	1,351.5	1,364.3
Number of new service connections	2,300	2,360	2,962	3,154	2,285	1,220	616	962	2,649	1,375
Maximum daily capacity of treatment plant (MGD) <sup>(1)</sup>	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) <sup>(1)</sup>	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
<b>Sewer System:</b>										
Number of new service connections	2,408	2,299	3,142	3,006	2,260	1,752	317	1,140	1,612	1,375
Miles of sanitary sewer mains	1,039.8	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7	1,165.8	1,181.5	1,203.7	1,219.0
Maximum daily capacity of treatment plant (MGD) <sup>(1)</sup>	41.0	41.0	41.0	41.0	41.0	46.0	46.0	46.0	46.0	46.0
<b>Electric System:</b>										
Number of new service connections	1,251	1,426	2,245	1,744	1,151	471	650	533	1,359	64
Distribution line circuit miles	2,572.00	2,750.50	2,781.86	2,962.40	2,982.10	2,986.88	1,305.49 <sup>(2)</sup>	1,313.79	1,316.73	1,316.48
<b>Transportation</b>										
<b>Street Maintenance</b>										
Streets maintained (miles)	529.53	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13
Number of traffic signals <sup>(3)</sup>	27	27	29	28	28	28	28	28	28	29

(1) MGD = 1,000,000 gallons per day

(2) Reflects correction of presentation of previous data

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

Source: Information provided by various city departments and Public Works Commission

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# OMB Circular A-133 and State Single Audit Implementation Act Compliance Section



- Report of Independent Auditor 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*
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards





**Report of Independent Auditor 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***

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fayetteville, North Carolina, (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprises the City's basic financial statements, and have issued our report thereon dated November 5, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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

**Compliance and Other Matters**

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

**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 the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekart LLP

Fayetteville, North Carolina  
November 5, 2013

**Report of Independent Auditor on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Federal Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133  
and the State Single Audit Implementation Act**

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 the City of Fayetteville, North Carolina, (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City 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 federal programs for the year ended June 30, 2013.



### **Report on Internal Control Over Compliance**

Management of the City is 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 the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A 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 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 will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fayetteville, North Carolina  
November 5, 2013

**Report of Independent Auditor on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major State Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133  
and the State Single Audit Implementation Act**

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 the City of Fayetteville, North Carolina, (the "City") 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 its major State programs for the year ended June 30, 2013. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major State Program**

In our opinion, the City 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, 2013.

### **Report on Internal Control Over Compliance**

Management of the City is 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 the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A 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 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 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 internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Cherry Bekard LLP*

Fayetteville, North Carolina  
November 5, 2013

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified  Yes  No
- Significant deficiency identified that is not considered to be a material weakness  Yes  None reported
- Noncompliance material to financial statements noted  Yes  No

Federal Awards

Internal control over major federal programs:

- Material weakness identified  Yes  No
- Significant deficiency identified that is not considered to be a material weakness  Yes  None reported
- Noncompliance material to federal awards  Yes  No

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 Section 510(a) of Circular A-133  Yes  No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.738	ARRA – Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government
20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)
20.106	Airport Improvement Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 676,169

Auditee qualified as low-risk auditee?  Yes  No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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State Awards

Internal control over major State programs:

- Material weakness identified                     Yes     No
- Significant deficiency identified  
that is not considered to be a  
material weakness                     Yes     None reported
- Noncompliance material to State awards     Yes     No

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

Any audit findings disclosed that are  
required to be reported in accordance  
with the State Single Audit  
Implementation Act                     Yes     No

Identification of major State programs:

Program Name  
Powell Bill

**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.



CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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None reported.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2013**

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<b><u>US DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>					
<b><u>Community Development Block Grant Cluster</u></b>					
CDBG Entitlement Grant FY2010-2011	14.218	B-10-MC-37-0005	\$ 494,323	\$ -	\$ 494,323
CDBG Entitlement Grant FY2011-2012	14.218	B-11-MC-37-0005	1,398,075	-	1,398,075
CDBG Entitlement Grant FY2012-2013	14.218	B-12-MC-37-0005	228,348	-	228,348
			<u>2,120,747</u>	<u>-</u>	<u>2,120,747</u>
<b><u>HOME Investment Partnership Program</u></b>					
FY2010-2011	14.239	M10-MC370203	10,051	-	10,051
FY2011-2012	14.239	M11-MC370203	251,910	-	251,910
FY2012-2013	14.239	M12-MC370203	148,148	-	148,148
			<u>410,107</u>	<u>-</u>	<u>410,107</u>
<b><u>Homeless Prevention and Rapid Re-housing Program Grant</u></b>					
ARRA - 2009 HPRP	14.257	S-09-MY-37-0008	1	-	1
			<u>1</u>	<u>-</u>	<u>1</u>
<b><u>Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants</u></b>					
Military Business Park	14.251	B-10-SP-NC-0257	103	-	103
			<u>103</u>	<u>-</u>	<u>103</u>
<b><u>Economic Development Administration</u></b>					
Planning and Local Technical Assistance Program	11.308	N/A	18,120	-	18,120
<b><u>US DEPARTMENT OF DEFENSE</u></b>					
Fort Bragg Regional Alliance Bragg Boulevard Corridor Plan	12.607	HQ0005110038	16,010	-	16,010
<b><u>US DEPARTMENT OF THE INTERIOR</u></b>					
National Park Service Wayfinding Signage	N/A	37-08-PA-4030	9,732	-	9,732
			<u>9,732</u>	<u>-</u>	<u>9,732</u>
<b><u>US DEPARTMENT OF JUSTICE</u></b>					
<b><u>Justice Assistance Grant Cluster</u></b>					
<b><u>Office of Justice Programs</u></b>					
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	18.804	2009R-JWX0080	815,350	-	815,350
<b><u>Pass through from Cumberland County, NC</u></b>					
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	18.738	2009-SB-B9-0836	24,095	-	24,095
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2009-DJ-BX-0366	8,671	-	8,671
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2010-DJ-BX-0269	8,601	-	8,901
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2012-DJ-BX-0445	119,818	-	119,818
<b><u>Pass through from NC Department of Public Safety</u></b>					
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2010-DJ-BX-0045	13,931	-	13,931
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2012-DJ-BX-0640	19,703	-	19,703
Edward Byrne Memorial Justice Assistance Grant Program	18.738	2010-DJ-BX-0045	34,516	-	34,516
			<u>844,885</u>	<u>-</u>	<u>844,885</u>
ARRA - Violence Against Women - FY11	18.588	2011-WF-AX-0050	233	-	233
ARRA - Violence Against Women - FY12	18.588	2012-WF-AX-0058	11,882	-	11,882
			<u>12,115</u>	<u>-</u>	<u>12,115</u>
<b><u>Office of Justice Programs</u></b>					
Cumberland County STARS Drug Treatment Court	18.586	2011-DC-BX-0120	71,105	-	71,105
			<u>71,105</u>	<u>-</u>	<u>71,105</u>
<b><u>Pass through from City of Charlotte, NC</u></b>					
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	18.580	2012-ZC-BX-0001	58,154	-	58,154
<b><u>Office of Justice Programs</u></b>					
Bulletproof Vest Partnership	18.607		8,763	-	8,763
Equitable Sharing Program	18.522		185,613	-	185,613
Joint Law Enforcement Operations	18.111		56,370	-	56,370
<b><u>OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION</u></b>					
<b><u>Pass through from Cal Ripken, Sr. Foundation</u></b>					
2012 Badges for Baseball Program Supplemental	18.726	2012-ST-OAG-B4B-NC-17	4,180	-	4,180
2013 Badges for Baseball Program	18.726	2013-FED-MSM-B4B-NC-1	23,950	-	23,950
			<u>28,130</u>	<u>-</u>	<u>28,130</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA  
 Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2013

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<b>US DEPARTMENT OF THE TREASURY</b>					
Treasury Forfeiture Fund Program	21.000	N/A	\$ 91,921	\$ -	\$ 91,921
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Special Programs for the Aging Pass through NC Department of Health & Human Services Senior Citizens Service Center	93.044	N/A	27,355	-	27,355
<b>US DEPARTMENT OF ENERGY</b>					
Office of Energy Efficiency & Renewable Energy ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC0002635	638,491	-	638,491
<b>US DEPARTMENT OF TRANSPORTATION</b>					
<b>Federal Aviation Administration</b>					
<b>Airport Improvement Program</b>					
Taxiway A,C,D,F, Rehab AIP 37	20.106	FAA-3-37-0021-37	192,891	-	192,891
Rehab Carrier Apron	20.106	FAA-3-37-0021-38	2,782,002	-	2,782,002
Runway 4 Safety Area	20.106	FAA-3-37-0021-39	2,999,379	-	2,999,379
Runway 4 Safety Area FAA Reimb Agreement	20.106	FAA-3-37-0021-40	64,600	-	64,600
			5,998,872	-	5,998,872
<b>Passed through NC Dept of Transportation</b>					
<b>Governors Highway Safety Program</b>					
Sobsey Court Grant FY12	20.601	K6-120233	213	-	213
			213	-	213
<b>Transportation Improvement Program</b>					
Lake Rim Elementary School	20.205	SR-5001 BD	100,000	-	100,000
			100,000	-	100,000
<b>Federal Transportation Administration</b>					
<b>Federal Transit - Formula Grants (Urbanized Area Formula Program)</b>					
Preventative Maintenance & American with Disabilities Act	20.507	NC 90.X526	1,218,411	-	1,218,411
Fuel Capital Maintenance	20.507	NC 90.5514	217,283	-	217,283
ARRA Grant:	20.507	NC 98.0002	12,901	-	12,901
Capital Grants:	20.507	NC 90.0327	56,539	-	56,539
	20.507	NC 90.0406	10,338	-	10,338
	20.507	NC 90.0425	1,745	-	1,745
	20.507	NC 04.0027	5,870	-	5,870
	20.507	NC 90.0464	125,261	-	125,261
	20.507	NC 04.0093	268,485	-	268,485
	20.507	New Freedom (57.0010)	1,317	-	1,317
	20.507	NC 90.0468	300,340	-	300,340
	20.507	NC 90.0514	728,727	-	728,727
	20.507	New Freedom (57.0012)	110,277	-	110,277
Planning Grants	20.507	NC 90.2406	1,615	-	1,615
	20.507	NC 90.2425	916	-	916
	20.507	NC 90.2453	9,097	-	9,097
	20.507	NC 90.2464	44,144	-	44,144
	20.507	NC 90.2469	45,846	-	45,846
	20.507	NC 90.02514	55,365	-	55,365
			3,212,317	-	3,212,317
JARC Projects	20.516	NC 37.4027	71,290	-	71,290
			71,290	-	71,290
<b>US DEPARTMENT OF HOMELAND SECURITY</b>					
Hazard (Equipment Grant) 2010	97.067	2010-SS-YO-0075	51,429	-	51,429
Hazard (Equipment Grant) 2011	97.067	2011-SS-00119	17,500	-	17,500
Staffing for Adequate Fire and Emergency Response (SAFER) FY2008	97.044	EMW-2008-FF-01043	213,574	-	213,574
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0209HSLR141	28,259	-	28,259
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR022	84,629	-	84,629
			395,391	-	395,391
<b>Federal Emergency Management Agency</b>					
Debris Removal	97.036	CFAJS01	6,768	684,133	690,901
Site Restoration	97.036	CFGJS09	(165,609)	-	(165,609)
Fire, Police, EOC	97.036	CFBJS03	239,838	107,600	347,438
			60,997	791,733	852,730
<b>US DEPARTMENT OF AGRICULTURE</b>					
<b>Pass through NC Urban and Community Forestry Grant Program</b>					
Urban and Community Grant Program	10.664	G4010003313FOR	6,894	-	6,894
			6,894	-	6,894

**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2013**

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<b>US ENVIRONMENTAL PROTECTION AGENCY</b>					
Pass through NC Department of Environmental and Natural Resources					
Capitalization Grants for Drinking Water State Revolving Funds					
2012 WTP Clearwell and Chemical Feed Improvements State Revolving Loan	66 468	2006A-701	\$ 4,877,609	\$ -	\$ 4,877,609
Planning and Design for P.O. Hoffer WTP Rehabilitation State Revolving Loan	66 468	CS370434-11	1,019,386	-	1,019,386
			<u>5,896,995</u>	<u>-</u>	<u>5,896,995</u>
Capitalization Grants for Clean Water State Revolving Funds					
2012 Edgewater/Northview State Revolving Loan Capital Project Fund	66 458	H-LRX-F-09-1665	382,788	-	382,788
2013 Oudall Rehabilitation State Revolving Loan Capital Project Fund	66 458	CS37D434-12	1,797,501	-	1,797,501
			<u>2,180,289</u>	<u>-</u>	<u>2,180,289</u>
<b>STATE GRANTS:</b>					
<b>NC DEPARTMENT OF TRANSPORTATION</b>					
Aviation Division					
Tree Clearing Runways 10 & 4					
	N/A	36244.27 10 1	-	67,253	67,253
			<u>-</u>	<u>67,253</u>	<u>67,253</u>
Public Transportation Division					
Maintenance Assistance	N/A		-	671,584	671,584
Capital	N/A	36223.7.5.3	-	7,067	7,067
Capital	N/A	36231.3.2.2 / 3	-	722	722
Capital	N/A	36232.22 1.3/ 4	-	546	546
Capital	N/A	36232.22.2.3	-	33,311	33,311
Capital	N/A	36235.13 1.8	-	16,654	16,654
Capital	N/A	36231.3.5.3	-	13,278	13,278
Capital	N/A	36231.3.6.3 / 4	-	28,269	28,269
Capital	N/A	36231.3.7.3 / 4	-	83,215	83,215
Planning	N/A	36231.3.7.6	-	6,923	6,923
Planning	N/A	36231.3.5.6	-	5,518	5,518
Planning	N/A	36231.3.2.6	-	202	202
Planning	N/A	36231.3.3.6	-	114	114
Planning	N/A	36231.3.4.6	-	1,137	1,137
Planning	N/A	36231.3.6.6	-	5,729	5,729
			<u>-</u>	<u>874,269</u>	<u>874,269</u>
Powell Bill	N/A		-	5,426,591	5,426,591
<b>NC DEPARTMENT OF PUBLIC SAFETY</b>					
Hazmat (RRT Grant)					
	N/A	RRT 3 2012	-	56,760	56,760
			<u>-</u>	<u>56,760</u>	<u>56,760</u>
Pass through from Cumberland County					
Juvenile Restitution FYE 2013		626-XXXX	-	69,622	69,622
			<u>-</u>	<u>69,622</u>	<u>69,622</u>
<b>NC VETERANS AFFAIRS DIVISION</b>					
NC Veterans Parks Phase #2					
NC Veterans Parks	N/A	NCGA Senate Bill 1611*	-	229,084	229,084
	N/A	1301-536980-17717711	-	4,276	4,276
			<u>-</u>	<u>233,360</u>	<u>233,360</u>
			<u>\$ 22,538,960</u>	<u>\$ 7,519,588</u>	<u>\$ 30,058,568</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS:**

- The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "AUGUST OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS" and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- The total local match requirements for the Federal and State Transit operating assistance grants was \$1,108,489. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$1,108,489.
- The total local contributions for the State Powell Bill assistance amounted to \$71,994 (this represents assessments received and interest earned through 06/30/13).
- The amount of HOME Investment Partnerships provided to CHDO's is \$199,846 as of June 30, 2013.
- Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2013. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within the transportation fund. The total unexpended balance on-hand at June 30, 2013 is \$0.

# 2013



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Fayetteville, North Carolina  
Fiscal Year Ended June 30, 2013

# Passenger Facility Charge Compliance Section



- Report of Independent Auditor on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Passenger Facility Charges



**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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**Report of Independent Auditor on Compliance  
with Requirements Applicable to the Passenger Facility Charge Program  
and on Internal Control Over Compliance in Accordance with the  
Passenger Facility Charge Program Audit Guide**

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

**Report on Compliance for the Passenger Facility Charge Program**

We have audited the City of Fayetteville, North Carolina, ("the City") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for the City's passenger facility charge program for the year ended June 30, 2013.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City's 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; and the Guide. Those standards and the 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Passenger Facility Charge Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program. In planning and performing our audit of compliance, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the 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 the City's internal control over compliance.

### **Report on Internal Control Over Compliance (Continued)**

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 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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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 internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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 the Passenger Facility Charge Program Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Cherry Bekasort LLP*

Fayetteville, North Carolina  
November 5, 2013

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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SECTION I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified                     Yes     No
- Significant deficiency identified  
that is not considered to be a  
material weakness                                 Yes     None reported
- Noncompliance material to financial  
statements noted                                  Yes     No

Passenger Facility Charge Program

Internal control over passenger facility charge program:

- Material weakness identified                     Yes     No
- Significant deficiency identified  
that is not considered to be a  
material weakness                                 Yes     None reported
- Noncompliance material to passenger  
facility charge program                          Yes     No

Type of auditor's report issued on compliance for passenger facility charge program:  
Unmodified

Any audit findings disclosed                     Yes     No

Section II. Financial Statement Findings

None reported.

Section III. Passenger Facility Charge Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013

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None reportable.



**CITY OF FAYETTEVILLE, NORTH CAROLINA**  
**Schedule of Expenditures of Passenger Facility Charges**  
**Year Ended June 30, 2013**

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
<b>CLOSED APPLICATION 1 (#00-01-C-04-FAY &amp; 02-02-U-02-FAY)</b>			\$ 22,084,891	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
<b>CLOSED APPLICATION 2 (#05-03-C-01-FAY)</b>			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	\$ -	\$ 324,231
<b>APPLICATION 3 (#09-04-C-00-FAY)</b>								
AIP 26 - Terminal Phase II	7/1/2009	7/1/2009	\$ 2,050,851	\$ 1,674,340	\$ 83,717	\$ 83,717	\$ -	\$ 83,717
Employee Parking (non revenue)	7/1/2009	7/1/2009	33,645	60,000	60,000	33,645	-	33,645
West GA Ramp Rehabilitation	7/1/2009	7/1/2009	751,059	615,000	61,500	61,500	-	61,500
AIP 28 - Land Acquisition	7/1/2009	7/1/2009	1,605,424	60,823	60,823	60,823	-	60,823
Handicap Access to Narrow Body Jets	7/1/2009	7/1/2009	33,475	35,818	35,818	33,475	-	33,475
AIP 31 - Fire Training Facility Rehab.	7/1/2009	7/1/2009	757,990	1,186,740	59,337	37,900	-	37,900
AIP 32 - Runway 4/22 Rehab. Design	7/1/2009	7/1/2009	-	293,340	14,567	-	-	-
AIP 32 - ARFF Rehab. Design	7/1/2009	7/1/2009	-	136,280	6,813	-	-	-
AIP 32 - Snow Removal Equip Bldg Design and Construction	7/1/2009	7/1/2009	205,650	165,400	8,270	8,270	-	8,270
AIP 32 - Elec Vault Upgrades Design and Generator Install	7/1/2009	7/1/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	7/1/2009	7/1/2009	227,920	330,000	33,000	22,792	-	22,792
ARFF Rehab (2/3 of amount allowed per FAA) (AIP35-36)	7/1/2009	7/1/2009	1,542,150	1,340,000	67,000	67,000	-	67,000
Vault Construction (AIP 33) (Airfield Lights)	7/1/2009	7/1/2009	2,090,066	5,003,300	250,190	104,503	-	104,503
Runway 4/22 Construction (AIP 34)	7/1/2009	7/1/2009	6,472,132	7,171,640	358,577	323,606	-	323,606
State Grant Security Fence Gates	7/1/2009	7/1/2009	53,456	200,000	20,000	5,346	-	5,346
Replace ARFF Track	7/1/2009	7/1/2009	695,261	700,000	700,000	695,261	-	695,261
Air Carrier Asphalt Rehab Apron Design	7/1/2009	7/1/2009	70,000	70,000	3,500	-	3,500	3,500
Taxiway A Design, Shoulder, Overlay, Lights	7/1/2009	7/1/2009	195,000	195,000	9,750	-	9,750	9,750
Extend Taxiway A Design	7/1/2009	7/1/2009	-	85,000	4,250	-	-	-
Construction Taxiway A Shoulders, Overlay, Lights	7/1/2009	7/1/2009	3,000,000	3,000,000	150,000	-	150,000	150,000
<b>TOTAL IMPOSE AND USE APPLICATION 3</b>			<b>\$ 19,784,087</b>	<b>\$ 22,436,381</b>	<b>\$ 1,992,908</b>	<b>\$ 1,637,838</b>	<b>\$ 163,250</b>	<b>\$ 1,701,088</b>
<b>APPLICATION 4 (#12-05-C-00-FAY)</b>								
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	58,598	-	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 6%	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	4,251,341	4,500,000	225,000	-	212,567	212,567
Runway 4 RSA Improvements - Design 5%	3/1/2013	3/1/2013	118,072	125,000	6,250	-	5,904	5,904
Taxiway A Extension - Design 5%	3/1/2013	3/1/2013	270,727	375,000	18,750	-	13,536	13,536
Runway 4 RSA Improvements - Construction 10%	3/1/2013	3/1/2013	765,580	1,109,592	110,959	-	76,558	76,558
Taxiway A Extension Construction 10%	3/1/2013	3/1/2013	2,296,738	3,177,397	317,740	-	229,674	229,674
Paved Shoulders - Design and Bidding 10%	3/1/2013	3/1/2013	154,744	168,200	19,820	-	15,474	15,474
FAA Reimbursable Agreement MALSR Modification 10%	3/1/2013	3/1/2013	71,779	71,779	7,179	-	7,179	7,179
Design and Construct Wildlife/Security Fencing 5%	3/1/2013	3/1/2013	-	1,500,000	75,000	-	-	-
<b>TOTAL IMPOSE AND USE APPLICATION 4</b>			<b>\$ 11,641,404</b>	<b>\$ 17,711,925</b>	<b>\$ 1,575,744</b>	<b>\$ -</b>	<b>\$ 1,188,330</b>	<b>\$ 1,188,330</b>
<b>GRAND TOTAL</b>			<b>\$ 57,850,892</b>	<b>\$ 69,685,611</b>	<b>\$ 5,244,729</b>	<b>\$ 2,923,466</b>	<b>\$ 1,351,580</b>	<b>\$ 4,275,040</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES:**

1. The accompanying schedule of expenditures of passenger facility charges is presented on the full accrual basis of accounting.

**CITY OF FAYETTEVILLE, NORTH CAROLINA**

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