



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2009

City of
Fayetteville
North Carolina

The photo on the cover is of the first phase of the Cape Fear River Trail. The trail is a 10-foot wide paved path for walkers, joggers, bicyclists and others utilizing non-motorized transportation. It winds for nearly four miles from Methodist College to the Clark Park Nature Center, through a beautiful blend of trees, plants and wildlife with spectacular views of the river. Engineering and site assessments are currently underway for phase two of the project which will extend the trail an additional 3.5 miles to the Cape Fear Botanical Gardens. Construction of phase two of the trail will begin in the Spring of 2010.

The trail is designated as part of the East Coast Greenway. The Greenway is a series of urban trails and greenways that will eventually connect from Maine to Key West, Florida, similar to the Appalachian Trail.



Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2009

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City of
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North Carolina

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October 30, 2009

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, 2009. State law requires that every local government publish a complete set of audited financial statements within four months of the close of each fiscal year. 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. Because the cost of internal controls should not outweigh their benefits, 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 & Holland, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2009. 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.

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 to New York to the north and Miami to the south.

Fayetteville has been recognized twice as an All-America City by the National Civic League and is known as a community of "History, Heroes and a Hometown Feeling". In 1762, the town of Campbellton, located on the Cape Fear River, was chartered by the colonial assembly. In 1778, the neighboring towns of Cross Creek and Campbellton were united 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.

Approximately 10 miles from the City's downtown are Fort Bragg Army Base and Pope Air Force Base, which form one of the largest military complexes in the world. The bases add significantly to the culture of the community and the local economy. Fort Bragg is the home of the Army's only Airborne Corps and the 82nd Airborne Division as well as the US Army Special Operations Command. Pope Air Force Base, located adjacent to Fort Bragg, provides the fixed-wing aviation assets required to support Fort Bragg's missions. The Airborne and Special Operations Museum in downtown Fayetteville is just one indicator of the community pride and gratitude for these local heroes.

Fayetteville is the sixth largest municipality in the State with a population estimated at 207,445 and encompassing 147.5 square miles as of June 30, 2009. The City's population has increased by 71.4% or 86,430 residents since the last U.S. Census on April 1, 2000. Much of the population growth has 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, the Public Works Commission 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 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 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 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 stabilized by the presence of Fort Bragg Army Base and Pope Air Force Base. Approximately 59,000 military personnel are stationed at Fort Bragg and Pope, with support from approximately 10,800 additional civilian employees. The direct impact of payroll alone added over \$3.0 billion to the regional economy in federal fiscal year 2008.

Fort Bragg and Pope Air Force Base are transitioning as a result of the 2005 Base Realignment and Closure Commission (BRAC) decisions. The most significant changes affecting Fort Bragg include the relocation of the U.S. Army Forces Command (FORSCOM) and U.S. Army Reserve Command (USARC) headquarters from Fort McPherson, Georgia. Pope Air Force Base will be significantly impacted as real property, host installation responsibilities and base operations support will transfer to Fort Bragg as the Base transitions to Pope Army Airfield by September, 2010. The 43rd Airlift Wing will be deactivated and the 43rd Airlift Group will be established to execute en route operations in support of deployments and training of Fort Bragg personnel. In June 2007, the 440th Airlift Wing relocated to Pope Air Force Base from Milwaukee, Wisconsin and will assume responsibility for airfield and C-130 flight operations. The 23rd Fighter Group relocated from Pope Air Force Base to other air force bases in 2007. Other tenant units such as the 18th Air Support Operations Group, which directly supports Army operations, will remain. In total, the changes are projected to have a positive impact on the local economy. According to a growth plan commissioned by the Fort Bragg and Pope Air Force Base BRAC Regional Task Force, base realignments are expected to result in a net increase of 8,704 military personnel, civilian employees and contractors, and 16,498 family members to the region by 2013.

In addition to Fort Bragg and Pope Air Force Base, substantial employment is also offered in the government sector through the local health system, school system, college, university, and county and city governments. Other major employers in the area include manufacturers such as the Goodyear Tire & Rubber Company, which has one of the largest tire producing factories in the world, and Purolator Products and M.J. Softe which produce auto filters and sports apparel, respectively.

The State of North Carolina enacted legislation in September 2007 authorizing cash grants up to \$60 million to be split between the Fayetteville Goodyear plant and a

Bridgestone Firestone plant in Wilson. The Goodyear plant must maintain at least 2,000 jobs and invest \$200 million in facility upgrades to be eligible for a grant. In addition, in February 2009, City Council approved an economic incentive agreement of up to \$1,000,000 with Goodyear Tire & Rubber Company. The incentive agreement provides up to 10 annual installments of \$100,000 per year if Goodyear makes a capital investment of at least \$200 million by December 31, 2012 and retains at least 2,000 full-time jobs at the Fayetteville plant during the period of the incentive agreement. In September 2009, Goodyear workers approved a new four-year contract. The plant, with approximately 2,650 employees, is one of the area's largest and highest paying private employers.

During the past five years, Fayetteville's annual unemployment rates have ranged from a low of 4.3% to a high of 5.9%, according to the North Carolina Employment Security Commission. In September 2009, the unemployment rates for Fayetteville, North Carolina and the United States were 7.2%, 10.4% and 9.5%, respectively. Historical unemployment rates for Fayetteville, North Carolina and United States are provided in the table below.

Unemployment Rates*			
Year	Fayetteville	North Carolina	United States
2008	5.0	6.3	5.8
2007	4.3	4.7	4.6
2006	4.3	4.8	4.6
2005	5.0	5.3	5.1
2004	5.9	5.5	5.5

* Source of unemployment data is the North Carolina Employment Security Commission

During fiscal year 2009, the City approved 1,029 permits for new residential units valued at \$97.4 million and 52 new commercial building permits valued at \$64.0 million were issued for construction compared to 821 permits for new residential units valued at \$89.2 million and 60 new commercial building permits valued at \$45.9 million issued in fiscal year 2008. The continued deployment of soldiers from Fort Bragg has limited demand for home sales. Fayetteville has also been affected by the tightening of the mortgage lending standards nationwide. While these conditions have presented challenges for the local housing market, Zillow.com reported in August 2009 that Fayetteville's housing market was ranked first in the nation for appreciating home values for the first two quarters of 2009. The median value of a home in Fayetteville was up 13.4% over the second quarter of 2008.

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. Taxable sales in Fayetteville for fiscal year 2009 totaled approximately \$2.35 billion, which is a modest increase over fiscal year 2008. Historical sales for Fayetteville and Cumberland County are provided in the table below.

Retail /Taxable Sales*				
Fiscal Year	City of Fayetteville	% Change	Cumberland County	% Change
2009	\$2,348,317,596	2.10	\$2,844,376,173	3.4
2008	\$2,300,524,240	2.10	\$2,751,850,877	0.19
2007	\$2,253,207,756	9.30	\$2,746,626,602	9.7
2006	2,061,503,490	N/A	2,504,743,152	N/A
2005	2,986,871,674*	11.44	3,683,503,849*	9.9

*Fiscal Year (FY) 2005 sales are not comparable to subsequent fiscal years' sales data. The FY2005 sales data represents gross retail sales. The FY2006, 2007, 2008 and 2009 sales data represents taxable sales.

Overall, Fayetteville's economy is expected to remain stable. While Fayetteville is not immune from the challenges facing other cities in North Carolina and across the country as the nation recovers from the recession, the proximity of Fort Bragg and the base realignments are expected to mitigate the impact of those economic challenges on the local economy. The City Council adopted a fiscal year 2010 budget based on a modest rate of growth. 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, revitalization of its historic downtown, 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.

A key financial goal of the City for many years has been to maintain a minimum 10% undesignated fund balance level in the general fund. In addition, the City's practice has been to appropriate fund balance for one-time expenditures or significant capital needs. These goals were met in fiscal year 2009 and were used to develop the fiscal year 2010 operating budget. Undesignated fund balance in the general fund was \$17.4 million or 13.2% of total general fund expenditures and transfers out at June 30, 2009, which exceeds the minimum 10 percent goal established by Council.

Consistent with debt management policy, the City also dedicated an amount equivalent to 6.93 cents of the 53-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 general obligation debt in fiscal year 2009. The City designates any excess dedicated revenues at year-end and accumulated fund balance resulting from the debt management plan for future debt service and capital improvement projects consistent with the adopted capital improvement plan. The City's commitment to the debt management plan will generate significant debt capacity in future fiscal years. In addition, the City received upgrades in its underlying bond ratings

on general obligation bonds in September 2009 of Aa2 and AA+ with the issuance of its Series 2009 General Obligation Refunding Bonds. These ratings are consistent with Council policy. The City also maintained its underlying bond ratings of Aa3 and AA- for its utility revenue bonds.

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, storm water system, airport and transit.

The City developed a five-year financial forecast for its General Fund for fiscal years 2010-2014. The purpose of the forecast is to enhance the City's financial planning process. The Council adopted strategic plan, five-year capital improvement plan, debt management plan, and the fiscal year 2009 budget were incorporated in the development of the financial forecast. The City intends to update the five-year financial forecast each year.

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 continued its efforts to complete its first comprehensive overhaul of its zoning and subdivision regulations in over 40 years. This effort will result in the creation of a Unified Development Ordinance that will make development regulations more user-friendly, streamline the review process, modernize zoning districts and uses, improve development quality, establish a new downtown district, and incorporate sustainable development practices in the City's regulations.
- The Fayetteville/Cumberland County Chamber of Commerce, in a partnership with the City of Fayetteville and Cumberland County, has reviewed sites, completed a feasibility study and evaluated design concepts to develop a military business park. The plan is to develop a 216-acre park adjacent to Fort Bragg. The current proposal includes developing office and retail space as well as research and production facilities to serve the needs of the military. The City and Cumberland County have been awarded several grants totaling \$741,000 from the U.S. Department of Housing and Urban Development (HUD) to fund a portion of the cost of the sanitary sewer lines to serve the park. In the Spring of 2009, the City, Cumberland County and a developer executed an agreement regarding the use of the funds for the planned business park.
- In April 2008, the Fayetteville Metropolitan Housing Authority was awarded a \$20 million HOPE VI grant to demolish and replace two public housing projects comprised of barracks-style buildings built in the 1940s and 1950s. The City, the City's Public Works Commission (PWC) and the County have 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. Plans include

a community resource center, senior apartments, single family homes and an avenue lined with apartment buildings and public housing units scattered among homes. Most of the development will occur in the City's downtown area. During fiscal year 2009, the City initiated the purchase of several properties consistent with the City's commitment for the project. The HOPE VI project must be completed by 2013.

- The City completed its first year of the new residential recycling program for items such as glass, aluminum and plastic containers, newsprint and corrugated cardboard. The program became effective in July 2008 and is funded through an annual user fee for each single-family household.
- In February 2009, City Council committed to the enhancement of public safety operations by accepting a federal SAFER grant of over \$2.1 million and committing a local match of more than \$2.3 million to add 24 fire fighter positions. The grant and local match will cover the cost of the additional fire fighters for a five-year period, after which the City will be responsible for funding 100 percent of the cost. Several of the fire fighter positions will be used to staff a new fire station in northern Fayetteville.
- The City continued redevelopment work on the 300 Block of Hay Street project, which is a public-private partnership. The City has expended or committed approximately \$1.85 million to pay permit fees, acquire land, construct a parking lot and make streetscape improvements. Developers expect to invest approximately \$11 million in the project to buy land from the City and construct a four-story, 46,000 square-foot retail and office space building, 18 townhouses and 24 condominiums. The project is approximately 80 percent complete.
- During fiscal year 2009, the City, with the assistance of a consultant, made progress toward the development of a Transportation Development Plan (TDP) to identify strategies to improve and expand transit services to meet community needs. The plan was presented to Council in August 2009. The City Council has committed an additional \$675,000 annually to fund improvement recommendations identified in the TDP, to include extended services hours on major routes and an additional connector route.
- City Council lowered the City's tax rate as a result of 2009 real property revaluation process. Council adopted a 2010 tax rate of 45.6 cents compared to a 2009 tax rate of 53.0 cents per \$100 value due to the increase in property values resulting from the revaluation.
- The City, with and through its PWC, accomplished or continued work on several utility system financial and economic development policies and goals including:
 - Signed a 20-year power supply agreement with Progress Energy Carolina (PEC). The agreement, which becomes effective July 1, 2012, extends the long association with PEC. In a separate agreement, PEC signed a five-year contract with PWC to lease or dispatch its Butler Warner Generation plant as needed to meet its system demand.

- Adoption of an electric gross receipts tax agreement between the City and its PWC to share a portion of the additional taxes the City will receive as a result of the new power supply contract beginning in 2012. The agreement requires that a portion of the taxes be used for street light charges and toward PWC's share of the Phase V annexation sewer installation costs.
- Installation of nearly six miles of water mains to connect the PWC distribution system to the Fort Bragg system continued. The project is the result of PWC's 40-year contract with the Department of Defense to provide water to the Fort Bragg Army installation. PWC is partnering with Harnett County to provide Fort Bragg a maximum daily demand of 16 million gallons a day. PWC's contract is valued at over \$90 million.
- Implemented new water and sewer rates that reflect the cost of service as well as concern for fixed income customers. PWC established a rate to reflect a lower charge for customers using 5,000 gallons of water a month or less. Despite the increase, PWC's rates remain among the lowest in the state when compared to the 12 largest cities in the state.
- Extended utility services to over 600 properties as part of the City's Annexation Phase V utility retrofitting project. Plans call for extending service to an additional 7,400 properties by 2024.
- Preparing to meet the growth expected as part of the BRAC process, PWC continued to work toward establishing a water and sewer extension policy as part of the Municipal Influence Area as well as an out-of-county water and wastewater sales policy.

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

- The North Carolina General Assembly adopted the 2005 Appropriations Act in August 2005, which included a \$2.3 million grant to the City of Fayetteville for the development of a 15-acre North Carolina State Veterans Park in the downtown area. Most of the funds have been used to acquire land located near the Airborne and Special Operations Museum, demolish buildings and develop a preliminary master plan for the park. The remainder of the grant will be used for additional site preparation. In addition, the City received an additional grant of \$13.7 million in fiscal year 2009 from the State of North Carolina for design and construction of the Veterans Park, including a formal garden, visitor's center and freedom trail. During the fiscal year, the City appointed a committee to provide input on the types of facilities and exhibits that will be incorporated in the park. The City also retained an architect and engineering firm to provide plans to conform to the conceptual design.
- The City made significant progress toward two projects for airfield and runway improvements at the Fayetteville Regional Airport. During fiscal year 2009, the Airport invested over \$6.3 million in the projects which are being funded by federal grants, passenger facility fees and airport operating revenues. The projects are expected to cost a total of \$9.4 million at completion.
- Work continued on drainage system improvement projects funded by the annual storm water fee dedicated to system improvements. Progress has been made toward design and construction of some of the projects. The new fee generates

over \$3.3 million annually and is being used to fund drainage system projects that are estimated to cost in excess of \$43 million.

- Progress was made on projects funded by the \$8.45 million general obligation bonds issued in 2005. Those projects include drainage improvements and street improvements.
- The City executed a \$2.7 million contract to upgrade the computer aided dispatch system and records management system for the Police and Fire Departments. The total project is expected to cost approximately \$4 million when complete.
- Construction of PWC's future Customer Service Center began. The 10,000 square foot building is being built to LEED (Leadership in Energy & Environmental Design) standards and is scheduled to open in the fall 2009.
- Continued work on the water main rehabilitation and replacement project during FY2009. The purpose of the project is to replace and reline existing water mains to increase flow and extend the life of the distribution system. Since the first project in 2004, over 20 miles of water mains have been completed.

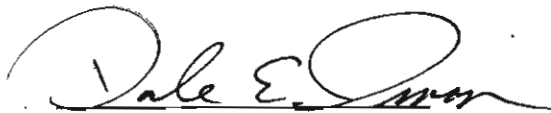
AWARDS AND ACKNOWLEDGEMENTS

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, 2008. 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.

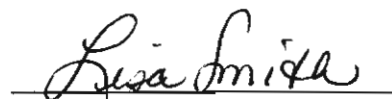
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Dale E. Iman
City Manager



Lisa Smith
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fayetteville
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

TOP ROW

Theodore W. Mohn
District 8

Charles E. Evans
District 2

Wesley A. Meredith
District 9

D.J. Haire
District 4

William J. L. Crisp
District 6



BOTTOM ROW

Keith A. Bates Sr.
District 1

Robert A. Massey Jr.
District 3

Anthony G. Chavonne
Mayor

Robert T. Hurst Jr.
District 5

Valencia A. Applewhite
District 7

City Administrative, Legal and Financial Staff

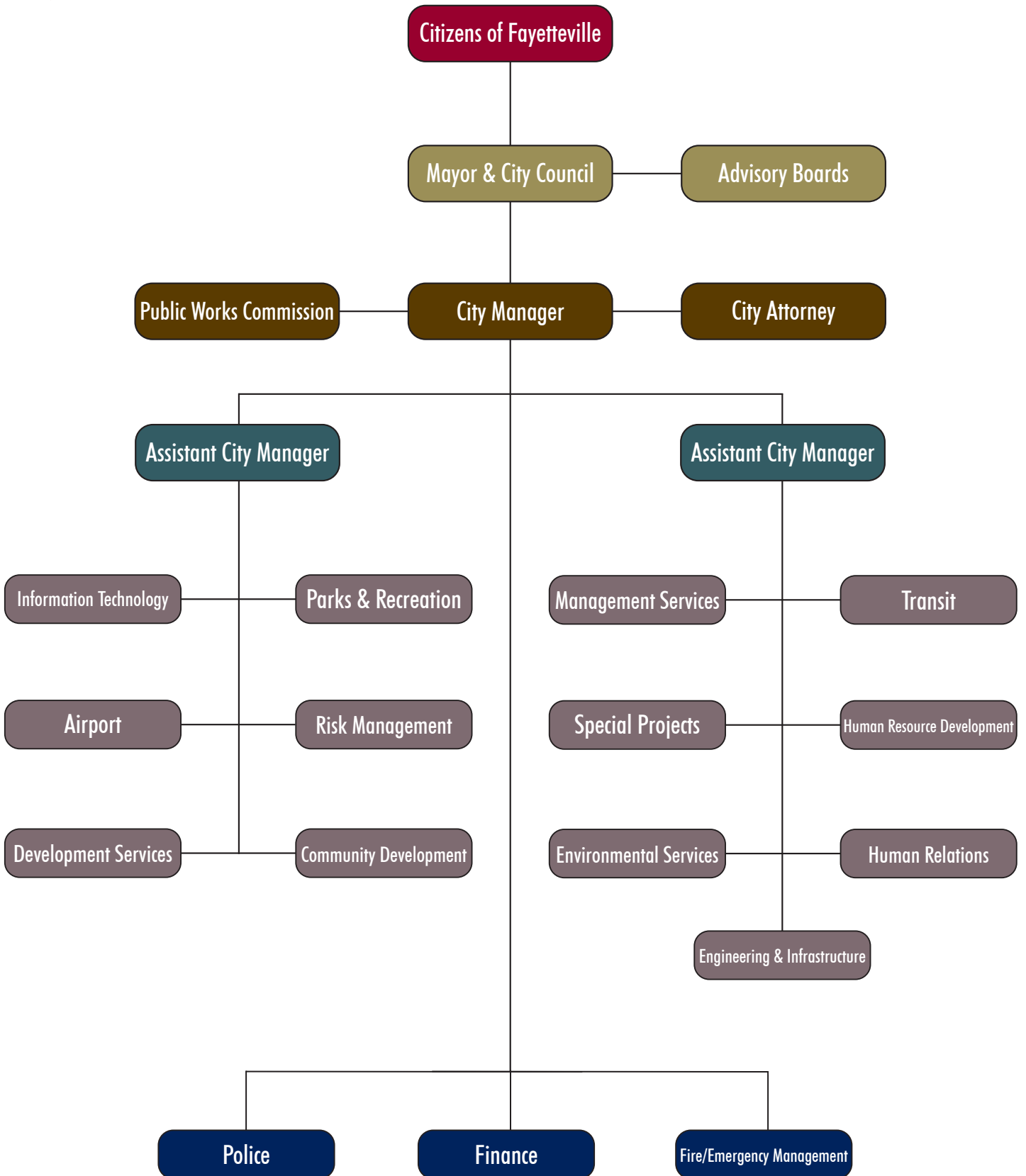
Dale Iman
City Manager

Karen McDonald
City Attorney

Doug Hewett
Assistant City Manager

Lisa Smith
Chief Financial Officer

Jennifer Penfield
Deputy City Clerk





Financial Section

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



Independent Auditor's Report

City of
Fayetteville
North Carolina



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison of the general 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows where appropriate, and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions for the Law Enforcement Officers' Special Separation Allowance, Public Works Commission Retirement System, Other Post Employment Benefit Retiree Healthcare Plan, and Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and schedule of expenditures of Passenger Facility Charges as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, for the year ended June 30, 2009, and the individual fund comparative totals for the year ended June 30, 2008, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2009, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

Fayetteville, North Carolina
October 30, 2009



Management's Discussion and Analysis

City of
Fayetteville
North Carolina

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, 2009. 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 of the City of Fayetteville exceeded its liabilities at the close of the fiscal year by \$1.1 billion (*net assets*). Of this amount, \$221.6 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$41.8 million.
- Net assets decreased \$1.9 million to \$425.9 million in fiscal year 2009 down from \$427.7 million in fiscal year 2008 in the Governmental activities. Key factors in this decrease were primarily from a \$2.8 million increase in public safety expenses primarily attributed to personnel costs, \$0.7 million decrease in other taxes, and a \$1.8 million decrease in operating grants and contributions, offset by a \$3.4 million decrease in Other Post Employment Benefit (OPEB) expense.
- Net assets increased \$43.7 million to \$673.9 million in fiscal year 2009 up from \$630.2 million in fiscal year 2008 in the Business type activities. By far, the largest portion of these net assets, \$524.3 million or 77.8 percent, reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Electric, Water and Wastewater, Transit, Airport and Solid Waste Recycling activities. Capital contributions and operating funds offset by capital asset depreciation contributed to the \$18.3 million increase in Capital Assets, Net of Related Debt.

Current and Other Assets increased \$10.4 million or 5.5 percent. This increase is primarily due to a \$3.8 million increase in investments held at year end and an increase of \$2.5 million in accounts receivable in the Electric, Water and Wastewater Funds in fiscal year 2009.

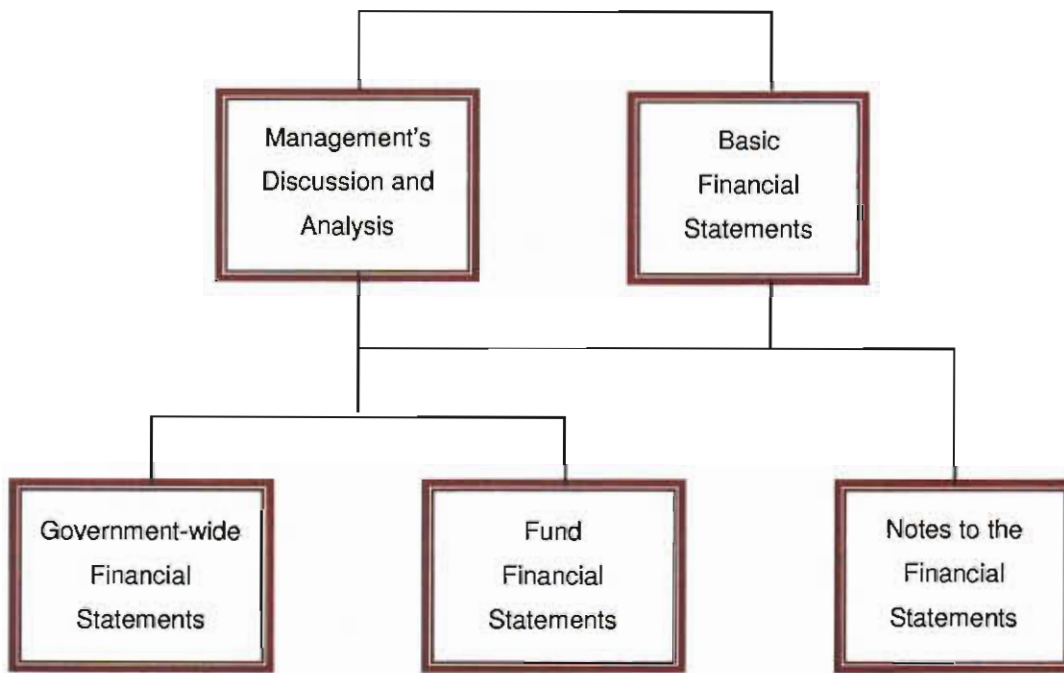
- As of the close of fiscal year 2009, the City's governmental funds reported an ending fund balance of \$65 million, a decrease of \$0.7 million in comparison to prior year. Approximately 54.8 percent of total fund balance, or \$35.6 million is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of fiscal year 2009, unreserved fund balance for the general fund was \$27.9 million or 21.3 percent of total general fund expenditures and transfers out for the fiscal year. Of this amount, \$10.5 million has been designated for subsequent year expenditures, special purposes, and debt service, bringing the undesignated general fund balance to \$17.4 million or 13.2 percent of general fund expenditures and transfers out.
- The City's total debt decreased by \$22.7 million during fiscal year 2009.
- As of June 30, 2009 the City's most recent general obligation bond issue (governmental activities) was rated Aa3 (Moody's Investor Services) and AA- (Standard & Poor's). With the exception of the utility system revenue bonds issued in 2008, all outstanding utility system revenue bonds carry bond ratings of Aa3 and AAA from Moody's and Standard and Poor's, respectively; based upon municipal bond insurance policies. In fiscal year 2008, both Moody's and Standard and Poor's raised the underlying bond ratings of the City's utility system to Aa3 and AA- from A1 and A+, 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



Summary → Detail

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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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, 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 Assets 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, 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 Assets 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 leasing program, 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 two pension trust funds 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-46 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 Assets. The following is a summary of net assets for the City of Fayetteville at June 30, 2009 with comparative data for June 30, 2008. The City's combined net assets increased \$41.8 million, or 3.9% from fiscal year 2008 to 2009. Net assets 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 assets.

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

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 104,066	\$ 116,753	\$ 188,328	\$ 198,739	\$ 292,394	\$ 315,492
Capital assets	395,687	388,385	677,134	699,081	1,072,821	1,087,466
Total assets	499,753	505,138	865,462	897,820	1,365,215	1,402,958
Long-term liabilities outstanding	57,542	51,022	192,677	179,445	250,219	230,467
Other liabilities	14,461	28,259	42,557	44,468	57,018	72,727
Total liabilities	72,003	79,281	235,234	223,913	307,237	303,194
Net assets:						
Invested in capital assets, net of related debt	354,483	351,060	505,941	524,263	860,424	875,323
Restricted	2,931	1,885	2,087	946	5,018	2,831
Unrestricted	70,336	72,912	122,200	148,698	192,536	221,610
Total net assets	\$ 427,750	\$ 425,857	\$ 630,228	\$ 673,907	\$ 1,057,978	\$ 1,099,764

The assets of the City exceeded liabilities by \$1.1 billion as of June 30, 2009. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$875.3 million, Restricted net assets of \$2.8 million and Unrestricted net assets \$221.6 million.

The invested in capital assets, net of related debt 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, and wastewater 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 assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used.

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2009, \$221.6 million, or 20.2% of the total net assets reported of \$1.1 billion, is unrestricted.

CITY OF FAYETTEVILLE

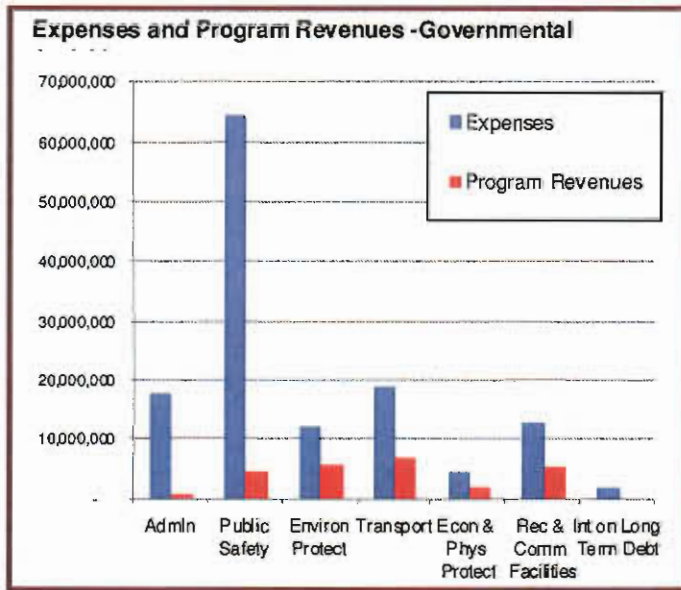
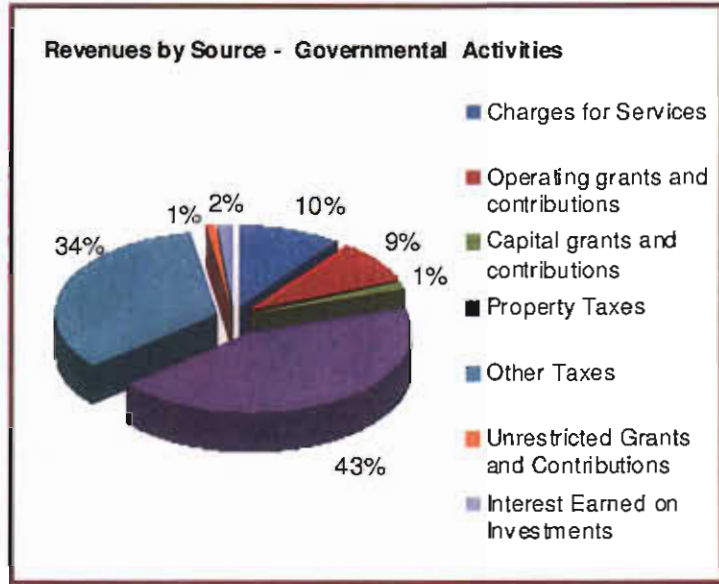
City of Fayetteville's Changes in Net Assets (dollars in thousands)

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services	\$ 12,142	\$ 12,936	\$ 227,978	\$ 241,663	\$ 240,120	\$ 254,599
Operating grants and contributions	11,053	10,857	2,296	2,945	13,349	13,802
Capital grants and contributions	1,321	1,463	17,782	19,619	19,103	21,082
General revenues:						
Property taxes	54,295	55,407	-	-	54,295	55,407
Other taxes	43,193	42,525	-	-	43,193	42,525
Grants and contributions not restricted to specific programs	801	815	-	-	801	815
Other	4,588	3,317	5,484	4,920	10,072	8,237
Total revenues	127,393	127,320	253,540	269,147	380,933	396,467
Expenses:						
Administration	19,091	17,815	-	-	19,091	17,815
Public safety	63,458	64,355	-	-	63,458	64,355
Environmental protection	12,126	12,049	-	-	12,126	12,049
Transportation	20,387	18,966	-	-	20,387	18,966
Economic and physical development	4,559	4,532	-	-	4,559	4,532
Recreation and community facilities	12,114	12,881	-	-	12,114	12,881
Interest and fees	2,061	1,981	-	-	2,061	1,981
Electric	-	-	137,562	144,715	137,562	144,715
Water and wastewater	-	-	52,767	65,163	52,767	65,163
Transit	-	-	5,584	5,975	5,584	5,975
Airport	-	-	3,986	4,330	3,986	4,330
Solid Waste Recycling	-	-	1,946	1,919	1,946	1,919
Total expenses	133,796	132,579	201,845	222,102	335,641	354,681
Increase in net assets before transfers and special items	(6,403)	(5,259)	51,695	47,045	45,292	41,786
Transfers	3,308	3,366	(3,308)	(3,366)	-	-
Increase in net assets	(3,095)	(1,893)	48,387	43,679	45,292	41,786
Net assets, July 1	430,845	427,750	581,841	630,228	1,012,686	1,057,978
Net assets, June 30	\$ 427,750	\$ 425,857	\$ 630,228	\$ 673,907	\$ 1,057,978	\$ 1,099,764

Governmental activities: Revenues for the City's governmental activities were \$127.3 million, while total expenses were \$132.6 million in fiscal year 2009. The decrease in net assets for governmental activities, after transfers in, was \$1.9 million. Key elements of this decrease are as follows:

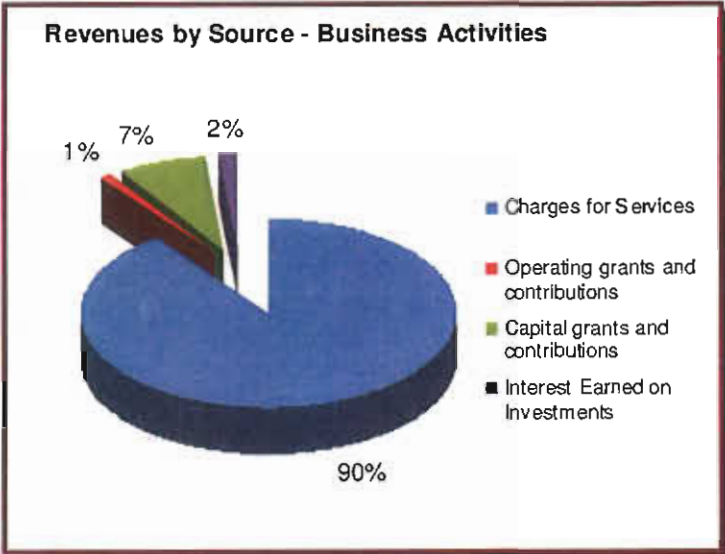
- Ad valorem property tax revenues increase of \$1.1 million to \$55.4 million due to development within the City and a small increase in the tax collection rate. Property taxes represent 43.5% of total governmental revenues.
- Other taxes of \$42.5 million, which accounted for 33.4% of total governmental revenues decreased \$0.7 million from 2008.
- Those who directly benefited from service-fee based programs paid \$12.9 million in charges for services and represented a 6.5 percent increase (\$0.8 million) from 2008. This increase can be primarily attributed to increased public safety, transportation and recreation fees.
- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$10.9 million, representing a 1.8 percent decrease from fiscal year 2008. These grants and contributions include operating support from various federal and state agencies (\$7.7 million).



- The City received \$5.6 million in other revenues such as capital grants and contributions, interest and unrestricted grants.
- The cost of all governmental activities this year was \$132.6 million compared to \$133.8 million in fiscal year 2008. This change resulted primarily from a \$3.4 million decrease in Other Post Employment Benefit (OPEB) expense, offset by a \$2.8 million increase in public safety operations primarily attributed to personnel costs.
- The City's four largest governmental programs – public safety operations (48.5%), transportation operations (14.3%), administration (13.4%), and recreation and community facilities (9.7%), represent 85.9% of the total governmental activities.

and recreation and community facilities (9.7%), represent 85.9% of the total governmental activities.

Business-type activities: Revenues for the City's business-type activities were \$269.1 million, while total expenses were \$222.1 million in fiscal year 2009. The increase in net assets for business-type activities, after transfers out of \$3.4 million, was \$43.7 million, resulting in net assets of \$673.9 million. Particularly, net assets increased in the electric, water and wastewater activities by \$36.4 million, resulting in net assets of \$630.6 million in fiscal year 2009, compared to \$594.2 million in fiscal year 2008. By far, the largest portion of these net assets, \$490.5 million or 77.8 percent, reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. Capital contributions and operating funds offset by capital asset depreciation contributed to the \$12.8 million increase in Capital Assets, Net of Related Debt in the electric, water and wastewater activities.



Current and Other Assets in the electric, water and wastewater activities increased \$6.1 million or 3.4 percent. The increase is a result of a \$3.8 million increase in investments held at year end and an increase of \$2.5 million in accounts receivable during fiscal year 2009.

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, unreserved 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 2009, unreserved fund balance of the General Fund was \$27.9 million, while total fund balance reached \$45.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 21.3 percent of total General Fund expenditures and transfers, while total fund balance represents 34.9 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's goal is to maintain an undesignated fund balance of at least 10 percent of the succeeding year's expenditure budget. Undesignated fund balance is the component of unreserved fund balance after consideration for management's policy designations. The City's unreserved fund balance totals \$27.9 million. Of this amount, \$3.6 million is designated for fiscal year 2009 appropriations and \$6.9 million is designated for specific purposes. The remaining unreserved fund balance of \$17.4 million is undesignated.

The fund balance of the City's general fund decreased by \$7.1 million during the current fiscal year. Key factors in this decrease can be attributed to lower than anticipated sales tax revenues and planned nonrecurring uses of fund balance as follows:

- A transfer of \$3.9 million to the Economic and Physical Development Capital Project Fund for the HOPE VI Project.
- A transfer of \$0.7 million to the Transportation Capital Project Fund for a soil streets paving project.
- A transfer of \$0.5 million to the Transit Capital Project Fund for the purchase of land for a multimodal center.
- A transfer of \$1.1 million to the Public Works Commission for the City's remaining contribution for an annexation water/wastewater project.

The Recreational and Cultural Fund is a major capital project fund used to account 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. At the end of fiscal year 2009, total fund balance of the Recreational and Cultural Fund was \$1.4 million, of which \$1.3 million was reserved for contract encumbrances.

At the end of fiscal year 2009, the Recreational and Cultural Fund reflected a \$13.0 million increase in restricted cash and a \$13.1 million increase in deferred revenue. This increase can be attributed to a grant that was awarded and funded during fiscal year 2009 in the amount of \$13.7 million to the City to assist with constructing the NC State Veterans Park including a formal garden, visitor's center and freedom trail.

At June 30, 2009, the governmental funds of the City reported a combined fund balance of \$65.0 million, a 1.0 percent decrease from the previous year.

General Fund Budgetary Highlights

The City Council originally approved a \$134.8 million general fund budget for fiscal year 2009, which represented a \$5.9 million or 4.6% increase from the original budget for fiscal year 2008. The tax rate remained the same at 53 cents per \$100 value. Consistent with City Council strategic priorities, significant fiscal year 2009 budget appropriation increases included a \$3.7 million increase in employee compensation to maintain market competitive pay levels for public safety and general employees, \$2.25 million for land acquisition and park development for the Hope VI project, a \$1.2 million general fund contribution for water and sewer infrastructure for the Phase V annexation area, and a \$1.4 million increase in vehicle and equipment replacement funding. These increased appropriations were offset by a \$1.6 million reduction in street light expenditures consistent with a new agreement between the City Council and the Public Works Commission, a \$500,000 reduction in street resurfacing funding, and a \$375,000 reduced transfer to the City of Fayetteville Finance Corporation as compared to the original fiscal year 2008 budget.

Natural growth was expected to generate an additional \$2.0 million in ad valorem taxes compared to the fiscal year 2008 original budget, offset by a reduction of \$334,000 in prior year tax collections primarily due to less outstanding 2006 taxes for the Phase V annexation area. Other revenue sources combined were expected to increase by \$513,000. Transfers to the general fund were projected to be \$627,000 less than the original fiscal year 2008 budget primarily due to a \$1.1 million reduction in the transfer from the Electric fund (due to the \$1.6 million reduction for street lights and \$521,000 increase in the regular transfer) and a \$504,000 transfer from the Recycling fund to begin the repayment of start-up funding provided by the general fund for the new recycling program. The \$9.7 million fund balance appropriation for one-time expenditures and use of debt management plan reserves for fiscal year 2009 exceeded the \$3.6 million fund balance appropriation originally budgeted in fiscal year 2008. No capital lease proceeds were budgeted for fiscal year 2009 as compared to the \$1.8 million budgeted in the original fiscal year 2008 budget.

During the fiscal year, the City Council approved budget increases of \$8.6 million or 6.4% bringing the general fund budget for fiscal year 2009 to \$143.5 million. The budget increase was primarily due to \$6.2 million appropriated by Council for expenditures encumbered, designated or reserved for donations at June 30, 2008, \$500,000 appropriated for the purchase of a site for a future multi-modal transportation facility, \$350,915 appropriated to fund a required debt service reserve, and \$280,442 for additional fire suppression personnel and operating expenses for a new fire station. The increased budget appropriations were primarily funded by additional fund balance appropriations of \$8.0 million, increased utility franchise tax proceeds of \$543,400 that were largely related to the annexation of Fort Bragg and an additional \$122,580 in projected Federal grant revenues.

Actual revenues and other financing sources for the general fund totaled \$124.3 million, or \$19.1 million less than the final amended budget. The shortfall primarily related to a budgeted fund balance appropriation of \$17.7 million, which is an other financing source that is not reflected as current year revenue. Other revenue and financing sources that did not reach budgeted levels included: \$750,000 for anticipated Section 108 HUD loan proceeds that will not be received until fiscal year 2010; a \$627,000 shortfall in intergovernmental revenues related to sales tax distributions that were \$1.5 million less than budget, offset primarily by utility tax distributions and County recreation funding that exceeded budgeted levels by \$524,000 and \$191,000, respectively; and ad valorem tax proceeds that fell \$319,000 short of budget primarily due to taxes on motor vehicles. Remaining revenue and financing sources combined exceeded the budgeted total by \$219,000.

Actual expenditures and other financing uses were \$131.4 million, or \$12.1 million less than the final amended budget. There were approximately \$7.1 million in expenditures budgeted for fiscal year 2009 which were encumbered, designated or reserved for donations at June 30, 2009 to be reappropriated in fiscal year 2010. In addition, positive personnel budget variances across all departmental budgets totaled \$1.2 million, reimbursements to other governments related to sales tax and utility franchise taxes were \$487,000 less than budgeted, actual rent expenditures for the Festival Park Plaza master lease were \$467,000 less than the required budget amount, and actual transfers to the Transit Fund were \$276,000 less than projected. The balance of the variance results from a variety of departmental operating expenditures being under budget.

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, 2009, totals \$1.1 billion (net of accumulated depreciation). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, and wastewater utility systems.

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

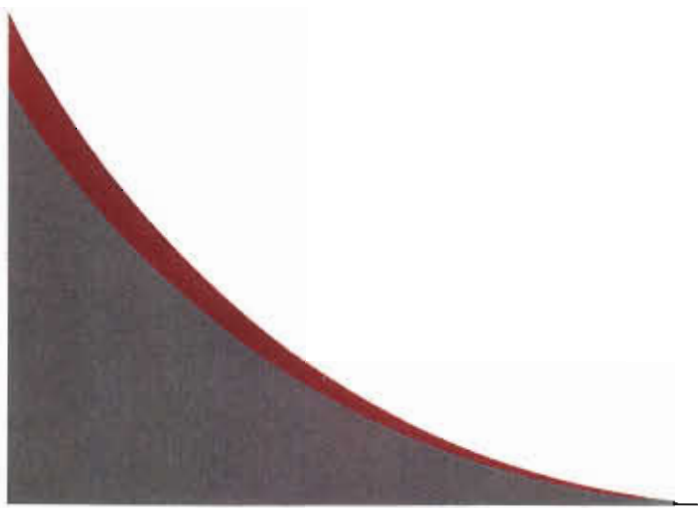
- \$6.3 million for airport runway and airfield improvements
- \$5.5 million for water and wastewater rehabilitation of mains and laterals
- \$4.6 million for public safety (police and fire) vehicles and equipment
- \$4.4 million in street, sidewalk and drainage infrastructure projects
- \$3.3 million for installation of wastewater utility systems in annexed areas
- \$3.3 million for electric NCDOT projects
- \$3.0 million for installation and replacement of underground cable
- \$2.4 million for solid waste and street maintenance vehicles and equipment
- \$2.8 million for customer service center
- \$2.5 million for purchase and installation of water meters
- \$2.3 million for vehicles and equipment for the electric, water and wastewater funds
- \$1.9 million for water system additions and improvement to Ft. Bragg and the Spring Lake area
- \$1.6 million for upgrade of fuel nozzles and water injection system at the generation plant
- \$1.5 million for electric distribution system transformers
- \$1.2 million for water and wastewater NCDOT projects
- \$0.6 million for transit vehicles and equipment

CITY OF FAYETTEVILLE

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

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 36,112	\$ 36,297	\$ 15,772	\$ 16,136	\$ 51,884	\$ 52,433
Infrastructure	291,034	283,086	-	-	291,034	283,086
Electric utility system	-	-	169,014	168,198	169,014	168,198
Wastewater system	-	-	256,511	256,118	256,511	256,118
Water system	-	-	149,882	153,797	149,882	153,797
Equipment and machinery	-	-	9,774	9,411	9,774	9,411
Buildings and improvements	48,698	46,562	44,577	46,002	93,275	92,564
Equipment, furniture and fixtures	3,725	4,545	890	799	4,615	5,344
Computer programs	-	-	3,223	2,330	3,223	2,330
Vehicles	13,010	14,609	7,150	8,611	20,160	23,220
Construction in progress	3,109	3,286	20,341	37,678	23,450	40,964
Total	\$ 395,688	\$ 388,385	\$ 677,134	\$ 699,080	\$ 1,072,822	\$ 1,087,465

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, 2009, The City had total bonded debt outstanding of \$191.4 million (before loss on defeasance, see Note 5 in the financial statements), of which \$26.6 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	
	2008	2009	2008	2009	2008	2009
Bonded debt	\$ 32,812	\$ 28,459	\$ 167,885	\$ 154,877	\$ 200,697	\$ 183,336
Obligations under capital leases	14,344	10,268	-	-	14,344	10,268
Installment note payable	-	-	20,487	19,219	20,487	19,219
Total long-term debt	\$ 47,156	\$ 38,727	\$ 188,372	\$ 174,096	\$ 235,528	\$ 212,823

The City's total long-term debt decreased by \$22.7 million, or 9.6%, during the past fiscal year. This decrease is primarily due to principal payments of \$22.7 million during the fiscal year 2009.

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 \$8.1 million and a \$9.6 million liability for Other Post Employment Benefits (OPEB).

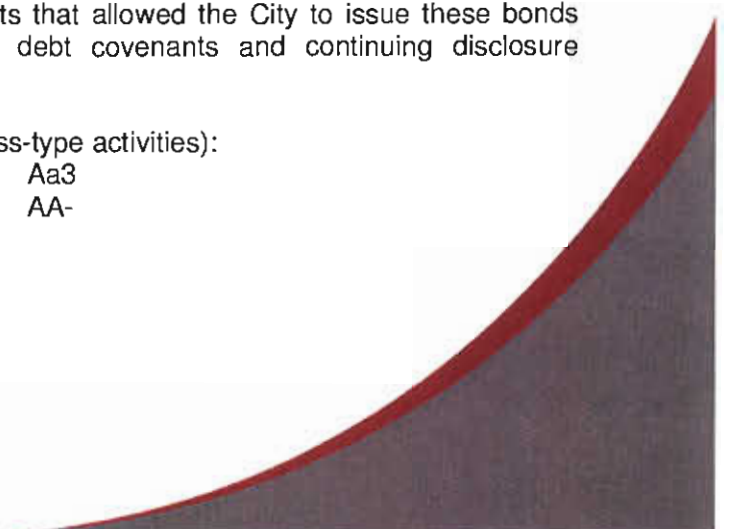
As of June 30, 2009, the City's most recent underlying General Obligation bond rating received in connection with the Series 2005 General Obligation Public Improvement Bonds, are shown below:

City (governmental activities):	
Moody's Investor Services	Aa3
Standard & Poor's	AA-

In September, 2009, Standard & Poor's upgraded the underlying bond rating on all outstanding General Obligation bonds from "AA-" to "AA+" and Moody's Investor Services, upgraded the underlying bond rating on all outstanding General Obligation bonds from "Aa3" to "Aa2".

With the exception of the Series 2008 Revenue Bonds, all other outstanding utility system revenue bonds carry an Aa3 and AAA rating from Moody's and Standard & Poor's, respectively, based on municipal bond insurance policies. In fiscal year 2008, the City received underlying bond ratings for its utility system revenue bonds as shown below. These underlying ratings were assigned to the Series 2008 Revenue Bonds and were one of the determinants that allowed the City to issue these bonds without insurance. The City continues to meet all debt covenants and continuing disclosure requirements.

Public Works Commission (business-type activities):	
Moody's Investor Services	Aa3
Standard & Poor's	AA-



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 \$768.7 million. The City has no bonds authorized but unissued at June 30, 2009.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-20 – F-29 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2010

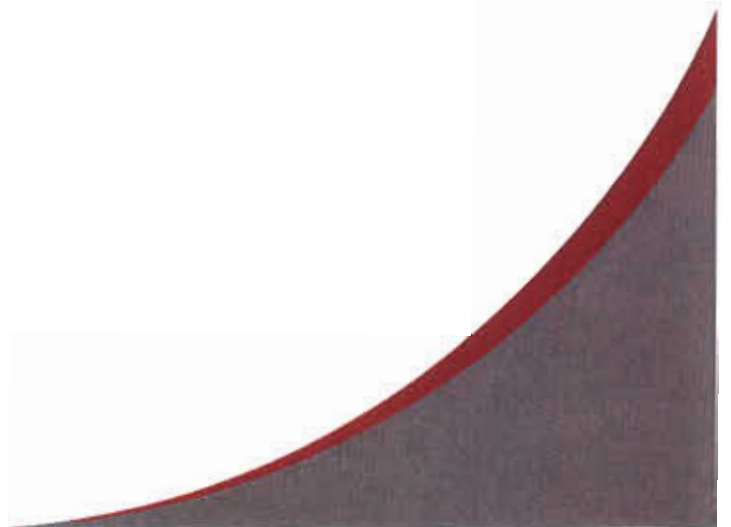
The City Council approved a \$137.1 million general fund budget for fiscal year 2010, which represented a \$2.3 million or 1.7% increase from the original budget for fiscal year 2009. The tax rate was established at 45.6 cents per \$100 value, reflecting the projected revenue-neutral tax rate following the 2009 property revaluation process. Significant appropriation increases for the fiscal year 2010 budget included \$2.4 million for 30 additional positions with equipment and support costs to enhance police services, \$835,000 for law enforcement officer pay increases, \$955,000 for 24 additional fire suppression personnel, \$455,000 in additional funding for transit service improvements, a \$675,000 increase in funding dedicated for the debt management plan, and an additional \$2.9 million for reimbursement agreements with other local governments and Fort Bragg, primarily due to the impact of the annexation of a portion of Fort Bragg in September, 2008. These appropriation increases were offset by a \$1.3 million reduction in one-time funding for capital improvements, \$1.3 million less for vehicle and equipment replacements, a reduction of \$1.2 million in equipment financing debt service requirements and other personnel and operating expenditure reductions.

An additional \$1.6 million in current ad valorem taxes from real and personal property is expected to be generated compared to the fiscal year 2009 original budget, following the 2009 property revaluation process. An additional \$1.3 million in revenues from sales taxes and \$1.9 million from utility taxes are expected to be received in fiscal year 2010 compared to the fiscal year 2009 original budget, primarily reflecting the impact of the additional population and area from the September, 2008 annexation of Fort Bragg, offset by declining per capita sales taxes due to general economic conditions. The original budget for fiscal year 2010 included a projected increase of \$2.2 million in federal funding for public safety, including \$1.5 million in anticipated grants for police personnel and related expenses, and \$727,000 in grant proceeds for fire suppression personnel. Transfers to the general fund are projected to be \$670,000 more than the original fiscal year 2009 budget primarily due to an increase in the transfer from the Electric fund. The \$4.1 million fund balance appropriation for one-time expenditures and use of debt management plan reserves for fiscal year 2010 represents a \$5.6 million reduction compared to the original \$9.7 million fund balance appropriation originally budgeted in fiscal year 2009.

The City Council has since approved budget increases of \$12.3 million or 9.0%, bringing the general fund budget for fiscal year 2010 to \$149.4 million. The budget increase is primarily due to appropriations of \$8.8 million to refund General Obligation bonds and \$5.3 million for expenditures encumbered, designated or reserved for donations at June 30, 2009. These appropriation increases were offset by a \$1.8 million appropriation reduction related to grant-funded expenditures for the Police department that were appropriated in the Federal and State Assistance Special Revenue Fund (\$1.1 million) or not funded as anticipated. The funding sources for the increased appropriations are \$8.8 million in refunding bond proceeds and a \$5.0 million fund balance appropriation increase, offset by a \$1.5 million reduction in Federal grant proceeds.

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.





Basic Financial Statements

These basic financial statements provide a summary of the financial position of all governmental and business 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

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 74,607,575	\$ 54,787,489	\$ 129,395,064
Taxes receivable	3,411,801	-	3,411,801
Accounts receivable	5,446,971	38,668,235	44,115,206
Internal balances	(1,976,561)	1,976,561	-
Assessment receivable	489,373	-	489,373
Due from other governments	8,258,348	5,647,460	13,905,808
Inventories	79,900	13,750,250	13,830,150
Prepaid expenses	568,555	395,806	964,361
Noncurrent portion of note receivable	7,939,794	-	7,939,794
Restricted asset - cash and investments	17,624,246	75,702,902	93,327,148
Restricted asset - accounts receivable	-	516,601	516,601
Restricted asset - collateral pledged	-	274,501	274,501
Other assets	303,260	7,019,281	7,322,541
Capital assets:			
Land and construction in progress	39,583,751	53,814,083	93,397,834
Other capital assets, net of depreciation	348,801,521	645,266,417	994,067,938
Total assets	505,138,534	897,819,586	1,402,958,120
Liabilities			
Accounts payable and accrued expenses	12,585,218	30,523,122	43,108,340
Restricted liabilities - accounts payable	-	9,041,805	9,041,805
Unearned revenues	14,960,725	20,855	14,981,580
Unearned deposits	171,108	3,179,444	3,350,552
Long-term liabilities:			
Due within one year	10,045,262	14,278,369	24,323,631
Due in more than one year	40,976,565	165,166,312	206,142,877
Other liabilities	542,421	1,703,073	2,245,494
Total liabilities	79,281,299	223,912,980	303,194,279
Net assets			
Invested in capital assets, net of related debt	351,059,848	524,262,726	875,322,574
Restricted for:			
Capital projects	-	943,364	943,364
Debt service	-	2,743	2,743
Grant compliance	1,885,171	-	1,885,171
Unrestricted	72,912,216	148,697,773	221,609,989
Total net assets	\$ 425,857,235	\$ 673,906,606	\$ 1,099,763,841

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 17,815,439	\$ 868,572	\$ 7,264	\$ -	\$ (16,939,603)	\$ -	\$ (16,939,603)
Public safety	64,355,111	3,512,402	1,111,218	33,802	(59,697,689)	-	(59,697,689)
Environmental protection	12,048,837	3,494,076	2,330,984	-	(6,223,777)	-	(6,223,777)
Transportation	18,985,600	1,046,358	5,545,029	85,372	(12,286,841)	-	(12,286,841)
Economic and physical development	4,532,166	-	1,826,540	30,913	(2,674,713)	-	(2,674,713)
Recreation and community facilities	12,860,611	4,012,612	35,844	1,312,932	(7,519,223)	-	(7,519,223)
Interest and fees	1,981,641	-	-	-	(1,981,641)	-	(1,981,641)
Total governmental activities	132,579,405	12,936,020	10,856,879	1,463,019	(107,323,487)	-	(107,323,487)
Business-type activities:							
Electric	144,714,714	169,451,426	-	1,044,143	-	25,780,855	25,780,855
Water and wastewater	65,163,237	64,945,746	-	11,598,860	-	11,381,369	11,381,369
Transit	5,975,160	801,967	2,681,466	681,684	-	(1,809,843)	(1,809,843)
Airport	4,329,383	3,942,522	-	6,293,746	-	5,906,885	5,906,885
Solid Waste Recycling	1,919,318	2,521,038	263,070	-	864,790	-	864,790
Total business-type activities	222,101,812	241,662,699	2,944,536	19,618,633	-	42,124,056	42,124,056
Total primary government	\$ 354,681,217	\$ 254,598,719	\$ 13,801,415	\$ 21,081,652	(107,323,487)	42,124,056	(65,199,431)
General revenues:							
Ad valorem taxes					55,406,617	-	55,406,617
Other taxes							
Sales tax					29,628,044	-	29,628,044
Utility franchise tax					4,048,341	-	4,048,341
Telecommunications sales tax					2,081,301	-	2,081,301
Piped natural gas tax					665,756	-	665,756
Video franchise tax					2,401,090	-	2,401,090
Vehicle license tax					640,655	-	640,655
Privilege license					1,013,929	-	1,013,929
Cablevision franchise tax					380,944	-	380,944
Vehicle gross receipt tax					441,381	-	441,381
Wireline 911 tax and wireless consolidated funds					1,138,897	-	1,138,897
Solid waste disposal tax					84,449	-	84,449
Unrestricted grants and contributions					814,901	-	814,901
Interest earned on investments					2,212,641	4,810,234	7,022,875
Miscellaneous					865,351	88,058	953,409
Gain on sale of capital assets					240,465	22,459	262,924
Transfers					3,366,213	(3,366,213)	-
Total general revenues and transfers					105,430,975	1,554,538	106,985,513
Change in net assets					(1,892,512)	43,678,584	41,786,082
Net assets - beginning					427,749,747	630,228,012	1,057,977,759
Net assets - ending					\$ 425,857,235	\$ 673,906,606	\$ 1,099,763,841

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General</u>	<u>Recreational and Cultural Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 41,653,341	\$ 1,439,809	\$ 16,381,033	\$ 59,474,183
Taxes receivable	3,150,513	-	60,520	3,211,033
Accounts receivable	12,764,126	30,437	7,811,762	20,606,325
Interfund receivable	249,542	-	-	249,542
Assessments receivable	489,373	-	-	489,373
Inventories	79,900	-	-	79,900
Restricted asset - cash and investments	-	13,712,898	3,911,348	17,624,246
Total assets	<u>\$ 58,386,795</u>	<u>\$ 15,183,144</u>	<u>\$ 28,164,663</u>	<u>\$ 101,734,602</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 6,994,124	\$ 101,779	\$ 2,538,528	\$ 9,634,431
Unearned deposits	131,418	-	39,690	171,108
Deferred revenues	5,342,238	13,665,507	7,900,803	26,908,548
Total liabilities	<u>12,467,780</u>	<u>13,767,286</u>	<u>10,479,021</u>	<u>36,714,087</u>
Fund balances:				
Reserved				
By State statute	11,960,494	30,437	1,331,691	13,322,622
For encumbrances	4,167,814	1,297,621	5,482,870	10,948,305
For inventories	79,900	-	-	79,900
For downtown	124,882	-	-	124,882
For county recreation	1,598,321	-	-	1,598,321
For streets - Powell Bill	-	-	1,145,874	1,145,874
For JP Riddle Stadium	26,523	-	-	26,523
For donations	27,000	-	-	27,000
For grant compliance	-	-	739,297	739,297
For debt service	-	-	1,401,061	1,401,061
Unreserved				
Designated				
For subsequent year's expenditures	3,643,174	-	-	3,643,174
For special purpose	3,562,081	-	-	3,562,081
For debt service	3,339,367	-	-	3,339,367
For capital projects	-	87,800	-	87,800
Undesignated	17,389,459	-	-	17,389,459
Unreserved, reported in nonmajor:				
Designated for subsequent year's expenditures				
Special revenue	-	-	297,500	297,500
Capital projects	-	-	5,127,594	5,127,594
Designated for special purpose				
Special revenue	-	-	1,424,996	1,424,996
Undesignated				
Special revenue	-	-	1,171,198	1,171,198
Capital projects	-	-	(436,439)	(436,439)
Total fund balances	<u>45,919,015</u>	<u>1,415,858</u>	<u>17,685,642</u>	<u>65,020,515</u>
Total liabilities and fund balances	<u>\$ 58,386,795</u>	<u>\$ 15,183,144</u>	<u>\$ 28,164,663</u>	<u>\$ 101,734,602</u>

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

CITY OF FAYETTEVILLE, NORTH CAROLINA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2009

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

Ending fund balance - governmental funds		\$ 65,020,515
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		386,159,077
Land	\$ 36,297,377	
Construction in progress	3,286,374	
Infrastructure	449,166,806	
Buildings and improvements	69,873,025	
Furniture and equipment	23,481,646	
Vehicles	36,721,798	
Accumulated depreciation	(232,667,949)	
	\$ 386,159,077	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		11,955,120
Costs of bond issuance are current-period expenditures in the funds, but will be deferred in the statement of net assets and amortized over the life of the outstanding debt.		(239,161)
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		487,171
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		200,770
Internal service funds are used by management to charge the costs of Warranty fleet expenses, fleet maintenance expenses and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		13,250,457
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(320,794)
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:		(50,655,920)
General obligation bonds	\$ (18,728,918)	
Revenue bonds	(9,730,000)	
Obligations under capital leases	(10,267,567)	
Net OPEB obligation	(7,212,279)	
Compensated absences	(4,717,156)	
	\$ (50,655,920)	
Net assets of governmental activities		\$ 425,857,235

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009**

	<u>General</u>	<u>Recreational and Cultural Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem taxes	\$ 55,553,012	\$ -	\$ -	\$ 55,553,012
Other taxes and fees	2,466,319	-	6,851,490	9,317,809
Unrestricted intergovernmental	40,367,061	-	-	40,367,061
Restricted intergovernmental	8,578,232	546,068	2,703,929	11,828,229
Permits and fees	1,889,966	-	-	1,889,966
Sales and services	3,263,932	-	-	3,263,932
Miscellaneous	2,092,179	36,246	980,487	3,108,912
Interest earned on investments	1,340,965	210,111	197,088	1,748,164
Total revenues	<u>115,551,666</u>	<u>792,425</u>	<u>10,732,994</u>	<u>127,077,085</u>
Expenditures				
Current:				
Administration	17,795,157	-	303,105	18,098,262
Public safety	61,928,862	-	2,773,771	64,702,633
Environmental protection	8,237,297	-	4,959,427	13,196,724
Transportation	7,143,632	-	3,084,245	10,227,877
Economic and physical development	1,407,349	-	3,295,290	4,702,639
Recreation and community facilities	11,238,186	946,324	94,365	12,278,875
Debt service:				
Principal	6,693,028	-	1,828,557	8,521,585
Interest and fees	1,406,077	-	549,767	1,955,844
Total expenditures	<u>115,849,588</u>	<u>946,324</u>	<u>16,888,527</u>	<u>133,684,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(297,922)</u>	<u>(153,899)</u>	<u>(6,155,533)</u>	<u>(6,607,354)</u>
Other financing sources (uses)				
Transfers in	8,516,480	205,500	13,973,485	22,695,465
Transfers out	(15,555,256)	-	(1,451,896)	(17,007,152)
Sale of capital assets	246,972	-	-	246,972
Total other financing sources (uses)	<u>(6,791,804)</u>	<u>205,500</u>	<u>12,521,589</u>	<u>5,935,285</u>
Net change in fund balances	<u>(7,089,726)</u>	<u>51,601</u>	<u>6,366,056</u>	<u>(672,069)</u>
Fund balance - beginning	<u>53,008,741</u>	<u>1,364,257</u>	<u>11,319,586</u>	<u>65,692,584</u>
Fund balance - ending	<u>\$ 45,919,015</u>	<u>\$ 1,415,858</u>	<u>\$ 17,685,642</u>	<u>\$ 65,020,515</u>

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

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, 2009

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

Net change in fund balances - total governmental funds \$ (672,069)

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 (\$19,733,797) exceeded capital outlay (\$13,030,239) in the current period. (6,703,558)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets (448,115)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (33,857)

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 assets. 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. 6,615,863

Principal repayments	\$	8,521,585	
Net OPEB Obligation		(1,907,863)	
Change in compensated absences		94,140	
Other miscellaneous		(91,999)	
	<u>\$</u>	<u>6,615,863</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. 39,628

The net revenue of certain activities of internal service funds is reported with governmental activities. (690,404)

Change in net assets of governmental activities \$ (1,892,512)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 55,872,095	\$ 55,872,095	\$ 55,553,012	\$ (319,083)
Other taxes and fees	2,464,700	2,464,700	2,466,319	1,619
Unrestricted intergovernmental	40,767,567	41,310,967	40,367,061	(943,906)
Restricted intergovernmental	8,138,751	8,261,331	8,578,232	316,901
Permits and fees	2,049,970	2,049,970	1,889,966	(160,004)
Sales and services	3,454,949	3,454,949	3,263,932	(191,017)
Miscellaneous	1,795,236	1,795,236	2,092,179	296,943
Interest earned on investments	1,194,000	1,194,000	1,340,965	146,965
Total revenues	<u>115,737,268</u>	<u>116,403,248</u>	<u>115,551,666</u>	<u>(851,582)</u>
EXPENDITURES				
Current:				
Administration	21,630,648	20,380,204	17,795,157	2,585,047
Public safety	62,765,035	64,934,488	61,928,862	3,005,626
Environmental protection	7,700,281	9,337,916	8,237,297	1,100,619
Transportation	7,068,104	9,910,322	7,143,632	2,766,690
Economic and physical development	2,100,193	2,144,229	1,407,349	736,880
Recreation and community facilities	11,968,850	12,592,587	11,238,186	1,354,401
Debt service:				
Principal	7,068,770	6,693,100	6,693,028	72
Interest and fees	1,748,075	1,406,086	1,406,077	9
Total expenditures	<u>122,049,956</u>	<u>127,398,932</u>	<u>115,849,588</u>	<u>11,549,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,312,688)</u>	<u>(10,995,684)</u>	<u>(297,922)</u>	<u>10,697,762</u>
OTHER FINANCING SOURCES (USES)				
Capital leases, bonds and other debt	750,000	750,000	-	(750,000)
Transfers in	8,502,718	8,479,318	8,516,480	37,162
Transfers out	(12,789,093)	(16,063,032)	(15,555,256)	507,776
Appropriated fund balance	9,689,063	17,669,398	-	(17,669,398)
Sale of capital assets	160,000	160,000	246,972	86,972
Total other financing sources (uses)	<u>6,312,688</u>	<u>10,995,684</u>	<u>(6,791,804)</u>	<u>(17,787,488)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(7,089,726)</u>	<u>\$ (7,089,726)</u>
FUND BALANCE - BEGINNING			<u>53,008,741</u>	
FUND BALANCE - ENDING			<u>\$ 45,919,015</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Assets					
Current assets					
Cash and investments	\$ 38,062,010	\$ 10,571,716	\$ 6,153,763	\$ 54,787,489	\$ 15,133,392
Accounts receivable	23,047,017	14,959,400	6,309,278	44,315,695	1,038,788
Interfund receivable	238,169	99,057	-	337,226	-
Inventories	12,216,757	1,385,045	148,448	13,750,250	-
Prepaid expenses	209,339	182,720	3,747	395,806	81,384
Total unrestricted current assets	73,773,292	27,197,936	12,615,236	113,588,466	16,253,564
Restricted current assets					
Restricted cash and investments	33,665,361	41,378,591	660,950	75,702,902	-
Accounts receivable	10,635	505,966	-	516,601	-
Collateral pledged in lieu of deposits	274,501	-	-	274,501	-
Total restricted current assets	33,950,497	41,882,557	660,950	76,494,004	-
Total current assets	107,723,789	69,080,495	13,276,186	190,080,470	16,253,564
Noncurrent assets					
Other assets	1,914,954	5,104,327	-	7,019,281	-
Capital assets	225,787,163	439,486,261	33,807,076	699,080,500	2,226,196
Total noncurrent assets	227,702,117	444,590,588	33,807,076	706,099,781	2,226,196
Total assets	335,425,906	513,671,083	47,063,262	896,180,251	18,479,760
Liabilities and net assets					
Current liabilities to be paid from unrestricted assets					
Accounts payable and accrued expenses	13,726,287	11,990,713	4,806,122	30,523,122	2,629,993
Current portion of long term debt	2,563,626	11,714,743	-	14,278,369	109,351
Interfund payables	-	-	249,542	249,542	337,226
Accrued vacation	-	-	164,395	164,395	12,922
Unearned deposits	-	-	675	675	-
Total current liabilities to be paid from unrestricted assets	16,289,913	23,705,456	5,220,734	45,216,103	3,089,492
Current liabilities to be paid from restricted assets					
Accounts payable and accrued expenses	5,633,677	3,408,128	-	9,041,805	-
Total current liabilities to be paid from restricted assets	5,633,677	3,408,128	-	9,041,805	-
Total current liabilities	21,923,590	27,113,584	5,220,734	54,257,908	3,089,492
Noncurrent liabilities					
Unearned deposits	16,199	3,162,570	-	3,178,769	-
Net OPEB Obligation	842,072	965,560	354,261	2,161,893	179,929
Deferred revenues	-	-	20,855	20,855	7,300
Long-term debt	22,243,604	140,596,420	-	162,840,024	63,705
Other liabilities	-	1,703,073	-	1,703,073	-
Total noncurrent liabilities	23,101,875	146,427,623	375,116	189,904,614	250,934
Total liabilities	45,025,465	173,541,207	5,595,850	224,162,522	3,340,426
Net assets					
Invested in capital assets, net of related debt	202,507,367	287,948,283	33,807,078	524,262,726	2,226,196
Restricted net assets					
Capital projects	10,635	271,779	860,950	943,364	-
Debt service	2,743	-	-	2,743	-
Unrestricted	87,879,896	51,909,814	7,019,386	146,808,896	12,913,138
Total net assets	\$ 290,400,441	\$ 340,129,876	\$ 41,487,412	672,017,729	\$ 15,139,334
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.				1,888,877	
Net assets of business-type activities				\$ 673,906,606	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009**

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Operating revenues					
Charges for services	\$ 169,451,426	\$ 57,525,599	\$ 6,945,351	\$ 233,922,376	\$ -
Other revenue from operations	-	-	152,656	152,656	325,317
Interfund charges and employee contributions	-	-	-	-	20,965,209
Miscellaneous operating revenue - water	-	7,420,147	-	7,420,147	-
Total operating revenues	169,451,426	64,945,746	7,098,007	241,495,179	21,290,526
Operating expenses					
General and administrative	11,807,436	12,297,341	-	24,104,777	-
Power supply and generation	116,111,217	-	-	116,111,217	-
Water purification and distribution	-	18,793,893	-	18,793,893	-
Sewer collection and treatment	-	11,027,309	-	11,027,309	-
Personnel	-	-	4,157,927	4,157,927	424,142
Maintenance and operations	-	-	5,702,260	5,702,260	19,302,168
Depreciation	14,340,796	14,619,909	2,069,298	31,030,003	320,733
Total operating expenses	142,259,449	56,738,452	11,929,485	210,927,386	20,047,043
Operating income (loss)	27,191,977	8,207,294	(4,831,478)	30,567,793	1,243,483
Nonoperating revenue (expense)					
Interest earned (expensed) on investments	2,378,592	2,274,735	156,907	4,810,234	364,545
Federal and State grants	-	-	2,426,798	2,426,798	-
Miscellaneous revenue	-	-	89,555	89,555	2
Gain (loss) on disposal of capital assets	(337,229)	172,642	16,476	(148,111)	23,666
County revenue	-	-	251,296	251,296	-
Vehicle fee revenue	-	-	432,465	432,465	-
Interest expense	(1,391,834)	(7,334,834)	(16,073)	(8,742,741)	-
Amortization	(644,010)	(892,260)	(22,000)	(1,558,270)	-
Miscellaneous expense	-	-	(250,320)	(250,320)	-
Issue costs	(82,192)	(370,333)	-	(452,525)	-
Total nonoperating revenue (expense)	(76,673)	(6,150,050)	3,085,104	(3,141,619)	388,213
Income (loss) before transfers	27,115,304	2,057,244	(1,746,374)	27,426,174	1,631,696
Transfers in	31,065	2,549,500	2,594,702	5,175,267	-
Transfers out	(7,991,049)	(63,186)	(487,245)	(8,541,480)	(2,322,100)
Capital contributions	1,044,143	11,598,860	6,975,630	19,618,633	-
Change in net assets	20,199,463	16,142,418	7,336,713	43,678,594	(690,404)
Total net assets - beginning	270,200,978	323,987,458	34,150,699		15,829,738
Total net assets - ending	\$ 290,400,441	\$ 340,129,876	\$ 41,487,412		\$ 15,139,334

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 assets of business-type activities \$ 43,678,594

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Operating activities					
Cash received from customers	\$ 165,437,039	\$ 66,494,489	\$ 3,431,465	\$ 235,362,993	\$ 20,926,915
Cash received for insurance reimbursements	-	-	-	-	323,022
Cash paid to or on behalf of employees for services	(14,164,104)	(17,098,530)	(4,049,503)	(35,312,137)	(2,217,283)
Cash paid for goods and services	(10,259,131)	(24,035,726)	(3,577,928)	(37,872,785)	(17,358,717)
Cash paid for power supply and generation	(104,981,282)	-	-	(104,981,262)	-
Net cash provided by (used in) operating activities	<u>36,032,542</u>	<u>25,360,233</u>	<u>(4,195,966)</u>	<u>57,196,809</u>	<u>1,673,937</u>
Noncapital financing activities					
Transfers in	3,048,521	9,025,919	2,594,702	14,667,142	-
Federal and State grants	-	-	2,426,798	2,426,798	-
Miscellaneous	-	-	340,851	340,851	2
Transfers out	(11,006,505)	(6,539,605)	(487,245)	(18,033,355)	(2,322,100)
Vehicle revenue fees	-	-	432,465	432,465	-
Net cash provided (used) by noncapital financing activities	<u>(7,959,984)</u>	<u>2,486,314</u>	<u>5,307,571</u>	<u>(166,099)</u>	<u>(2,322,098)</u>
Capital and related financing activities					
Proceeds from sale of assets	(337,229)	172,642	16,478	(146,111)	23,666
Contributed capital received	1,042,648	5,167,552	6,975,630	13,188,030	-
Acquisition and construction of capital assets	(19,590,313)	(19,338,738)	(7,684,911)	(46,613,962)	(170,075)
Principal paid on debt maturities	(7,888,635)	(7,700,978)	(33,555)	(15,621,168)	-
Interest paid on debt maturities	(1,474,026)	(7,705,167)	(16,073)	(9,195,266)	-
Net cash provided (used) by capital and related financing activities	<u>(28,245,355)</u>	<u>(29,404,689)</u>	<u>(742,433)</u>	<u>(58,392,477)</u>	<u>(146,409)</u>
Investing activities					
Interest and dividends	2,378,592	2,274,735	156,907	4,810,234	364,545
Net change in investments	(7,252,571)	3,459,463	-	(3,793,108)	-
Net cash provided (used) by investing activities	<u>(4,873,979)</u>	<u>5,734,198</u>	<u>158,907</u>	<u>1,017,126</u>	<u>364,545</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(5,046,776)</u>	<u>4,176,058</u>	<u>526,079</u>	<u>(344,641)</u>	<u>(430,025)</u>
Cash and cash equivalents/investments					
Beginning of year	<u>57,497,296</u>	<u>30,816,941</u>	<u>6,288,634</u>	<u>94,602,871</u>	<u>15,563,417</u>
End of year	<u>\$ 52,450,520</u>	<u>\$ 34,992,997</u>	<u>\$ 6,814,713</u>	<u>\$ 94,258,230</u>	<u>\$ 15,133,392</u>
Cash and cash equivalents	\$ 52,450,520	\$ 34,992,997	\$ 6,814,713	\$ 94,258,230	\$ 15,133,392
Investments	19,276,851	16,955,310	-	36,232,161	-
Total cash and cash equivalents/investments	<u>\$ 71,727,371</u>	<u>\$ 51,948,307</u>	<u>\$ 6,814,713</u>	<u>\$ 130,490,391</u>	<u>\$ 15,133,392</u>
Unrestricted cash and equivalents/investments	\$ 38,062,010	\$ 10,571,716	\$ 6,153,783	\$ 54,787,489	\$ 15,133,392
Restricted cash and equivalents/investments	33,665,361	41,376,591	660,950	75,702,902	-
Total cash and cash equivalents/investments	<u>\$ 71,727,371</u>	<u>\$ 51,948,307</u>	<u>\$ 6,814,713</u>	<u>\$ 130,490,391</u>	<u>\$ 15,133,392</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Enterprise Funds			Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Other Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 27,191,977	\$ 8,207,294	\$ (4,831,478)	\$ 30,567,793	\$ 1,243,483
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	14,340,796	14,619,909	2,069,298	31,030,003	320,733
Nonoperating payments for goods and services	-	-	(250,320)	(250,320)	-
Allowance for uncollectible accounts	106,496	(17,193)	-	89,303	-
Change in assets and liabilities					
(Increase) decrease in accounts receivable	(4,115,795)	1,565,936	(3,712,764)	(6,262,623)	(35,889)
(Increase) decrease in Inventory	227,279	100,688	33,953	361,930	-
(Increase) decrease in prepaid items	-	-	(3,747)	(3,747)	63,280
(Increase) decrease in Internal balances	(47,551)	49,233	-	1,682	(1,882)
(Increase) decrease in other current assets	(108,967)	(116,699)	-	(225,666)	-
(Increase) decrease in other assets	98,410	(1,010,361)	-	(911,951)	-
(Increase) decrease in unearned deposits	1,248	(6,515)	-	(5,267)	-
Increase (decrease) in accounts payable and accrued liabilities	(1,706,527)	2,044,925	2,396,255	2,736,653	60,147
Increase (decrease) in accrued compensated absences	45,176	(76,994)	13,050	(18,768)	17,881
Increase (decrease) in deferred revenues	-	-	(8,262)	(8,262)	(4,700)
Increase (decrease) in Net OPEB Obligation	-	-	95,374	95,374	10,884
Total adjustments	8,640,585	17,152,939	635,512	26,629,016	430,454
Net cash provided by (used in) operating activities	\$ 36,032,542	\$ 25,360,233	\$ (4,195,966)	\$ 57,196,809	\$ 1,673,937
Noncash investing, capital, and financing activities:					
Contributed capital assets	\$ 1,295	\$ 6,457,529	\$ -	\$ 6,458,824	\$ -
FIF Credits Awarded	\$ -	\$ (127,070)	\$ -	\$ (127,070)	\$ -
FIF Credits Applied	\$ -	\$ 100,849	\$ -	\$ 100,849	\$ -

City of Fayetteville, North Carolina

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 2,142,482	\$ 1,360,367
Money market funds	3,947,048	-
Total cash and investments	<u>6,089,530</u>	<u>1,360,367</u>
Accounts receivable	7,214	5,843
Total assets	<u>6,096,744</u>	<u>1,366,210</u>
Liabilities		
Accounts payable	38,461	-
Total liabilities	<u>38,461</u>	<u>-</u>
Net assets		
Held in Trust for pension benefits and other purposes	6,058,283	1,366,210
Total net assets	<u>\$ 6,058,283</u>	<u>\$ 1,366,210</u>

City of Fayetteville, North Carolina

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2009**

	Pension Trust Fund	Private-purpose Trusts
Additions		
Other revenue from operations	\$ -	\$ 41,901
Employer contributions	444,528	-
Other contributions	-	97,596
Investment earnings	(90,215)	33,731
Total additions	<u>354,313</u>	<u>173,228</u>
Deductions		
Benefit payments and premiums	591,293	157,249
Total deductions	<u>591,293</u>	<u>157,249</u>
Change in net assets	(236,980)	15,979
Total net assets - beginning	<u>6,295,263</u>	<u>1,350,231</u>
Total net assets - ending	<u>\$ 6,058,283</u>	<u>\$ 1,366,210</u>



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
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 and wastewater utility, transit, airport services, 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 and 39 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 City Hall, 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, 2009

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 capital project fund.

B - Basis of Presentation

Government-wide Statements: The statement of net assets 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. 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, 2009

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, state grants, and various other taxes and licenses. The primary expenditures are for public safety, parks and recreation, street maintenance, and solid waste.

Recreational and Cultural. The Recreational and Cultural Fund is a capital project fund used to account 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 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 fees charged to telephone customers to fund the 911 system. The Federal and State Financial Assistance Fund accounts for federal and state grants. The Storm Water Management Fund accounts for specified fees and maintenance of the storm water system. The City of Fayetteville Finance Corporation Fund accounts for debt service on certain municipal buildings and park improvements.

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 Water and Sewer Fund accounts for Lumbee River Electric Membership Corporation Territory Agreement revenues and associated activities. The City closed this fund in fiscal year ending June 30, 2009. 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 Linear Park Fund accounts for projects associated with development of the Linear Park Downtown.

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 the City of Fayetteville and surrounding areas.

Water and Wastewater Fund. This fund accounts for the operations of the water and wastewater facilities for the 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.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

and construction of the Fayetteville Regional Airport. The Solid Waste Recycling Fund accounts construction for specified fees and residential recycling services.

The City reports the following fund types:

Internal Service Fund. 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 Warranty Fleet Fund is used to account for the accumulation and allocation of costs associated with internally leasing vehicles. 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 Fund. 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. The PWC Supplemental Pension Trust Fund accounts for the PWC Supplemental Employees' Retirement Plan, a single-employer defined benefit pension plan.

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

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

All GASB Statements and all Financial Accounting Standards Board ("FASB") Statements issued on or before November 30, 1989, except those that conflict with the GASB are applied in both the government-wide and proprietary fund financial statements.

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.

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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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 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, 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 (including the North Carolina Educational Assistance 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, 2009

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, 2008.

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 \$2,158,583 related to loans issued 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, 2009

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 Assets are presented net of the following allowances for doubtful accounts as of June 30, 2009:

Fund

General Fund:	
Taxes receivable	\$ 803,409
Accounts receivable	25,127
Assessments receivable	144,893
Special Revenue Fund:	
Taxes receivable	7,569
Accounts receivable	2,158,958
Transit Operating:	
Accounts receivable	3,461
Airport Operating:	
Accounts receivable	273
Electric Fund:	
Accounts receivable	306,702
Water and Wastewater Fund:	
Accounts receivable	47,676
Total	<u>\$ 3,498,068</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 assets in the government-wide financial statements.

Inventories

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items.

Restricted Assets and Liabilities

In the special revenue, capital project and enterprise funds the City has classified as restricted the assets representing deposits, reserves, capital project appropriations, advance grant funding, debt service reserve 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.

Interest Rate Swaps

The City enters into interest rate swap agreements to modify interest rates on outstanding debt.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 – 50
Buildings	40
Utility plant systems	20 – 45
Improvements	5 – 15
Vehicles	5 – 20
Furniture and equipment	5 – 10
Computer equipment	3

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 FASB 62 "Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants."

Unearned Deposits

Facility investment fees credit is given on a dollar per dollar basis for off-site water and wastewater approach mains necessary to serve City approved projects. The facility investment fees 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 contract or through extension approved by the City.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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 equivalent.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

At June 30, 2009, the City recorded as other liabilities in the government-wide financial statements, \$542,421 for bond premiums and discounts and \$1,703,073 for North Carolina Department of Transportation projects.

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 Assets/Fund Balances

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved

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

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

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

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

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

Reserved for Streets - Powell Bill – portion of fund balance available for appropriation but legally segregated for street expenditures. It represents the balance of the total unexpended Powell Bill funds which is an annual grant received by the City from the N.C. Department of Transportation.

Reserved for J.P. Riddle Stadium – portion of fund balance available to pay for the operation of the J.P. Riddle Stadium.

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

Reserved for Grant Compliance – portion of fund balance available for appropriation but legally restricted by external grantors.

Reserved for Debt Service – portion of fund balance that is not available for appropriation because it represents the portion available to pay for debt service, in accordance with the related debt agreement.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Unreserved

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2009 - 2010 budget ordinance.

Designated for special purpose - portion of fund balance identified for specific uses in the general fund and special revenue funds.

Designated for debt service - portion of fund balance designated to meet future principal and interest payments on outstanding debt.

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

F - Reclassification

For comparability, certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

G - 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.

H – Pronouncements Implemented in the Current Year

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This statement provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007, however there was no material impact during fiscal year 2009.

I – Upcoming Pronouncements

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

The City is currently in the process of evaluating these statements and the impact that they will have on the City.

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 undercollateralization, 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. 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 places its cash and cash equivalents on deposit with financial institutions in the United States. In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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

At June 30, 2009, the City's demand deposits had a carrying amount of \$25,684,941 and a bank balance of \$28,400,143. Of the bank balance, Federal Deposit Insurance covered \$302,753, and \$28,097,390 was covered by collateral under the Pooling Method.

At June 30, 2009, the City had certificate of deposits totaling \$32,427,055. Of this amount, Federal Deposit Insurance covered \$750,000, and \$31,677,055 was covered by collateral under the Pooling Method.

The City had \$12,130 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, 2009, the City investment balances were as follows:

	Fair Value	Less than 6 Months	1-5 Years	5-10 Years
U.S. Government Agencies	\$ 75,090,518	\$ -	\$ 65,162,484	\$ 9,928,034
Commercial Paper	7,764,955	7,764,955	-	-
N.C. Capital Management Trust - Cash portfolio	85,031,130	85,031,130	-	-
N.C. Capital Management Trust - Term portfolio	214,332	214,332	-	-
Total Primary Government	168,100,935	93,010,417	65,162,484	9,928,034
Money Market Fund - Fiduciary Funds	3,947,048	3,947,048	-	-
Reporting Entity Total	\$ 172,047,983	\$ 96,957,465	\$ 65,162,484	\$ 9,928,034

Third-party custodians who take delivery of the investment securities on behalf of the City held investments of \$3,947,048 for the Supplemental PWC Pension Trust Fund.

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. Treasuries, Agencies, and North Carolina state and local bonds are limited to maturities not exceeding ten years.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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, 2009, the City's commercial paper was rated A1 by Moody's Investors Service and P1 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 as of June 30, 2009. The City's investments in the NC Capital Management Trust Term Portfolio are not rated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina general statutes 159-30 as amended. The City's investments in US Agencies (Federal Home Loan Bank, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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, Freddie Mac securities, Federal Home Loan Bank securities, and Federal Farm Credit Bank securities. These investments are 49.5%, 16.5%, 16.1% and 7.1%, respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 172,047,983
Cash (demand deposits)	25,684,941
Plus Certificate of Deposits	31,071,555
Fireman's Relief Fund Certificate of Deposit	1,355,500
Petty cash	12,130
Total cash and investments	\$ 230,172,109

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 129,395,064
Cash and investments - restricted	93,327,148
Pension trust cash and investments	6,089,530
Private-purpose trust cash and investments	1,360,367
Total cash and investments	\$ 230,172,109

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

Primary Government

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 36,111,744	\$ 594,829	\$ (409,197)	\$ -	\$ 36,297,376
Construction in progress	3,109,248	177,127	-	-	3,286,375
Total capital assets, not being depreciated	<u>39,220,992</u>	<u>771,956</u>	<u>(409,197)</u>	<u>-</u>	<u>39,583,751</u>
Capital assets being depreciated:					
Infrastructure	444,787,892	4,378,913	-	-	449,166,805
Buildings and improvements	72,254,333	264,158	-	-	72,518,491
Equipment, furniture and fixtures	21,943,640	2,835,507	(530,818)	3,537	24,251,866
Vehicles	35,562,819	4,952,067	(2,177,190)	-	38,337,696
Total capital assets being depreciated	<u>574,548,684</u>	<u>12,430,645</u>	<u>(2,708,008)</u>	<u>3,537</u>	<u>584,274,858</u>
Less accumulated depreciation for:					
Infrastructure	(153,754,100)	(12,326,598)	-	-	(166,080,698)
Buildings and improvements	(23,555,995)	(2,400,681)	-	-	(25,956,676)
Equipment, furniture and fixtures	(18,219,006)	(2,009,837)	524,550	(3,154)	(19,707,447)
Vehicles	(22,552,973)	(3,317,415)	2,141,872	-	(23,728,516)
Total accumulated depreciation	<u>(218,082,074)</u>	<u>\$ (20,054,531)</u>	<u>\$ 2,666,422</u>	<u>\$ (3,154)</u>	<u>(235,473,337)</u>
Total capital assets being depreciated, net	<u>356,466,610</u>				<u>348,801,521</u>
Governmental activity capital assets, net	<u>\$ 395,687,602</u>				<u>\$ 388,385,272</u>

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

Administration	\$ 221,230
Public safety	3,622,184
Environmental protection	1,607,379
Transportation	12,717,474
Economic and physical development	634,937
Recreation and community facilities	930,594
Capital assets held by certain internal service funds are charges to the various governmental functions based on the usage of the funds	<u>320,733</u>
Total depreciation expense	<u>\$ 20,054,531</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3 - Capital Assets (continued)

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

	Balance July 1, 2008	Increases	Decreases *	Transfers	Balance June 30, 2009
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
Land	\$ 5,235,266	\$ 40,212	\$ -	\$ -	\$ 5,275,478
Construction in progress	9,523,684	15,692,593	(8,997,571) *	-	16,218,706
Total capital assets not being depreciated	<u>14,758,950</u>	<u>15,732,805</u>	<u>(8,997,571)</u>	<u>-</u>	<u>21,494,184</u>
Capital assets being depreciated:					
Electric utility system	340,690,791	10,867,239	(1,754,237)	-	349,803,793
Buildings and improvements	37,606,027	48,766	-	-	37,654,793
Equipment and machinery	14,852,565	334,857	(96,027)	(3,537)	15,087,858
Computer programs	11,125,283	357,901	(35,371)	-	11,447,813
Vehicles	5,758,487	1,556,222	(632,361)	33,427	6,715,775
Office equipment	1,563,790	-	(87,783)	(143)	1,475,864
Total capital assets being depreciated	<u>411,596,943</u>	<u>13,164,985</u>	<u>(2,605,779)</u>	<u>29,747</u>	<u>422,185,896</u>
Less accumulated depreciation for:					
Electric utility system	(171,677,035)	(11,319,724)	1,390,948	-	(181,605,811)
Buildings and improvements	(12,192,018)	(1,247,315)	-	-	(13,439,333)
Equipment and machinery	(7,451,114)	(583,453)	93,539	3,154	(7,937,874)
Computer programs	(9,470,596)	(797,101)	35,371	-	(10,232,326)
Vehicles	(3,572,159)	(322,529)	630,708	(44,392)	(3,308,372)
Office equipment	(1,386,454)	(70,674)	87,784	143	(1,369,201)
Total accumulated depreciation	<u>(205,749,376)</u>	<u>\$ (14,340,796)</u>	<u>\$ 2,238,350</u>	<u>\$ (41,095)</u>	<u>(217,892,917)</u>
Total capital assets being depreciated, net	<u>205,847,567</u>				<u>204,292,979</u>
Electric fund capital assets, net	<u>\$ 220,606,517</u>				<u>\$ 225,787,163</u>
Water and Wastewater Fund					
Capital assets not being depreciated:					
Land	\$ 8,216,469	\$ 324,169	\$ (923)	\$ -	\$ 8,539,715
Construction in progress	4,995,556	24,965,385	(17,057,710) *	-	12,903,231
Total capital assets not being depreciated	<u>13,212,025</u>	<u>25,289,554</u>	<u>(17,058,633)</u>	<u>-</u>	<u>21,442,946</u>
Capital assets being depreciated:					
Wastewater system	369,271,415	7,687,387	-	-	376,958,802
Water system	234,099,386	8,773,630	-	-	242,873,016
Buildings and improvements	4,284,921	44,338	-	-	4,329,259
Equipment and machinery	8,447,360	339,998	(217,553)	-	8,569,805
Computer programs	10,342,939	316,655	(16,428)	-	10,643,166
Vehicles	5,751,351	364,579	(415,888)	(33,427)	5,666,615
Office equipment	761,421	8,493	(79,756)	143	690,301
Total capital assets being depreciated	<u>632,958,793</u>	<u>17,535,080</u>	<u>(729,625)</u>	<u>(33,284)</u>	<u>649,730,964</u>
Less accumulated depreciation for:					
Wastewater system	(112,759,703)	(8,080,773)	-	-	(120,840,476)
Water system	(84,217,408)	(4,858,824)	-	-	(89,076,232)
Buildings and improvements	(2,157,290)	(135,561)	-	-	(2,292,851)
Equipment and machinery	(6,075,308)	(444,199)	210,715	-	(6,308,792)
Computer programs	(8,774,840)	(769,938)	16,428	-	(9,528,350)
Vehicles	(3,150,049)	(321,063)	415,884	44,392	(3,010,836)
Office equipment	(700,167)	(9,551)	79,749	(143)	(630,112)
Total accumulated depreciation	<u>(217,834,765)</u>	<u>\$ (14,619,909)</u>	<u>\$ 722,776</u>	<u>\$ 44,249</u>	<u>(231,687,649)</u>
Total capital assets being depreciated, net	<u>415,124,028</u>				<u>418,043,315</u>
Water and Wastewater fund capital assets, net	<u>\$ 428,336,053</u>				<u>\$ 439,486,261</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 3 - Capital Assets (continued)

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Business-type activities (continued):					
Nonmajor funds					
Capital assets not being depreciated:					
Land	\$ 2,320,593	\$ -	\$ -	\$ -	\$ 2,320,593
Construction in progress	5,822,254	6,673,250	-	(3,939,144)	8,556,360
Total capital assets not being depreciated	<u>8,142,847</u>	<u>6,673,250</u>	<u>-</u>	<u>(3,939,144)</u>	<u>10,876,953</u>
Capital assets being depreciated:					
Buildings and improvements	44,061,873	245,937	(27,718)	3,939,144	48,219,236
Furniture, fixtures and equipment	2,962,504	183,009	(212,581)	-	2,932,932
Vehicles	8,829,115	588,698	(1,585,450)	-	7,832,363
Total capital assets being depreciated	<u>55,853,492</u>	<u>1,017,644</u>	<u>(1,825,749)</u>	<u>3,939,144</u>	<u>58,984,531</u>
Less accumulated depreciation for:					
Buildings and improvements	(27,027,010)	(1,464,203)	21,735	-	(28,469,478)
Furniture, fixtures and equipment	(2,311,149)	(201,991)	212,581	-	(2,300,559)
Vehicles	(6,466,717)	(403,104)	1,585,450	-	(5,284,371)
Total accumulated depreciation	<u>(35,804,876)</u>	<u>\$ (2,069,298)</u>	<u>\$ 1,819,766</u>	<u>\$ -</u>	<u>(36,054,408)</u>
Total capital assets being depreciated, net	<u>20,048,616</u>				<u>22,930,123</u>
Nonmajor fund capital assets, net	<u>\$ 28,191,463</u>				<u>\$ 33,807,076</u>
Business-type activities capital assets, net	<u>\$ 677,134,033</u>				<u>\$ 699,080,500</u>

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

Electric	\$ 14,340,796
Water and Wastewater	14,619,909
Transit	576,482
Airport	1,492,816
Total depreciation expense	<u>\$ 31,030,003</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2009:

	General	Recreational and Cultural	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 4,586,611	\$ 26,034	\$ 144,020	\$ 264,000	\$ 5,020,665	\$ 17,452,859	\$ 11,555,217	\$ 121,158	\$ -
Inurred but not reported	-	-	-	2,246,173	2,246,173	632,650	632,650	-	-
Contracts payable	4,400	75,745	2,310,532	-	2,390,677	-	-	3,998,917	-
Interest payable	-	-	-	-	-	405,524	2,311,305	-	-
Retainage payable	-	-	46,672	-	46,672	-	-	589,435	-
Salaries and benefits payable	2,403,113	-	37,304	119,820	2,560,237	868,931	899,669	96,812	38,461
Total	<u>\$ 6,994,124</u>	<u>\$ 101,779</u>	<u>\$ 2,538,528</u>	<u>\$ 2,629,993</u>	<u>12,264,424</u>	<u>\$ 19,359,964</u>	<u>\$ 15,398,841</u>	<u>\$ 4,806,122</u>	<u>\$ 38,461</u>
Adjustment for interest payable					320,794				
					<u>\$ 12,585,218</u>				
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 6,994,124	\$ 101,779	\$ 2,538,528	\$ 2,629,993	\$ 12,264,424	\$ 13,726,267	\$ 11,990,713	\$ 4,806,122	\$ 38,461
Restricted	-	-	-	-	-	5,633,877	3,408,128	-	-
	<u>\$ 6,994,124</u>	<u>\$ 101,779</u>	<u>\$ 2,538,528</u>	<u>\$ 2,629,993</u>	<u>12,264,424</u>	<u>\$ 19,359,964</u>	<u>\$ 15,398,841</u>	<u>\$ 4,806,122</u>	<u>\$ 38,461</u>
Adjustment for interest payable					320,794				
					<u>\$ 12,585,218</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, 2009, are as follows:

Governmental activities

\$13,800,000 Public Improvement Bonds, Series 1996 due in various annual installments, through December 1, 2015; interest at a rate of 5%. \$ 5,275,000

\$4,900,000 Street Improvement Bonds, Series 1999 due in various installments beginning March 1, 2000 through March 1, 2017; interest at various rates between 4.3% and 4.4%. 2,150,000

\$275,000 Public Improvement Bonds, Series 2000 due in various annual installments beginning April 1, 2002 through April 1, 2021; interest at various rates between 5.0% and 5.1%. 182,825

\$2,400,000 Street Improvement Bonds, Series 2000 due in various installments beginning April 1, 2002 through April 1, 2018; interest at a rate of 5%. 1,700,000

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Obligations (continued)

\$5,535,000 Refunding Bonds, Series 2002 due in various annual installments through June 1, 2016; interest at various rates between 3.5% and 4%.	\$ 2,785,000
\$3,805,000 Refunding Bonds, Series 2003 due in various annual installments through May 1, 2010; interest at a rate of 3%.	365,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.4% and 4.25%.	<u>6,750,000</u>
	<u>19,207,825</u>
Less: Loss on Defeasance	<u>(478,907)</u>
Total governmental general obligation bonds	<u>18,728,918</u>
 Business-type activities	
\$2,770,000 Street Improvement Bonds, Series 1996 due in various annual installments through December 1, 2014; interest at a rate of 5.0%.	1,520,000
\$2,750,000 Public Improvement Bonds, Series 1999 due in various annual installments through March 1, 2017; interest at a rate of 4.3%.	1,250,000
\$3,335,000 Public Improvement Bonds, Series 2000 due in various annual installments through April 1, 2021; interest at various rates between 5.0% and 5.1%.	2,217,175
\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 3.5% and 4.5%.	<u>2,425,000</u>
Total business type general obligation bonds	<u>7,412,175</u>
Total general obligations bonds	<u>\$ 26,141,093</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Obligations (continued)

B - Revenue Bonds

The City has issued revenue bonds, which have been used to finance the defeasance of certificates of participation and 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, 2009, are as follows:

Governmental activities:

\$16,390,000 Municipal Building Project Bonds, Series 1996 due in various annual installments through February 1, 2018; interest at various rates between 5.6% and 5.7%.	\$ 2,240,000
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\$5,835,000 Municipal Building Project Refunding Bonds, Series 2005, due in various annual installments through February 1, 2018; interest at various rates between 3.5% and 5.25%.	3,905,000
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\$3,920,000 Municipal Building Project Bonds, Series 2005, for the construction of Festival Park due in various annual installments through February 1, 2012; interest at various rates between 3.5% and 5.0%	1,680,000
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\$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 3.5% and 5.25%.	<u>1,905,000</u>
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Total governmental revenue bonds	<u>9,730,000</u>
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Business-type activities

\$40,755,000 Revenue Bonds, Series 1997 due in various annual installments through March 1, 2010; interest at a rate of 4.9%.	1,705,000
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\$19,325,000 Revenue Bonds, Series 1999 due in various annual installments through March 1, 2010; interest at a rate of 5.0%.	850,000
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\$19,175,000 Revenue Refunding Bonds, Series 2001 due in various annual installments through March 1, 2016; interest at various rates between 4.25% and 5.5%.	10,275,000
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\$78,280,000 Revenue Refunding Bonds, Series 2003 due in various annual installments through March 1, 2024; fixed rate swap at 3.42%.	72,140,000
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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Obligations (continued)

\$55,150,000 Variable Rate Revenue and Revenue Refunding Bonds, Series 2003A due in various annual installments through March 1, 2020; fixed rate swap at 3.74%.	\$ 53,650,000
\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.5% and 4.5%.	<u>16,425,000</u>
Total business-type revenue bonds	155,045,000
Less: Loss on Defeasance	<u>(7,579,848)</u>
Total revenue bonds	<u>\$ 147,465,152</u>

Total interest expense related to the revenue and general obligation bonds totaled \$10,066,389 for the year ended June 30, 2009 and of that amount, \$120,118 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses, to repay \$229,710,000 in revenue and revenue refunding bonds issued at various times from 1997 through 2008. 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 water and sewer customer net revenues and are payable through 2024. The total principal and interest remaining to be paid on the bonds is \$195,865,207. Principal and interest paid for the current year and total customer revenues were \$12,967,122 and \$226,977,025, respectively.

C - Notes Payable

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

The City has entered into revolving loan agreements for \$7,595,127 and \$16,969,848 with the State of North Carolina. The loans were used for a Wastewater Project. 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.

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

Business-type activities

\$7,595,127 State revolving loan due in annual installments through May 1, 2021; interest at 2.6% paid semiannually on May 1 and November 1.	\$ 4,557,076
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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 - Long-Term Obligations (continued)

\$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.	\$ 14,424,371
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	<u>237,600</u>
Total business-type notes payable	<u>19,219,047</u>
Total notes payable	<u>\$ 19,219,047</u>

Total interest expense related to the notes payable obligations totaled \$529,209 for the year ended June 30, 2009.

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 \$463,828 in 2010 including interest at rates ranging from 4.19% to 4.55%	\$ 7,394,665
Capital lease obligations payable in various monthly installments of approximately \$86,057 in 2010 including interest at 3.81%	1,032,684
Capital lease obligations payable in various monthly installments of approximately \$56,724 in 2010 including interest at 3.05%	623,974
Capital lease obligations payable in various monthly installments of approximately \$60,852 in 2010 including interest at 3.375%	<u>2,860,049</u>
	11,911,372
Less: amount representing interest	<u>(1,643,805)</u>
Present value of the minimum lease payments	<u>\$ 10,267,567</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 5 - Long-Term Obligations (continued)

The following is an analysis of leased property under capital leases as of June 30, 2009:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 5,853,709	\$ 1,794,241	\$ 4,059,468
Vehicles	4,379,638	3,860,818	518,820
Buildings and improvement	16,789,518	2,901,234	13,888,284
Total	<u>\$ 27,022,865</u>	<u>\$ 8,556,293</u>	<u>\$ 18,466,572</u>

Total interest expense related to the capital lease obligations totaled \$207,009 for the year ended June 30, 2009.

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, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Governmental activities:					
General obligation debt	\$ 22,098,061	\$ -	\$ 2,890,236	\$ 19,207,825	\$ 2,850,235
Revenue bonds	11,285,000	-	1,555,000	9,730,000	1,310,000
Capitalized leases	14,343,916	-	4,076,349	10,267,567	2,955,084
Compensated absences	4,979,390	6,001,594	6,077,853	4,903,131	2,929,943
Net OPEB Obligation	5,406,725	1,985,486	-	7,392,211	-
	<u>58,113,092</u>	<u>\$ 7,987,080</u>	<u>\$ 14,599,438</u>	<u>51,500,734</u>	<u>10,045,262</u>
Less: loss on defeasance (net of amortization)	(570,906)			(478,907)	
Total governmental activities	<u>\$ 57,542,186</u>			<u>\$ 51,021,827</u>	<u>\$ 10,045,262</u>

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Business-type activities:					
General obligation debt	\$ 9,041,939	\$ -	\$ 1,629,764	\$ 7,412,175	\$ 734,765
Revenue bonds	167,735,000	-	12,690,000	155,045,000	10,675,000
Notes payable	20,486,896	-	1,267,849	19,219,047	1,267,849
Compensated absences	3,051,196	1,925,931	1,790,713	3,186,414	1,600,755
Net OPEB Obligation	1,254,162	907,731	-	2,161,893	-
	<u>201,569,193</u>	<u>\$ 2,833,662</u>	<u>\$ 17,378,326</u>	<u>187,024,529</u>	<u>14,278,369</u>
Less: loss on defeasance (net of amortization)	(8,892,037)			(7,579,848)	-
Total business-type activities	<u>\$ 192,677,156</u>			<u>\$ 179,444,681</u>	<u>\$ 14,278,369</u>

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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).

Governmental activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,850,235	\$ 809,278	\$ 1,310,000	\$ 491,250	\$ 678,968	\$ 248,687
2011	2,060,235	694,716	1,330,000	441,000	678,968	218,929
2012	2,050,235	605,023	1,360,000	373,187	678,968	189,170
2013	2,040,235	514,886	835,000	303,813	678,968	159,412
2014	2,035,235	424,699	865,000	260,594	678,968	129,653
2015-2019	5,641,177	1,032,284	4,030,000	592,609	1,512,334	394,613
2020-2024	2,155,473	349,981	-	-	1,058,634	88,393
2025	375,000	15,938	-	-	-	-
	<u>19,207,825</u>	<u>4,446,805</u>	<u>9,730,000</u>	<u>2,462,453</u>	<u>5,965,808</u>	<u>1,428,857</u>
Less: loss on defeasance (net of amortization)	(478,907)	-	-	-	-	-
	<u>\$ 18,728,918</u>	<u>\$ 4,446,805</u>	<u>\$ 9,730,000</u>	<u>\$ 2,462,453</u>	<u>\$ 5,965,808</u>	<u>\$ 1,428,857</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2010	\$ 2,276,115	\$ 110,768	\$ 7,115,318	\$ 1,659,983
2011	672,195	58,031	4,741,398	1,412,676
2012	695,235	34,990	4,784,438	1,202,370
2013	658,214	11,159	4,212,417	989,270
2014	-	-	3,579,203	814,946
2015-2019	-	-	11,183,511	2,019,506
2020-2024	-	-	3,214,107	438,374
2025	-	-	375,000	15,938
	<u>4,301,759</u>	<u>214,948</u>	<u>39,205,392</u>	<u>8,553,063</u>
Less: loss on defeasance (net of amortization)	-	-	(478,907)	-
	<u>\$ 4,301,759</u>	<u>\$ 214,948</u>	<u>\$ 38,726,485</u>	<u>\$ 8,553,063</u>

The following schedule includes the City's expected estimated schedule of maturity for the State Revolving Loans, noted above as well as the annual requirements to amortize all long-term debt outstanding (excluding compensated absences).

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 5 - Long-Term Obligations (continued)

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 734,765	\$ 333,503	\$ 10,675,000	\$ 5,751,130	\$ 1,267,849	\$ 502,172	\$ 12,677,814	\$ 6,586,805
2011	834,764	298,315	11,100,000	5,325,065	1,267,849	469,729	13,202,613	6,093,109
2012	834,765	260,627	11,520,000	4,904,445	1,267,849	437,285	13,622,614	5,602,357
2013	834,765	222,439	11,945,000	4,480,210	1,267,849	404,842	14,047,614	5,107,491
2014	834,764	184,250	12,400,000	4,031,402	1,267,849	372,398	14,502,613	4,588,050
2015-2019	2,543,823	502,278	64,030,000	12,773,851	6,180,842	1,375,336	72,754,665	14,651,465
2020-2024	794,529	57,519	33,375,000	3,554,104	5,001,975	593,868	39,171,504	4,205,491
2025-2026	-	-	-	-	1,696,985	67,710	1,696,985	67,710
	7,412,175	1,858,931	155,045,000	40,820,207	19,219,047	4,223,340	181,876,222	46,902,478
Less: Loss on defeasance (net of amortization)	-	-	(7,579,848)	-	-	-	(7,579,848)	-
	<u>\$ 7,412,175</u>	<u>\$ 1,858,931</u>	<u>\$ 147,465,152</u>	<u>\$ 40,820,207</u>	<u>\$ 19,219,047</u>	<u>\$ 4,223,340</u>	<u>\$ 174,096,374</u>	<u>\$ 46,902,478</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2009, approximated \$768,679,902.

H - Authorized But Un-issued Debt

At June 30, 2009, the City had no bonds authorized but un-issued.

I - Restrictive Covenants

The revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, use of the utility system, and minimum revenue bond coverage's and requires that a reserve fund be established and maintained. The reserve fund requirements have been met by the City through the purchase of surety bonds in the full amount of the bond requirement. The City is in compliance with all such significant financial limitations and restrictions at June 30, 2009.

J - Interest Rate Swap

Contracts. The City has two interest rate swap agreements in effect at June 30, 2009 for the \$78,280,000 Variable Rate Revenue Refunding Bonds Series 2003 ("Series 2003") and the \$55,150,000 Variable Rate Revenue and Revenue Refunding Bonds Series 2003A ("Series 2003A"). The swap discussions below will be referenced to the Series 2003 and Series 2003A bonds, respectively. As discussed in Note 14, these bonds were terminated on October 21, 2009 and fixed interest rate swap agreements were issued.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 5 - Long-Term Obligations (continued)

Objectives. As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in January 2003 and September 2003, the City entered into an interest rate swap in connection with its Series 2003 and Series 2003A bonds. The intention of the swap agreement was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.42% and 3.74%.

Terms, fair values, and credit risk. The terms, fair values, and credit ratings of the outstanding swaps and cap as of June 30, 2009 are as follows. The notional amounts of the swaps match the principal amount of the associated debt and decline with the principal amortization on the bonds.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received ⁽¹⁾	Fair Values	Termination Date	Counterparty Credit Rating ⁽²⁾
Swaps							
Series 2003	\$ 72,140,000	1/22/03	3.42%	59% of LIBOR + 34.5 bps	(\$5,526,846)	March 2024	A3/A/A+
				62.8 % of LIBOR + 31			
Series 2003A	53,650,000	9/11/03	3.74%	bps	(4,508,110)	March 2020	A3/A/A+
	<u>\$125,790,000</u>				<u>(\$10,034,956)</u>		

⁽¹⁾ LIBOR - London Interbank Offered Rate

⁽²⁾ Counterparty's guarantor

As of June 30, 2009 the negative fair values of the agreements may be countered by reductions in the total interest payments required under the variable-rate bonds, creating lower synthetic rates. The counterparty carries a guarantee by an entity ("counterparty guarantor") rated A3 by Moody's Investors Service (Moody's), A by Standard and Poor's (S&P), and A+ by Fitch Ratings (Fitch). To mitigate the potential for credit risk, the fair value of the swap must be collateralized based on a schedule of the counterparty guarantor credit ratings classifications and exposure thresholds as provided in the agreements. Such collateral would be government securities posted with a third party custodian.

Basis risk. The swaps expose the City to basis risk should the relationship between LIBOR and Bond Market Association (BMA) converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rates of 3.42% and 3.74% and the synthetic rates as of June 30, 2009 of 3.54% and 4.23%. As of June 30, 2009, the rate on the City's Series 2003 and 2003A bonds were .65% and 1.00%, respectively, whereas the variable rates from the counterparty were .53% and .51%, respectively. For fiscal year 2009, the City experienced an actual synthetic rate of 4.88% and 5.31%, respectively.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 5 - Long-term debt (continued)

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty ratings fall below the A category by Moody's, S&P, Fitch, and any other Rating Agency. The swap may be terminated by the City with 30 days notice and the counterparty can terminate the swap if the City falls below Baa3 by Moody's, BBB- by S&P, and an equivalent investment grade from any other Rating Agency, provided however that any termination must have insurer consent. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments of the Series 2003 and Series 2003A bonds, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2010	\$ 6,250,000	\$ 1,005,410	\$ 3,814,485	\$ 11,069,895
2011	9,175,000	952,430	3,621,995	13,749,425
2012	9,525,000	878,618	3,343,301	13,746,919
2013	9,885,000	800,623	3,052,637	13,738,260
2014	10,275,000	715,353	2,746,749	13,737,102
2015-2019	56,290,000	2,182,405	8,596,290	67,068,695
2020-2024	24,390,000	513,088	2,249,438	27,152,526
	<u>\$ 125,790,000</u>	<u>\$ 7,047,927</u>	<u>\$27,424,895</u>	<u>\$ 160,262,822</u>

Note 6 - Defeasance of Debt

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the City's liabilities. As of June 30, 2009, the amount of prior year defeased debt outstanding and removed from the City's liabilities amounted to \$13,075,000.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 6 - Defeasance of Debt (continued)

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 2001 Revenue Refunding Electric/Water and Sewer Bonds, the 2003 Variable Rate Revenue Refunding Electric Water and Sewer Bonds, the Variable Rate Revenue and Revenue Refunding Bonds, Series 2003A, have been adjusted for the loss from defeasance (net of amortization) of \$7,579,848.

Note 7 – Deferred/Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ 547,729	\$ 547,729
Prepaid retiree insurance premiums (Internal Service)	7,300	7,300
Unearned rent (Proprietary)	20,855	20,855
Unearned grant receipts (Special Revenue)	201,642	201,642
Unearned receipts (Capital Projects)	35,000	35,000
Unearned grant receipts (Capital Projects)	409,398	409,398
Unearned grant receipts (Recreational and Cultural)	13,665,507	13,665,507
Taxes receivable, net (General)	3,150,512	-
Taxes receivable, net (Special Revenue)	60,520	-
Accounts and notes receivable (General)	956,448	101,449
Accounts and notes receivable (Special Revenue)	7,194,243	-
Accounts and notes receivable (Capital Project)	-	-
Special assessments receivable, net (General)	687,549	-
Total	<u>\$ 26,936,703</u>	<u>\$ 14,988,880</u>

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 \$11,490,726 for all employees for the policy ending June 30, 2009), general liability (up to \$350,000 per occurrence), workers' compensation (\$600,000 per occurrence for police and fire employees, \$500,000 per occurrence for all other employees), 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). Property insurance on city buildings is insured to 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 the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 8 - Risk Management (continued)

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. Further, a liability for outstanding claims at June 30, 2009 is not accrued as the amount of outstanding claims is not material to the financial statements.

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, 2009, a liability for incurred but not reported claims of \$3,511,458 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.

	<u>2009</u>	<u>2008</u>
Liability at June 30,	\$ 3,242,380	\$ 2,912,656
Current year claims and changes in estimates	16,168,705	14,553,308
Actual claim payments	<u>(15,899,612)</u>	<u>(14,223,584)</u>
Liability at June 30,	<u>\$ 3,511,473</u>	<u>\$ 3,242,380</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 know 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. 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" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

The Electric and Water and Wastewater Funds carried 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 is designated an "A" zone. The Federal Emergency Management Agency (FEMA) defines Zone A as an area close to a river, lake, or stream. The Electric and Water and Wastewater Funds' standard deductible is \$100,000 with the exception of a \$250,000 deductible set for generators.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 8 - Risk Management (continued)

In accordance with G.S. 159-29, City employees (excluding the utility fund) that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The City's Chief Financial Officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

The Electric and Water and Wastewater Fund employees that have access to \$100 or more at any given time of the Utility funds are insured under the Crime Policy. The policy covers Public Employee Dishonesty (up to \$1,000,000 for the Chief Executive Officer, Chief Financial Officer (PWC), Director of Planning and Capital Projects, and the Director of Accounting Systems). Other employees are covered for money and securities losses (up to \$1,000,000), and forgery, alterations and computer fraud (up to \$1,000,000). This crime policy has a \$10,000 deductible.

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 \$123.0 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater, transit and airport projects. At June 30, 2009, cumulative expenditures to date totaled approximately \$80.7 million leaving an unexpended balance of \$42.3 million for projects that are expected to be completed at various dates through the year ended 2010.

In March 2002, the City entered into a new nine-year purchased power arrangement with Progress Energy Carolinas, Inc. (PEC) effective July 1, 2003. Beginning in July 2003, the City was committed to purchasing a minimum load from PEC at a fixed capacity price and an annually determined energy price. The minimum load requirements range from approximately 275 MW to 300 MW during the term

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 9 - Commitments and Contingent Liabilities (continued)

of the contract which ends in June 2012. The remaining capacity and energy will either be produced at the Butler-Warner Generation Plant or purchased on the open market. The lowest available price will be used to meet the City's needs. When the market price goes above the price at the Butler-Warner Generation Plant, the City may permit the marketing of its capacity and energy for sale to the open market.

In June 2009 the City executed a 20 year full requirements Power Supply and Coordination Agreement with Progress Energy (PEC) effective July 1, 2012. Under this agreement, PEC will provide the City's full power supply requirements except for resources provided by PWC from other sources as permitted under the agreement, including utilization of the City's SEPA allocation. 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.

During the year ended June 30, 2009, the purchased power cost to PEC was \$96,791,513. This cost was without consideration of savings from the Purchased Power Prepayment Agreement. The City sold power in the amount of \$71,875 on the open market in fiscal year 2009.

Festival Park Plaza Master Lease. On August 22, 2005, City Council adopted a resolution authorizing the City to enter into a 20-year master lease agreement, subject to LGC approval, with Festival Park Plaza Office LLC. On September 6, 2005, the LGC approved the City's master lease application. The master lease was executed on November 17, 2005. Under the terms of the master lease, the City is obligated to make certain lease payments if the building is not sufficiently leased to subtenants to cover debt service and operating expenses on the building throughout the term of the agreement. The building is 72% leased at June 30, 2009. The City recorded an expenditure of \$310,065 under the master lease agreement for the fiscal year ending June 30, 2009.

The City leases a portion of the office space located in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road to others. These lease agreements provide for minimum rental and have terms of 3 to 10 years and are due to expire at various dates from 2010 to 2014. Minimum lease provisions now in force will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2010	\$ 439,504
2011	202,437
2012	123,161
2013	93,662
2014	16,264
Total	<u>\$ 875,028</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

For the fiscal year ended June 30, 2009, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$41,900 for the 154 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.

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 4.90% and 4.86%, respectively, of annual covered payroll. The rate for the Electric and Water and Wastewater funds is 10.03%. 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, 2009, 2008 and 2007, were \$5,881,291, \$5,558,873 and \$5,330,791, respectively. The contributions made by the City equaled the required contributions for each year.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 11 - Employee Retirement Systems (continued)

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

The Supplemental Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina ("SERP plan") is a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees. This plan was established on April 1, 2003 to equalize benefits received under the LGERS plan to those formerly participating in the Employees' Retirement Plan (ERP).

The only employees eligible to participate in the SERP plan are those who met the requirements of the ERP plan. Effective, April 1, 2003 no additional employees will enter this plan. Benefits vest after five years of credited service. Electric and Water and Wastewater fund employees reaching the defined retirement age are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.8% of their final average compensation times years of credited service. The SERP plan provides retirement benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Public Works Commission. All benefit payments by the SERP plan will be offset by the benefits payable from the LGERS plan. The City of Fayetteville City Council has the authority to establish and amend the retirement plan provisions. The SERP plan does not issue a separate report. Rather, the financial report of the SERP plan is included as a pension trust fund.

The contribution requirements of the plan members and the Public Works Commission are established and may be amended by the City of Fayetteville City Council. There will be no employee contributions after April 1, 2003. The Public Works Commission is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2009, 2008 and 2007 was 0% of annual covered payroll.

The annual required contribution calculation for June 30, 2009 was determined as part of the July 1, 2009, actuarial valuation using the aggregate actuarial cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses). There is no projected salary increase as the benefits for active employees have worn away in this plan. All benefits for active employees are covered by LGERS. An inflation component of 3% is included. The assumptions did not include postretirement benefit increases, which are funded by the Commission's appropriations when granted.

The actuarial value of assets was determined by using the market value at June 30, 2009. The value was determined to be \$3,947,048. There was no annual required contribution for the current year under this plan. This benefit plan is a contributory, defined benefit retirement plan, which covers all employees who participated in the ERP plan at April 1, 2003.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 11 - Employee Retirement Systems (continued)

In fiscal year 2009 the Supplemental Employees' Retirement Plan Board of Trustees voted to liquidate the Supplemental Employees' Retirement Plan. This has been approved by the Commission and the City Council. PWC contemplates that a group annuity will be purchased in fiscal year 2010. This group annuity will provide all benefits earned under this plan. Aon Investment Consulting will assume fiduciary responsibility for this transaction. Also, the state of North Carolina has an insurance guaranty fund that will cover all benefits if the insurance company fails. The limits of this guaranty fund exceed the value of any participant's benefit.

Between the state guaranty fund and Aon's responsibility, PWC will not be responsible for any guaranteed benefits in the event of the insurance company's insolvency.

The required schedule of funding progress immediately 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.

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 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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	31
Active plan members	<u>349</u>
Total	<u>380</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.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 11 - Employee Retirement Systems (continued)

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 \$444,528, or 2.56% 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, 2007 actuarial valuation using the projected unit cost credit method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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, 2007 was 23 years.

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	\$ 420,511
Interest on net pension obligation	(33,201)
Adjustment to annual required contribution	<u>27,998</u>
Annual pension cost	415,308
Contributions made	<u>444,528</u>
Increase (decrease) in net pension obligation	(29,220)
Net prepaid pension obligation beginning of year	<u>(457,951)</u>
Net prepaid pension obligation end of year	<u>\$ (487,171)</u>

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2007	\$ 324,110	119.08%	\$ (462,399)
2008	383,772	98.84	(457,951)
2009	415,308	107.04	(487,171)

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 11 - Employee Retirement Systems (continued)

Funded Status and Funding Progress

As of June 30, 2009 the plan was not funded. The most recent actuarial valuation was December 31, 2008. The actuarial accrued liability (AAL) for benefits was \$5,449,006 and the unfunded actuarial accrued liability (UAAL) was \$3,347,043. The covered payroll (annual payroll of active employees covered by the plan) was \$17,468,170 and the ratio of the UAAL to the covered payroll was 19.16 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.

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City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

Note 11 - Employee Retirement Systems (continued)

The fiscal year 2008-2009 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENTS OF NET ASSETS

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total June 30, 2009
ASSETS			
Cash and cash equivalents	\$ 2,142,482	\$ 3,947,048	\$ 6,089,530
Accounts receivable	7,214	-	7,214
Total assets	2,149,696	3,947,048	6,096,744
LIABILITIES			
Accounts payable	15,458	23,003	38,461
Total liabilities	15,458	23,003	38,461
NET ASSETS			
Held in trust for:			
Held in trust for benefits and other purposes	2,134,238	3,924,045	6,058,283
Total net assets	\$ 2,134,238	\$ 3,924,045	\$ 6,058,283

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total June 30, 2008
ADDITIONS			
Contributions	\$ 444,528	\$ -	\$ 444,528
Investment earnings	48,121	(138,336)	(90,215)
Total additions	492,649	(138,336)	354,313
DEDUCTIONS			
Benefit payments and premiums	491,541	99,752	591,293
Total deductions	491,541	99,752	591,293
CHANGE IN NET ASSETS	1,108	(238,088)	(236,980)
Total net assets - beginning	2,133,130	4,162,133	6,295,263
Total net assets - ending	\$ 2,134,238	\$ 3,924,045	\$ 6,058,283

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 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 employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2009, were \$1,858,206, which consisted of \$907,679 from the City and \$950,527 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, 2009

Note 12 - Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 11, the City (excluding the Electric and Water and Wastewater funds) administers 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. 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 life insurance 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, 2007, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	436
Active plan members	<u>1,475</u>
Total	<u>1,911</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 life insurance coverage.

The current Annual Required Contribution (ARC) rate is 5.38 percent of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$873,174 or 1.65 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$11,490,726 for all employees and retirees for the policy ending June 30, 2009. Retiree members contributed \$200,204 or 0.38 percent of annual covered payroll for retiree and dependent coverage. The City offers \$100 of life insurance 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 life insurance 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 life insurance 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 Electric and Water and Wastewater Funds) 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, 2009

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 City prospectively implemented GASB Statement 45 at June 30, 2008. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2009, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare and life insurance benefits:

Annual Required Contribution (ARC)	\$2,856,401
Interest on net OPEB obligation	223,628
Adjustment to annual required contribution	<u>(192,931)</u>
Annual OPEB cost (expense)	2,887,098
Contributions Made	<u>(873,174)</u>
Increase (decrease) in net OPEB obligation	2,013,924
Net OPEB obligation, beginning of the year	5,590,699
Net OPEB obligation, end of the year	<u>\$7,604,623</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 6,585,964	15.11%	\$ 5,590,699
2009	2,887,096	30.24%	7,604,621

Funded Status and Funding Progress. As of June 30, 2009 the plan was not funded. The most recent actuarial valuation was December 31, 2007. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$27,972,680. The covered payroll (annual payroll of active employees covered by the plan) was \$53,061,647 and the ratio of the UAAL to the covered payroll was 52.72 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.

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

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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

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, 2007 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 9.00 to 5.00 percent annually. Both rates included a 3.75 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, 2007, was 30 years.

In addition to the pension benefits described in Note 11, the City's Public Works Commission administers a single-employer defined benefit healthcare plan for the Electric and Water and Wastewater 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 healthcare benefit plan consisted of the following at July 1, 2008:

Retirees	71
Active members	<u>556</u>
Total	<u>627</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 5.0 percent of annual covered payroll. The Commission is self insured with respect to healthcare coverage.

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 Commission prospectively implemented GASB Statement 45 at June 30, 2008. 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, 2009.

Annual Required Contribution (ARC)	\$1,464,968
Interest on net OPEB obligation	(11,857)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,453,111</u>
Contributions Made	<u>(573,818)</u>
Increase (decrease) in net OPEB obligation	879,293
Net OPEB obligation, beginning of the year	<u>1,070,188</u>
Net OPEB obligation, end of the year	<u>\$1,949,481</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 1,070,188	0.00%	\$ 1,070,188
2009	1,464,968	39.49%	1,949,481

As of June 30, 2009 the plan was not funded. The most recent actuarial valuation was August 31, 2009. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$15,772,610. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and Fleet Maintenance funds as a noncurrent liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) was \$29,452,949 and the ratio of the UAAL to the covered payroll was 53.6 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.

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 August 31, 2009 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 5.25 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 10.00 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 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, 2009

Note 13 – Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2009, consist of the following:

Due From:	Due To:			Total
	General	Electric	Waste and Wastewater	
Airport	\$ 249,542	\$ -	\$ -	\$ 249,542
PWC Fleet Maintenance Fund	-	238,169	99,057	337,226
	<u>\$ 249,542</u>	<u>\$ 238,169</u>	<u>\$ 99,057</u>	<u>\$ 586,768</u>

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, 2009, consist of the following:

Transfer out:	Transfer in:						Total
	General	Recreational and Cultural	Nonmajor Governmental	Electric	Water and Wastewater	Nonmajor Enterprise	
General	\$ -	\$ 180,500	\$ 11,323,328	\$ 31,065	\$ 1,425,661	\$ 2,594,702	\$ 15,555,256
Nonmajor Governmental	-	-	328,057	-	1,123,839	-	1,451,896
Electric	7,966,049	25,000	-	-	-	-	7,991,049
Water and Wastewater	63,186	-	-	-	-	-	63,186
Nonmajor Enterprise	487,245	-	-	-	-	-	487,245
Internal Service	-	-	2,322,100	-	-	-	2,322,100
Totals	<u>\$ 8,516,480</u>	<u>\$ 205,500</u>	<u>\$ 13,973,485</u>	<u>\$ 31,065</u>	<u>\$ 2,549,500</u>	<u>\$ 2,594,702</u>	<u>\$ 27,870,732</u>

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, including amounts provided matching funds for various grant programs.

During the fiscal year ended June 30, 2009, a total of \$8,029,235 was transferred from the electric and water and wastewater funds to the general fund. This transfer consisted of three components: (1) 3.1% of electric fund net assets at June 30, 2009 totaling \$7,667,957, (2) reimbursement of general fund street light utility expenditures of \$298,092, and (3) reimbursement of excess general fund contributions for a water project of \$63,186.

Transfers totaling \$11,323,328 were also made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$4,269,336 for transportation projects including street resurfacing and soil street paving; \$4,034,326 for economic development projects primarily consisting of City contributions for the HOPE VI project; \$305,000 for public safety projects; and \$150,848 for general government projects. Additionally, \$2,460,818 was transferred to the City of Fayetteville Finance Corporation for lease purchase payments for city facilities, and \$103,000 was transferred for local matches for Federal and State funded programs.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 14 – Subsequent Events

On October 21, 2009, the City issued \$114,155,000 in Public Works Commission Revenue Refunding Bonds, Series 2009A to refund all of the outstanding Public Works Commission Variable Rate Revenue Refunding Bonds, Series 2003 and Public Works Commission Variable Rate Revenue and Revenue Refunding Bonds, Series 2003A and to terminate the two associated floating to fixed interest rate swap agreements. In addition, the City issued \$36,710,000 in Public Works Commission Revenue Bonds, Series 2009B to fund various utility system improvements.

On October 22, 2009, the City issued \$12,300,000 in General Obligation Refunding Bonds, Series 2009 to refund all or a portion of the following general obligation bonds: Series 1996 Public Improvement Bonds, Series 1996 Street Improvement Bonds, Series 1999 Public Improvement Bonds, Series 1999 Street Improvement Bonds, Series 2000 Public Improvement Bonds and Series 2000 Street Improvement Bonds.

In July 2009, the City also executed a \$750,000 Housing and Urban Development Section 108 note to fund a community development project.



Required Supplementary Information

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)
12/31/1999	\$ 958,824	\$ 1,435,311	\$ 476,487	66.80%	\$ 9,968,890	4.78%
12/31/2000	1,228,812	2,728,524	1,499,712	45.04%	10,581,205	14.17%
12/31/2001	1,382,479	3,074,210	1,691,731	44.97%	11,197,858	15.11%
12/31/2002	1,491,666	3,356,167	1,864,501	44.45%	11,941,930	15.61%
12/31/2003	1,628,946	3,516,635	1,887,689	46.32%	12,062,456	15.65%
12/31/2004	1,657,940	3,902,435	2,244,495	42.48%	13,501,537	16.62%
12/31/2005	1,762,344	3,882,639	2,120,295	45.39%	14,117,825	15.02%
12/31/2006	2,023,488	4,632,567	2,609,079	43.68%	16,750,277	15.58%
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%

The annual required contribution for the fiscal year ended June 30, 2009 was determined as part of the December 31, 2007 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. The inflation component was 3.75%. 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, 2007 was 23 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>
2000	\$ 127,606	119.29%	\$ 152,217
2001	145,228	114.21%	165,864
2002	259,788	104.76%	272,141
2003	286,336	108.65%	311,091
2004	311,445	102.16%	318,169
2005	318,276	99.97%	318,169
2006	361,749	115.76%	418,762
2007	329,564	117.11%	385,957
2008	388,882	97.54%	379,324
2009	415,308	107.04%	444,528

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, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	7.25%
Projected salary increases*	4.5 -12.3%
* Includes inflation at	3.75%
Cost-of-living adjustments	N/A

CITY OF FAYETTEVILLE, NORTH CAROLINA

Supplemental Public Works Commission Retirement System
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)
7/01/03	\$ 3,990,343	N/A	N/A	N/A	N/A	N/A
7/01/04	3,952,504	N/A	N/A	N/A	N/A	N/A
7/01/05	4,105,589	N/A	N/A	N/A	N/A	N/A
7/01/06	4,149,640	N/A	N/A	N/A	N/A	N/A
7/01/07	4,560,792	N/A	N/A	N/A	N/A	N/A
7/01/08	4,187,435	N/A	N/A	N/A	N/A	N/A
7/01/09	3,947,048	N/A	N/A	N/A	N/A	N/A

Note that this schedule is provided for informational purposes only and is calculated using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan, which calculates actuarial valuations using the aggregate actuarial cost method.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Supplemental Public Works Commission Retirement System
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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There was no pension obligation as of July 1, 2003. Since then, the cost and contributions have been zero so there is still no net pension obligation.

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	July 1, 2009
Actuarial cost method	Aggregate
Amortization method	N/A
Amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases*	N/A
Includes inflation at	3.0%
Cost-of-living adjustments	None

* Benefits for active employees have worn away in this plan. All benefits for active employees are covered by LGERS.

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)
12/31/2005	\$ -	\$ 54,434,583	\$ 54,434,583	0.00%	\$ 44,476,975	122.40%
12/31/2007	-	27,972,680	27,972,680	0.00%	53,061,647	52.72%

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>Percentage of Annual OPEB Cost Contributed</u>
2008	\$ 6,585,964	15.11%
2009	2,856,401	30.57%

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, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of projected payroll on an open basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	9% - 5%
* Includes inflation at	3.75%
Cost-of-living adjustments	None

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 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)
2/22/07	\$ -	\$ 11,080,476	\$ 11,080,476	0.00%	\$ 27,983,314	39.60%
8/31/09	-	15,772,610	15,772,610	0.00%	29,452,949	53.55%

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>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$1,070,188	0.00%	\$1,070,188
2009	1,464,968	39.17%	1,949,481

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	August 31, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	5.25%
Annual medical cost trend rates*	10% - 5%
* Includes inflation at	3.0%



Supplemental Financial 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 if only one fund exists in a given fund type.



Governmental Funds

- General Fund
- Recreational and Cultural 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.



General Fund

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

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2009 and 2008

ASSETS	2009	2008
Cash and investments	\$ 41,653,341	\$ 45,689,040
Taxes receivable	3,150,513	3,270,102
Accounts receivable	12,764,126	13,051,069
Interfund receivable	249,542	283,097
Assessments receivable	489,373	498,602
Inventories	79,900	115,378
Restricted cash and investments	-	3,305,317
Total assets	\$ 58,386,795	\$ 66,212,605
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 6,994,124	\$ 7,683,847
Unearned deposits	131,418	84,470
Deferred revenues	5,342,238	5,435,547
Total liabilities	12,467,780	13,203,864
Fund balances		
Fund balances:		
Reserved		
By State statute	11,960,494	12,334,683
For encumbrances	4,167,814	2,934,985
For inventories	79,900	115,378
For downtown	124,882	234,296
For JP Riddle - Stadium	26,523	17,507
For county recreation	1,598,321	1,563,891
For donations	27,000	26,166
Unreserved		
Designated		
For subsequent year's expenditures	3,643,174	9,163,213
For special purpose	3,562,081	5,550,563
For debt service	3,339,367	3,238,353
Undesignated	17,389,459	17,829,706
Total fund balances	45,919,015	53,008,741
Total liabilities and fund balances	\$ 58,386,795	\$ 66,212,605

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

With Comparative Actual Statements for the Year Ended June 30, 2008

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 54,190,045	\$ (201,966)	\$ 53,988,079	\$ 52,820,730
Prior year	1,361,575	(108,066)	1,253,509	1,624,600
Penalties	320,475	(9,051)	311,424	320,347
Total ad valorem taxes	55,872,095	(319,083)	55,553,012	54,765,677
Other taxes				
Vehicle license tax	651,500	(21,435)	630,065	635,993
Privilege license	985,100	28,829	1,013,929	984,727
Cablevision franchise tax	411,500	(30,556)	380,944	491,902
Gross receipts tax on rental property	416,600	24,781	441,381	416,176
Total other taxes	2,464,700	1,619	2,466,319	2,528,798
Unrestricted Intergovernmental				
Local option sales tax	31,096,000	(1,467,956)	29,628,044	31,659,262
Utility franchise tax	3,523,853	524,488	4,048,341	3,395,470
Telecommunications sales tax	2,103,474	(22,173)	2,081,301	1,903,596
Piped natural gas tax	682,922	(17,166)	665,756	635,276
Video franchise tax	2,362,187	38,903	2,401,090	2,137,726
Beer and wine tax	832,000	(17,099)	814,901	801,099
County - other	283,459	5,514	288,973	289,494
Local - public safety	335,072	34	335,106	322,012
Local - other	92,000	11,549	103,549	23,430
Total unrestricted intergovernmental	41,310,967	(943,906)	40,367,061	41,167,365
Restricted Intergovernmental				
Federal - public safety	157,580	12,912	170,492	50,288
Powell Bill allocation	5,307,500	(37,263)	5,270,237	5,697,369
State - other	29,340	47,171	76,511	27,684
State - public safety	59,000	15,044	74,044	64,473
Solid waste disposal tax	-	84,449	84,449	-
County recreation	2,633,911	191,235	2,825,146	2,724,036
County - other	74,000	3,353	77,353	73,641
Total restricted intergovernmental	8,261,331	316,901	8,578,232	8,637,491
Permits and fees	2,049,970	(160,004)	1,889,966	1,814,879
Sales and services				
Property leases	991,997	(566,967)	425,030	407,158
Engineering/planning services	290,172	43,280	333,452	345,822
Public safety services	829,970	117,712	947,682	786,483
Environmental services	71,618	(925)	70,693	73,382
Recreation and cultural services	942,533	135,697	1,078,230	992,842
Parking revenues	135,003	80,159	215,162	181,371
Other fees and services	193,656	27	193,683	91,482
Total sales and services	3,454,949	(191,017)	3,263,932	2,878,540

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009
With Comparative Actual Statements for the Year Ended June 30, 2008

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Revenues (continued)				
Miscellaneous				
Refunds and sundry	\$ 626,586	\$ 161,996	\$ 788,582	\$ 698,429
Indirect cost allocation	987,650	104,256	1,091,906	943,521
Special use assessment	181,000	30,691	211,691	204,316
Total miscellaneous	1,795,236	296,943	2,092,179	1,846,266
Interest earned on investments	1,194,000	146,965	1,340,965	2,500,914
Total revenues	116,403,248	(851,582)	115,551,666	116,139,930
Expenditures				
Current				
Administration				
Legislative				
Personnel	288,251	21,466	266,785	261,690
Operating	255,308	70,778	184,530	334,012
	543,559	92,244	451,315	595,702
City attorney				
Personnel	539,680	12,683	526,997	485,535
Operating	417,284	41,682	375,602	322,965
	956,964	54,365	902,599	808,500
Executive				
Personnel	906,970	8,617	898,353	1,053,554
Operating	168,413	82,901	85,512	106,670
	1,075,383	91,518	983,865	1,160,224
Human resources development				
Personnel	831,856	15,956	815,900	838,265
Operating	325,530	109,440	216,090	234,732
	1,157,386	125,396	1,031,990	1,072,997
Management services				
Personnel	669,309	6,732	662,577	564,712
Operating	276,467	89,286	187,181	235,574
Assets	5,870	-	5,870	7,150
Inventory	134,640	7,806	126,834	128,559
Cost redistribution	(184,000)	(11,876)	(172,124)	(178,325)
	902,286	91,948	810,338	757,670
Information technology				
Personnel	828,695	12,355	816,340	468,738
Operating	1,677,580	350,592	1,326,988	1,105,051
Assets	335,523	91,459	244,064	77,373
Cost redistribution	(5,707)	(5)	(5,702)	(6,069)
	2,836,091	454,401	2,381,690	1,645,093
Human relations				
Personnel	205,269	4,122	201,147	196,210
Operating	49,016	26,309	22,707	25,651
Payments to agencies	-	-	-	3,249
	254,285	30,431	223,854	225,110
Finance				
Personnel	1,195,514	15,435	1,180,079	1,183,876
Operating	1,317,047	139,156	1,177,891	1,142,688
Assets	136,690	50,466	86,224	-
	2,649,251	205,057	2,444,194	2,326,564

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

With Comparative Actual Statements for the Year Ended June 30, 2008

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
General government				
Personnel	\$ 108,753	\$ 706	\$ 108,047	\$ 100,968
Operating	7,567,286	1,330,727	6,236,559	6,983,824
Assets	14,314	14,314	-	11,720
Inventory	1,790,000	370,539	1,419,461	1,889,451
Cost redistribution	(1,855,125)	(341,737)	(1,513,388)	(1,899,029)
Payments to agencies	339,000	-	339,000	264,000
	<u>7,964,228</u>	<u>1,374,549</u>	<u>6,589,679</u>	<u>7,350,934</u>
Public buildings				
Personnel	800,463	3	800,460	722,001
Operating	1,017,816	57,832	959,984	995,264
Assets	22,105	-	22,105	-
	<u>1,840,384</u>	<u>57,835</u>	<u>1,782,549</u>	<u>1,717,265</u>
Project management				
Personnel	189,823	2,827	186,996	218,935
Operating	10,564	4,476	6,088	10,205
	<u>200,387</u>	<u>7,303</u>	<u>193,084</u>	<u>229,140</u>
Total administration	<u>20,380,204</u>	<u>2,585,047</u>	<u>17,795,157</u>	<u>17,889,199</u>
Public safety				
Police				
Personnel	32,821,806	687,897	32,133,909	30,410,356
Operating	5,617,014	1,095,949	4,521,065	4,790,856
Assets	2,110,756	624,808	1,485,948	3,396,945
Payments to agencies	3,000	-	3,000	3,000
	<u>40,552,576</u>	<u>2,408,654</u>	<u>38,143,922</u>	<u>38,601,157</u>
Fire				
Personnel	17,550,551	36	17,550,515	16,236,064
Operating	2,716,766	475,128	2,241,638	2,250,292
Assets	1,283,133	1,000	1,282,133	624,011
Cost redistribution	(75,000)	(23,822)	(51,178)	(75,000)
	<u>21,475,450</u>	<u>452,342</u>	<u>21,023,108</u>	<u>19,035,367</u>
Inspections				
Personnel	2,279,026	24,412	2,254,614	2,267,195
Operating	539,863	76,308	463,555	376,720
Assets	87,573	43,910	43,663	-
	<u>2,906,462</u>	<u>144,630</u>	<u>2,761,832</u>	<u>2,643,915</u>
Total public safety	<u>64,934,488</u>	<u>3,005,626</u>	<u>61,928,862</u>	<u>60,280,439</u>
Environmental protection				
Solid waste				
Personnel	4,167,732	86,044	4,081,688	3,614,707
Operating	2,559,339	613,314	1,946,025	3,597,950
Assets	1,391,713	367,402	1,024,311	2,774,295
	<u>8,118,784</u>	<u>1,066,760</u>	<u>7,052,024</u>	<u>9,986,952</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009
With Comparative Actual Statements for the Year Ended June 30, 2008

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection (continued)				
Cemeteries				
Personnel	\$ 101,395	\$ 844	\$ 100,551	\$ 122,903
Operating	49,328	9,068	40,260	21,821
	<u>150,723</u>	<u>9,912</u>	<u>140,811</u>	<u>144,724</u>
Urban forestry				
Personnel	121,474	682	120,792	132,092
Operating	16,595	5,601	10,994	9,027
	<u>138,069</u>	<u>6,283</u>	<u>131,786</u>	<u>141,119</u>
Street Sweeping				
Personnel	356,163	8,879	347,284	367,887
Operating	217,936	8,785	209,151	224,657
Assets	356,241	-	356,241	-
	<u>930,340</u>	<u>17,664</u>	<u>912,676</u>	<u>592,544</u>
Total environmental protection	<u>9,337,916</u>	<u>1,100,619</u>	<u>8,237,297</u>	<u>10,865,339</u>
Transportation				
Streets				
Personnel	2,779,513	136,769	2,642,744	2,564,906
Operating	4,595,381	2,323,493	2,271,888	4,487,432
Assets	628,925	140,501	488,424	196,204
	<u>8,003,819</u>	<u>2,600,763</u>	<u>5,403,056</u>	<u>7,248,542</u>
Engineering				
Personnel	1,392,881	5,608	1,387,273	1,274,084
Operating	233,420	128,007	105,413	135,625
Assets	41,472	90	41,382	16,054
	<u>1,667,773</u>	<u>133,705</u>	<u>1,534,068</u>	<u>1,425,763</u>
Parking				
Operating	238,730	32,222	206,508	198,083
Total transportation	<u>9,910,322</u>	<u>2,766,690</u>	<u>7,143,632</u>	<u>8,872,388</u>
Economic and physical development				
Central business district				
Operating	100,827	-	100,927	66,196
Community development				
Personnel	111,917	5	111,912	98,909
Operating	994,708	560,945	433,763	136,642
	<u>1,106,625</u>	<u>560,950</u>	<u>545,675</u>	<u>235,551</u>
Planning and development				
Personnel	502,590	9,983	492,607	440,741
Operating	420,388	158,315	262,073	252,735
Payments to agencies	13,699	7,632	6,067	1,301
	<u>936,677</u>	<u>175,930</u>	<u>760,747</u>	<u>694,777</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

With Comparative Actual Statements for the Year Ended June 30, 2008

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Expenditures (continued)				
Current (continued)				
Economic and physical development (continued)				
Total economic and physical development	\$ 2,144,229	\$ 736,880	\$ 1,407,349	\$ 996,524
Recreation and community facilities				
Parks & Recreation				
Personnel	7,374,933	145,779	7,229,154	6,868,580
Operating	4,928,782	1,150,996	3,777,786	3,770,846
Assets	288,872	57,626	231,246	286,149
	<u>12,592,587</u>	<u>1,354,401</u>	<u>11,238,186</u>	<u>10,925,575</u>
Total recreation and community facilities	<u>12,592,587</u>	<u>1,354,401</u>	<u>11,238,186</u>	<u>10,925,575</u>
Debt service	<u>8,099,186</u>	<u>81</u>	<u>8,099,105</u>	<u>8,174,491</u>
Total expenditures	<u>127,398,932</u>	<u>11,549,344</u>	<u>115,849,588</u>	<u>118,003,955</u>
Revenues over (under) expenditures	<u>(10,995,684)</u>	<u>10,697,762</u>	<u>(297,922)</u>	<u>(1,864,025)</u>
Other financing sources (uses)				
Appropriated fund balance	17,669,398	(17,669,398)	-	-
Transfers in	8,479,318	37,162	8,516,480	13,215,515
Transfers (out)	(16,063,032)	507,776	(15,555,256)	(11,572,367)
Sale of assets	160,000	86,972	246,972	275,382
Capital leases, bonds and other debt	750,000	(750,000)	-	3,303,940
Total other financing sources (uses)	<u>10,995,684</u>	<u>(17,787,488)</u>	<u>(6,791,804)</u>	<u>5,222,470</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (7,089,726)</u>	<u>(7,089,726)</u>	<u>3,358,445</u>
Fund balance				
Beginning of year - July 1			<u>53,008,741</u>	<u>49,650,296</u>
End of year - June 30			<u>\$ 45,919,015</u>	<u>\$ 53,008,741</u>



Recreational and Cultural Fund

The Recreational and Cultural Fund is a major capital project fund used to account for resources used for the acquisition and construction of facilities such as parks, recreation centers and museums.

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

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Comparative Balance Sheets
Recreational and Cultural Fund

June 30, 2009 and 2008

ASSETS	2009	2008
Cash and investments	\$ 1,439,809	\$ 947,410
Accounts receivable	30,437	12,474
Interfund receivable	-	265,210
Restricted cash and investments	13,712,898	685,276
Total assets	\$ 15,183,144	\$ 1,910,370
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 101,779	\$ 1,743
Deferred revenues	13,665,507	544,370
Total liabilities	13,767,286	546,113
Fund balances		
Fund balances:		
Reserved		
By State statute	30,437	277,684
For encumbrances	1,297,621	43,428
Unreserved		
Designated		
For subsequent year's expenditures	87,800	1,043,145
Total fund balances	1,415,858	1,364,257
Total liabilities and fund balances	\$ 15,183,144	\$ 1,910,370

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, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted Intergovernmental					
Federal grants/contributions	\$ 250,000	\$ -	\$ -	\$ -	\$ -
State grants/contributions	19,924,045	2,610,635	-	546,068	3,156,703
Total restricted intergovernmental	20,174,045	2,610,635	-	546,068	3,156,703
Miscellaneous					
Other	-	95,067	-	13,246	108,313
Donations	300,505	277,505	-	23,000	300,505
Total miscellaneous	300,505	372,572	-	36,246	408,818
Interest earned on investments	6,670	118,354	-	210,111	328,465
Total revenues	20,481,220	3,101,561	-	792,425	3,893,986
Expenditures					
Current					
Recreational and community facilities					
Cape Fear River Park	350,000	279,163	-	1,800	280,963
Open Space Project	-	25,000	25,000	-	-
Freedom Park	482,175	422,053	-	49,573	471,626
Amtrak Station	693,500	672,344	-	19,116	691,460
Martin Luther King Park	-	50,000	50,000	-	-
Bonnie Doone Park	554,895	546,557	-	7,606	554,163
EE Miller Recreation Center	2,297,050	2,293,319	-	2,641	2,295,960
NC State Veterans Park	2,300,000	1,840,871	-	280,777	2,121,648
Western Area Neighborhood Park	800,000	-	-	-	-
NC State Veterans Park #2	14,700,000	-	-	452,526	452,526
Playground equipment and improvements	150,000	-	-	113,835	113,835
Cape Fear River Trail Phase 2	2,645,500	-	-	18,450	18,450
Total expenditures	24,973,120	6,129,307	75,000	946,324	7,000,631
Revenues over (under) expenditures	(4,491,900)	(3,027,746)	(75,000)	(153,899)	(3,106,645)
Other financing sources (uses)					
Transfers in	2,369,850	2,287,647	75,000	205,500	2,398,147
Capital leases, bonds, and other debt	2,122,050	2,124,358	-	-	2,124,356
Total other financing sources (uses)	4,491,900	4,392,003	75,000	205,500	4,522,503
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,364,257	\$ -	51,801	\$ 1,415,858
Fund balance					
Beginning of year - July 1				1,364,257	
End of year - June 30				<u>\$ 1,415,858</u>	



Nonmajor Governmental Funds

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 5,987,616	\$ 10,393,417	\$ 16,381,033
Taxes receivable	60,520	-	60,520
Accounts receivable	7,595,503	216,259	7,811,762
Restricted asset - cash and investments	1,305,841	2,605,507	3,911,348
Total assets	\$ 14,949,480	\$ 13,215,183	\$ 28,164,663
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 530,367	\$ 2,008,161	\$ 2,538,528
Unearned deposits	39,690	-	39,690
Deferred revenues	7,456,405	444,398	7,900,803
Total liabilities	8,026,462	2,452,559	10,479,021
Fund balances:			
Reserved			
By State statute	814,902	516,789	1,331,691
For encumbrances	2,124,299	3,358,571	5,482,870
For streets - Powell Bill	-	1,145,874	1,145,874
For grant compliance	735,767	3,530	739,297
For debt service	354,356	1,046,705	1,401,061
Unreserved			
Designated			
For subsequent year's expenditures	297,500	5,127,594	5,425,094
For special purpose	1,424,996	-	1,424,996
Undesignated	1,171,198	(436,439)	734,759
Total fund balances	6,923,018	10,762,624	17,685,642
Total liabilities and fund balances	\$ 14,949,480	\$ 13,215,183	\$ 28,164,663

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Other taxes and fees	\$ 6,851,490	\$ -	\$ 6,851,490
Restricted intergovernmental	2,520,234	183,695	2,703,929
Miscellaneous	732,621	247,866	980,487
Interest earned on investments	154,967	42,121	197,088
Total revenues	<u>10,259,312</u>	<u>473,682</u>	<u>10,732,994</u>
Expenditures			
Current:			
Administration	-	303,105	303,105
Public safety	1,712,346	1,061,425	2,773,771
Environmental protection	4,959,427	-	4,959,427
Transportation	-	3,084,245	3,084,245
Economic and physical development	2,454,201	841,089	3,295,290
Recreation and community facilities	12,470	81,895	94,365
Debt service:			
Principal	1,650,657	177,900	1,828,557
Interest and fees	549,767	-	549,767
Total expenditures	<u>11,338,868</u>	<u>5,549,659</u>	<u>16,888,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,079,556)</u>	<u>(5,075,977)</u>	<u>(6,155,533)</u>
Other financing sources (uses)			
Transfers in	2,563,818	11,409,667	13,973,485
Transfers out	-	(1,451,896)	(1,451,896)
Total other financing sources (uses)	<u>2,563,818</u>	<u>9,957,771</u>	<u>12,521,589</u>
Net change in fund balances	1,484,262	4,881,794	6,366,056
Fund balance - beginning	<u>5,438,756</u>	<u>5,880,830</u>	<u>11,319,586</u>
Fund balance - ending	<u>\$ 6,923,018</u>	<u>\$ 10,762,624</u>	<u>\$ 17,685,642</u>



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
- Storm Water Management Fund
- City of Fayetteville Finance Corporation Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009**

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 670,542	\$ -	\$ 5,317,074	\$ -	\$ 5,987,616
Taxes receivable	-	-	60,520	-	60,520
Accounts receivable	89,902	7,475,428	30,173	-	7,595,503
Interfund receivable	-	-	413,641	-	413,641
Restricted asset - cash and investments	-	951,485	-	354,356	1,305,841
Total assets	\$ 760,444	\$ 8,426,913	\$ 5,821,408	\$ 354,356	\$ 15,363,121
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 211,952	\$ 86,486	\$ 231,929	\$ -	\$ 530,367
Interfund payables	-	413,641	-	-	413,641
Unearned deposits	-	-	39,690	-	39,690
Deferred revenues	-	7,395,885	60,520	-	7,456,405
Total liabilities	211,952	7,896,012	332,139	-	8,440,103
Fund balances:					
Reserved					
By State statute	89,902	281,186	443,814	-	814,902
For encumbrances	273,682	730,590	1,120,027	-	2,124,299
For grant compliance	-	735,767	-	-	735,767
For debt service	-	-	-	354,356	354,356
Unreserved					
Designated					
For subsequent year's expenditures	-	-	297,500	-	297,500
For special purpose	-	-	1,424,996	-	1,424,996
Undesignated	184,908	(1,216,642)	2,202,932	-	1,171,198
Total fund balances	548,492	530,901	5,489,269	354,356	6,923,018
Total liabilities and fund balances	\$ 760,444	\$ 8,426,913	\$ 5,821,408	\$ 354,356	\$ 15,363,121

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2009**

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	Storm Water Management Fund	Fayetteville Finance Corp Fund	Total Nonmajor Special Revenue Funds
Revenues					
Other taxes and fees	\$ 1,138,897	\$ -	\$ 5,712,593	\$ -	\$ 6,851,490
Restricted intergovernmental	-	2,520,234	-	-	2,520,234
Miscellaneous	15	732,106	500	-	732,621
Interest earned on investments	10,925	-	140,532	3,510	154,967
Total revenues	1,149,837	3,252,340	5,853,625	3,510	10,259,312
Expenditures					
Current:					
Public safety	841,680	870,666	-	-	1,712,346
Environmental protection	-	-	4,959,427	-	4,959,427
Economic and physical development	-	2,447,597	-	6,604	2,454,201
Recreation and community facilities	-	12,470	-	-	12,470
Debt service:					
Principal	70,248	2,581	22,828	1,555,000	1,650,657
Interest and fees	1,027	38	334	548,368	549,767
Total expenditures	912,955	3,333,352	4,982,589	2,109,972	11,338,868
Excess (deficiency) of revenues over (under) expenditures	236,882	(81,012)	871,036	(2,106,462)	(1,079,556)
Other financing sources (uses)					
Transfers in	-	103,000	-	2,460,818	2,563,818
Total other financing sources (uses)	-	103,000	-	2,460,818	2,563,818
Net change in fund balances	236,882	21,988	871,036	354,356	1,484,262
Fund balance - beginning	311,610	508,913	4,618,233	-	5,438,756
Fund balance - ending	\$ 548,492	\$ 530,901	\$ 5,489,269	\$ 354,356	\$ 6,923,018

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, 2009

(With Comparative Actual Amounts For Year Ended June 30, 2008)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Revenues				
Other taxes				
Wireline 911 tax	\$ -	\$ -	\$ -	\$ 361,922
Wireless/consolidated 911 funds	1,064,600	74,297	1,138,897	560,102
Total other taxes	<u>1,064,600</u>	<u>74,297</u>	<u>1,138,897</u>	<u>922,024</u>
Miscellaneous	-	15	15	-
Interest earned on investments				
Wireless/consolidated 911	10,000	925	10,925	66,342
Total interest earned on investments	<u>10,000</u>	<u>925</u>	<u>10,925</u>	<u>66,342</u>
Total revenues	<u>1,074,600</u>	<u>75,237</u>	<u>1,149,837</u>	<u>988,366</u>
Expenditures				
Current				
Public safety				
Wireless/consolidated 911				
Personnel	53,158	306	52,852	25,745
Operating	684,967	192,683	492,284	357,916
Assets	565,200	268,656	296,544	3,657
	<u>1,303,325</u>	<u>461,645</u>	<u>841,680</u>	<u>387,318</u>
Wireline 911				
Personnel	-	-	-	22,882
Operating	-	-	-	171,471
Assets	-	-	-	2,992
	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,345</u>
Total public safety	<u>1,303,325</u>	<u>461,645</u>	<u>841,680</u>	<u>584,663</u>
Debt service				
Wireless/consolidated 911	71,275	-	71,275	38,709
Wireline 911	-	-	-	38,709
Total debt service	<u>71,275</u>	<u>-</u>	<u>71,275</u>	<u>77,418</u>
Total expenditures	<u>1,374,600</u>	<u>461,645</u>	<u>912,955</u>	<u>662,081</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>536,882</u>	<u>236,882</u>	<u>326,285</u>
Other financing sources (uses)				
Appropriated fund balance	300,000	(300,000)	-	-
Transfers out	-	-	-	(3,122,577)
Total other financing sources (uses)	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>(3,122,577)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 236,882</u>	<u>236,882</u>	<u>(2,796,292)</u>
Fund balance				
Beginning of year - July 1			<u>311,610</u>	<u>3,107,902</u>
End of year - June 30			<u>\$ 548,492</u>	<u>\$ 311,610</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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 10,169,190	\$ 4,411,469	\$ -	\$ 2,165,249	\$ 6,576,718
State grants	1,894,557	1,261,024	76,256	345,172	1,529,940
County	37,690	25,199	-	9,813	35,012
Total restricted intergovernmental	<u>12,101,437</u>	<u>5,697,692</u>	<u>76,256</u>	<u>2,520,234</u>	<u>8,141,670</u>
Miscellaneous					
Other	2,337,330	1,820,421	20,948	732,106	2,531,579
Total revenues	<u>14,438,767</u>	<u>7,518,113</u>	<u>97,204</u>	<u>3,252,340</u>	<u>10,673,249</u>
Expenditures					
Current					
Public safety	3,361,039	1,660,475	97,204	870,666	2,433,937
Parks and recreation	300,586	-	-	12,470	12,470
Economic and physical development	10,994,609	5,572,087	-	2,447,597	8,019,684
Total current	<u>14,656,234</u>	<u>7,232,562</u>	<u>97,204</u>	<u>3,330,733</u>	<u>10,466,091</u>
Debt service	<u>145,948</u>	<u>72,692</u>	<u>-</u>	<u>2,619</u>	<u>75,311</u>
Total expenditures	<u>14,802,182</u>	<u>7,305,254</u>	<u>97,204</u>	<u>3,333,352</u>	<u>10,541,402</u>
Revenues over (under) expenditures	<u>(363,415)</u>	<u>212,859</u>	<u>-</u>	<u>(81,012)</u>	<u>131,847</u>
Other financing sources (uses)					
Transfers in	363,415	296,054	-	103,000	399,054
Total other financing sources (uses)	<u>363,415</u>	<u>296,054</u>	<u>-</u>	<u>103,000</u>	<u>399,054</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 508,913</u>	<u>\$ -</u>	<u>21,988</u>	<u>\$ 530,901</u>
Fund balance					
Beginning of year - July 1				508,913	
End of year - June 30				<u>\$ 530,901</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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 1,652,722	\$ 674,909	\$ -	\$ 506,086	\$ 1,180,995
PSN Anti-Gang; Operation Ceasefire	161,588	123,802	-	26,127	149,929
PSN Media Blitz	23,000	19,889	-	-	19,889
PSN Gun Tracer	-	13,412	13,412	-	-
JCPC Gang Violence Prevention	-	1,023	-	-	1,023
Gangs across the Carolinas	92,722	83,792	83,792	92,721	92,721
Juvenile Restitution	370,881	227,441	-	79,279	306,720
Gang Prevention	11,000	10,120	-	-	10,120
Justice Assistance Grant	398,984	319,009	-	50,608	369,617
FY 07 Hazmat Equipment	251,571	-	-	110,155	110,155
FY 08 Hazmat Equipment	205,714	-	-	-	-
FEMA Firefighter Grant	192,857	187,078	-	5,690	192,768
Total public safety	<u>3,361,039</u>	<u>1,660,475</u>	<u>97,204</u>	<u>870,666</u>	<u>2,433,937</u>
Economic and physical development					
Community Development Block Grant	6,222,733	3,297,943	-	1,563,722	4,861,665
Military Business Park	666,750	-	-	-	-
NC Rural Economic Development	47,335	-	-	-	-
Community Garden	28,000	-	-	20,088	20,088
HOME	4,029,791	2,274,144	-	863,787	3,137,931
Total economic and physical development	<u>10,994,609</u>	<u>5,572,087</u>	<u>-</u>	<u>2,447,597</u>	<u>8,019,684</u>
Recreation and cultural					
Wayfinding signage	300,586	-	-	12,470	12,470
Total recreation and cultural	<u>300,586</u>	<u>-</u>	<u>-</u>	<u>12,470</u>	<u>12,470</u>
Total expenditures by project	<u>\$ 14,656,234</u>	<u>\$ 7,232,562</u>	<u>\$ 97,204</u>	<u>\$ 3,330,733</u>	<u>\$ 10,466,091</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Water Management Fund**

**Year Ended June 30, 2009
(With Comparative Actual Amounts For Year Ended June 30, 2008)**

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Revenues				
Other fees				
Storm water fee	\$ 5,658,622	\$ 30,025	\$ 5,688,647	\$ 5,573,790
Penalties	15,400	8,546	23,946	18,212
Total other fees	<u>5,674,022</u>	<u>38,571</u>	<u>5,712,593</u>	<u>5,592,002</u>
Miscellaneous	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>
Interest earned on investments	<u>60,000</u>	<u>80,532</u>	<u>140,532</u>	<u>188,067</u>
Total revenues	<u>5,734,022</u>	<u>119,603</u>	<u>5,853,625</u>	<u>5,780,069</u>
Expenditures				
Current				
Environmental protection				
Personnel	1,708,681	110,075	1,598,606	1,238,488
Operating	3,199,014	1,279,935	1,919,079	1,151,905
Assets	3,212,910	1,822,346	1,390,564	141,580
Cost redistribution	75,000	23,822	51,178	75,000
Total environmental protection	<u>8,195,605</u>	<u>3,236,178</u>	<u>4,959,427</u>	<u>2,606,973</u>
Debt service	<u>23,162</u>	<u>-</u>	<u>23,162</u>	<u>24,946</u>
Total expenditures	<u>8,218,767</u>	<u>3,236,178</u>	<u>4,982,589</u>	<u>2,631,919</u>
Revenues over (under) expenditures	<u>(2,484,745)</u>	<u>3,355,781</u>	<u>871,036</u>	<u>3,148,150</u>
Other financing sources (uses)				
Appropriated fund balance	2,484,745	(2,484,745)	-	-
Total other financing sources (uses)	<u>2,484,745</u>	<u>(2,484,745)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 871,036</u>	<u>871,036</u>	<u>3,148,150</u>
Fund balance				
Beginning of year - July 1			<u>4,618,233</u>	<u>1,470,083</u>
End of year - June 30			<u>\$ 5,489,269</u>	<u>\$ 4,618,233</u>

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, 2009
(With Comparative Actual Amounts For Year Ended June 30, 2008)

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Revenues				
Interest earned on investments	\$ -	\$ 3,510	\$ 3,510	\$ 997
Expenditures				
Current				
Economic and physical development				
Operating	358,415	351,811	6,604	6,580
Debt service	2,103,368	-	2,103,368	2,478,143
Total expenditures	<u>2,461,783</u>	<u>351,811</u>	<u>2,109,972</u>	<u>2,484,723</u>
Revenues over (under) expenditures	<u>(2,461,783)</u>	<u>355,321</u>	<u>(2,106,462)</u>	<u>(2,483,726)</u>
Other financing sources (uses)				
Transfers in	2,461,783	(965)	2,460,818	2,483,726
Total financing sources (uses)	<u>2,461,783</u>	<u>(965)</u>	<u>2,460,818</u>	<u>2,483,726</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 354,356</u>	<u>354,356</u>	<u>-</u>
Fund balance				
Beginning of year - July 1			-	-
End of year - June 30			<u>\$ 354,356</u>	<u>\$ -</u>



Nonmajor Capital Project Funds



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 Recreational and Cultural Fund and the Proprietary Funds.

The following comprise the City's Nonmajor Capital Project Funds:

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Water and Sewer Fund
- Bond Improvement Fund
- Economic and Physical Development Fund
- Linear Park Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009

	General Government Fund	Public Safety Fund	Transportation Fund	Water and Sewer Fund	Bond Improvement Fund	Economic and Physical Development Fund	Linear Park Fund	Total Nonmajor Capital Project Funds
Assets								
Cash and investments	\$ 37,586	\$ 2,711,332	\$ 3,774,951	\$ -	\$ -	\$ 3,674,747	\$ 194,801	\$ 10,393,417
Accounts receivable	-	570	181,698	-	2,752	28,684	2,555	216,259
Interfund receivable	-	-	-	-	-	300,530	-	300,530
Restricted asset - cash and investments	-	403,530	1,145,874	-	1,046,705	-	9,398	2,605,507
Total assets	\$ 37,586	\$ 3,115,432	\$ 5,102,523	\$ -	\$ 1,049,457	\$ 4,003,961	\$ 206,754	\$ 13,515,713
Liabilities and fund balances								
Liabilities:								
Accounts payable and accrued expenses	\$ -	\$ 960,397	\$ 931,684	\$ -	\$ 78,741	\$ 37,339	\$ -	\$ 2,008,161
Interfund payables	-	-	-	-	300,530	-	-	300,530
Deferred revenues	-	400,000	35,000	-	-	-	9,398	444,398
Total liabilities	-	1,360,397	966,684	-	379,271	37,339	9,398	2,753,089
Fund balances:								
Reserved								
By State statute	-	570	181,698	-	2,752	329,214	2,555	516,789
For encumbrances	7,953	1,522,663	1,547,165	-	57,168	206,273	17,349	3,358,571
For streets - Powell Bill	-	-	1,145,874	-	-	-	-	1,145,874
For grant compliance	-	3,530	-	-	-	-	-	3,530
For debt service	-	-	-	-	1,046,705	-	-	1,046,705
Unreserved								
Designated								
For subsequent year's expenditures	29,633	228,272	1,261,102	-	-	3,431,135	177,452	5,127,594
Undesignated	-	-	-	-	(436,439)	-	-	(436,439)
Total fund balances	37,586	1,755,035	4,135,839	-	670,186	3,966,622	197,356	10,762,624
Total liabilities and fund balances	\$ 37,586	\$ 3,115,432	\$ 5,102,523	\$ -	\$ 1,049,457	\$ 4,003,961	\$ 206,754	\$ 13,515,713

CITY OF FAYETTEVILLE, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2009

	General Government Fund	Public Safety Fund	Transportation Fund	Water and Sewer Fund	Bond Improvement Fund	Economic and Physical Development Fund	Linear Park Fund	Total Nonmajor Capital Project Funds
Revenues								
Restricted Intergovernmental	\$ -	\$ -	\$ 144,745	\$ -	\$ -	\$ 30,913	\$ 8,037	\$ 183,695
Miscellaneous	-	-	80,841	-	-	-	167,025	247,866
Interest earned on investments	-	7,793	1,608	-	30,393	-	2,327	42,121
Total revenues	-	7,793	227,194	-	30,393	30,913	177,389	473,682
Expenditures								
Administration	303,105	-	-	-	-	-	-	303,105
Public safety	-	1,061,425	-	-	-	-	-	1,061,425
Transportation	-	-	3,084,245	-	-	-	-	3,084,245
Economic and physical development	-	-	-	-	463,895	377,194	-	841,089
Recreation and community facilities	-	-	-	-	10,436	-	71,459	81,895
Debt service:								
Principal	-	-	-	-	177,900	-	-	177,900
Total expenditures	303,105	1,061,425	3,084,245	-	652,231	377,194	71,459	5,549,659
Excess (deficiency) of revenues over (under) expenditures	(303,105)	(1,053,632)	(2,657,051)	-	(621,838)	(346,281)	105,930	(5,075,977)
Other financing sources (uses)								
Transfers in	150,848	2,627,100	4,517,847	-	79,546	4,034,326	-	11,409,667
Transfers out	-	-	-	(1,047,622)	(404,274)	-	-	(1,451,896)
Total other financing sources (uses)	150,848	2,627,100	4,517,847	(1,047,622)	(324,728)	4,034,326	-	9,957,771
Net change in fund balances	(152,257)	1,573,468	1,660,796	(1,047,622)	(946,566)	3,688,045	105,930	4,681,794
Fund balance - beginning	189,843	181,587	2,475,043	1,047,622	1,816,752	278,577	81,426	5,880,830
Fund balance - ending	\$ 37,586	\$ 1,755,035	\$ 4,135,839	\$ -	\$ 670,186	\$ 3,966,622	\$ 197,356	\$ 10,762,624

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, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Current					
Administration					
Information technology	-	687,357	687,357	-	-
Building maintenance	50,000	-	-	48,055	48,055
Parking lot maintenance	50,000	-	-	41,793	41,793
Demolition of City building	73,725	-	-	62,758	62,758
Council chambers upgrade	158,453	-	-	150,499	150,499
Total expenditures	<u>332,178</u>	<u>687,357</u>	<u>687,357</u>	<u>303,105</u>	<u>303,105</u>
Revenues over (under) expenditures	<u>(332,178)</u>	<u>(687,357)</u>	<u>(687,357)</u>	<u>(303,105)</u>	<u>(303,105)</u>
Other financing sources (uses)					
Transfers in	332,178	946,509	756,866	150,848	340,691
Transfers out	-	(69,309)	(69,309)	-	-
Total other financing sources (uses)	<u>332,178</u>	<u>877,200</u>	<u>687,357</u>	<u>150,848</u>	<u>340,691</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 189,843</u>	<u>\$ -</u>	<u>(152,257)</u>	<u>\$ 37,586</u>
Fund balance					
Beginning of year - July 1				189,843	
End of year - June 30				<u>\$ 37,586</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, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants/contributions	\$ 400,000	\$ -	\$ -	\$ -	\$ -
Interest earned on investments	-	72,066	-	7,793	79,859
Total revenues	400,000	72,066	-	7,793	79,859
Expenditures					
Current					
Public safety					
Fire Station #15	2,622,750	2,513,249	-	18,805	2,532,054
Police Dept. server upgrade	180,000	-	-	75,118	75,118
Fire Station #12	125,000	-	-	-	-
Fire training tower	500,000	-	-	-	-
Fire Station #19	235,000	-	-	21,624	21,624
Police Dept. CAD and RMS	2,322,100	-	-	945,878	945,878
Total expenditures	5,984,850	2,513,249	-	1,061,425	3,574,674
Revenues over (under) expenditures	(5,584,850)	(2,441,183)	-	(1,053,632)	(3,494,815)
Other financing sources (uses)					
Proceeds from capital leases	2,650,000	2,415,000	-	-	2,415,000
Transfers in	2,934,850	207,750	-	2,627,100	2,834,850
Total other financing sources (uses)	5,584,850	2,622,750	-	2,627,100	5,249,850
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 181,567	\$ -	1,573,468	\$ 1,755,035
Fund balance					
Beginning of year - July 1				181,567	
End of year - June 30				\$ 1,755,035	

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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted Intergovernmental					
State grants	\$ 695,000	\$ 107,503	\$ -	\$ 144,745	\$ 252,248
Miscellaneous					
Owner contribution	98,775	82,766	-	80,841	163,607
Other	10,204	30,408	-	-	30,408
Total miscellaneous	<u>108,979</u>	<u>113,174</u>	<u>-</u>	<u>80,841</u>	<u>194,015</u>
Interest earned on investments	-	4,492	-	1,608	6,100
Total revenues	<u>803,979</u>	<u>225,169</u>	<u>-</u>	<u>227,194</u>	<u>452,363</u>
Expenditures					
Current					
Transportation					
Traffic control system	1,629,069	1,251,268	-	-	1,251,268
Sidewalks	991,232	22,820	-	65,357	88,177
Transportation improvements	10,884,888	8,874,320	1,823,616	3,018,888	8,089,592
Gateway beautifications	100,000	58,991	-	-	58,991
Total expenditures	<u>13,605,189</u>	<u>8,007,399</u>	<u>1,823,616</u>	<u>3,084,245</u>	<u>9,468,028</u>
Revenues over (under) expenditures	<u>(12,801,210)</u>	<u>(7,782,230)</u>	<u>(1,823,616)</u>	<u>(2,857,051)</u>	<u>(9,015,665)</u>
Other financing sources (uses)					
Transfers in	12,951,210	10,802,331	2,018,674	4,517,847	13,301,504
Transfers (out)	(150,000)	(545,058)	(395,058)	-	(150,000)
Total other financing sources (uses)	<u>12,801,210</u>	<u>10,257,273</u>	<u>1,623,616</u>	<u>4,517,847</u>	<u>13,151,504</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,475,043</u>	<u>\$ -</u>	<u>1,660,798</u>	<u>\$ 4,135,839</u>
Fund balance					
Beginning of year - July 1				<u>2,475,043</u>	
End of year - June 30				<u>\$ 4,135,839</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Miscellaneous					
Lumbee River Electric Membership Corporation - Service Territory	\$ 3,449,709	\$ 3,449,709	\$ -	\$ -	\$ 3,449,709
Interest earned on Investments	272,000	271,303	-	-	271,303
Total revenues	<u>3,721,709</u>	<u>3,721,012</u>	<u>-</u>	<u>-</u>	<u>3,721,012</u>
Revenues over (under) expenditures	<u>3,721,709</u>	<u>3,721,012</u>	<u>-</u>	<u>-</u>	<u>3,721,012</u>
Other financing sources (uses)					
Transfers (out)	(3,721,709)	(2,673,390)	-	(1,047,622)	(3,721,012)
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,047,622</u>	<u>\$ -</u>	<u>(1,047,622)</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				1,047,622	
End of year - June 30				<u>\$ -</u>	

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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Miscellaneous					
Owner contribution	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000
Total miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Interest earned on investments	<u>1,216,897</u>	<u>1,187,756</u>	<u>-</u>	<u>30,393</u>	<u>1,218,151</u>
Total revenues	<u>1,226,897</u>	<u>1,197,756</u>	<u>-</u>	<u>30,393</u>	<u>1,228,151</u>
Expenditures					
Current					
Economic and physical development					
Bond administration	1,119,704	1,119,699	-	-	1,119,699
Debt service and cost of issuance	121,190	91,011	-	30,178	121,189
Streets	9,580,651	8,633,206	-	425,505	9,058,711
Sidewalks	806,066	798,971	-	-	798,971
Drainage	625,313	551,826	-	38,390	590,016
	<u>12,232,924</u>	<u>11,192,513</u>	<u>-</u>	<u>494,073</u>	<u>11,686,586</u>
Public Safety					
Debt service	97,422	-	-	97,428	97,428
FSU Fire Station	3,494,187	3,494,183	-	-	3,494,183
	<u>3,591,609</u>	<u>3,494,183</u>	<u>-</u>	<u>97,428</u>	<u>3,591,609</u>
Recreational and community facilities					
Debt service and cost of issuance	218,039	167,743	-	50,296	218,039
Westover Recreational Center	2,771,016	2,767,918	-	-	2,787,918
Festival Park	4,364,832	4,355,984	-	8,807	4,384,591
Cape Fear River Park	979,857	883,549	-	1,829	885,378
	<u>8,333,844</u>	<u>8,175,194</u>	<u>-</u>	<u>60,732</u>	<u>8,235,928</u>
Total expenditures	<u>24,158,377</u>	<u>22,861,890</u>	<u>-</u>	<u>652,231</u>	<u>23,514,121</u>
Revenues over (under) expenditures	<u>(22,931,480)</u>	<u>(21,664,132)</u>	<u>-</u>	<u>(621,838)</u>	<u>(22,285,970)</u>
Other financing sources (uses)					
Transfers in	1,889,548	1,810,000	-	79,548	1,889,548
Operating transfers (out)	(428,950)	-	-	(404,274)	(404,274)
Capital leases, bonds, and other debt	21,470,884	21,470,884	-	-	21,470,884
Total other financing sources (uses)	<u>22,931,480</u>	<u>23,280,884</u>	<u>-</u>	<u>(324,728)</u>	<u>22,956,158</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,618,752</u>	<u>\$ -</u>	<u>(946,566)</u>	<u>\$ 670,186</u>
Fund balance					
Beginning of year - July 1				<u>1,616,752</u>	
End of year - June 30				<u>\$ 670,186</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
State grants	\$ 2,731,419	\$ 2,484,218	\$ -	\$ 30,913	\$ 2,515,131
Total restricted intergovernmental	2,731,419	2,484,218	-	30,913	2,515,131
Miscellaneous					
Private donations	3,058,621	2,761,545	-	-	2,761,545
Sale of assets	334,000	245,435	-	-	245,435
Total miscellaneous	3,392,621	3,006,980	-	-	3,006,980
Interest earned on investments	24,253	19,084	-	-	19,084
Total revenues	6,148,293	5,510,282	-	30,913	5,541,195
Expenditures					
Current					
Economic and physical development					
Texti Project	109,376	-	-	22,511	22,511
Uptown revitalization	2,250,000	-	-	198,553	198,553
USO/Amphitheater Demo/Festival Park	3,991,891	3,930,892	-	17,756	3,948,648
Cape Fear & Yadkin Valley Depot	3,414,274	3,105,340	-	38,642	3,143,982
300 Block of Hay Street	1,857,475	1,723,997	-	99,732	1,823,729
Total expenditures	11,623,016	8,760,229	-	377,194	9,137,423
Revenues over (under) expenditures	(5,474,723)	(3,249,947)	-	(346,281)	(3,586,228)
Other financing sources (uses)					
Transfers in	5,474,723	3,528,524	-	4,034,326	7,582,850
Total other financing sources (uses)	5,474,723	3,528,524	-	4,034,326	7,582,850
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 278,577	\$ -	3,688,045	\$ 3,966,622
Fund balance					
Beginning of year - July 1				278,577	
End of year - June 30				<u>\$ 3,966,622</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception And For Year Ended June 30, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental					
County grants/contributions	\$ 130,000	\$ 112,565	\$ -	\$ 8,037	\$ 120,602
Total restricted intergovernmental	<u>130,000</u>	<u>112,565</u>	<u>-</u>	<u>8,037</u>	<u>120,602</u>
Miscellaneous					
Other (donations)	1,363,364	1,196,839	-	187,025	1,363,864
Total miscellaneous	<u>1,363,364</u>	<u>1,196,839</u>	<u>-</u>	<u>187,025</u>	<u>1,363,864</u>
Interest earned on investments	36,687	39,167	-	2,327	41,494
Total revenues	<u>1,532,051</u>	<u>1,348,571</u>	<u>-</u>	<u>177,389</u>	<u>1,525,960</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	1,582,051	1,307,245	-	71,459	1,378,704
Total expenditures	<u>1,582,051</u>	<u>1,307,245</u>	<u>-</u>	<u>71,459</u>	<u>1,378,704</u>
Revenues over (under) expenditures	<u>(50,000)</u>	<u>41,326</u>	<u>-</u>	<u>105,930</u>	<u>147,256</u>
Other financing sources (uses)					
Transfers in	50,000	50,100	-	-	50,100
Total other financing sources (uses)	<u>50,000</u>	<u>50,100</u>	<u>-</u>	<u>-</u>	<u>50,100</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 91,426</u>	<u>\$ -</u>	<u>105,930</u>	<u>\$ 197,356</u>
Fund balance					
Beginning of year - July 1				91,426	
End of year - June 30				<u>\$ 197,356</u>	



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.



Enterprise Funds

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

The following comprise the City's Enterprise Funds

- Electric Fund
- Water and Wastewater 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

Combining Balance Sheet
Electric Fund
June 30, 2009

Assets	Electric Fund	Uptown Revitalization Special Fund	Rate Stabilization Special Fund	Total
Current unrestricted assets				
Cash and cash equivalents	\$ 26,483,881	\$ -	\$ -	\$ 26,483,881
Investments	11,578,129	-	-	11,578,129
Receivables	23,353,719	-	-	23,353,719
Internal balances	238,169	-	-	238,169
Less allowance for doubtful accounts	(308,702)	-	-	(308,702)
Inventories	12,216,757	-	-	12,216,757
Other current assets	209,339	-	-	209,339
Total current unrestricted assets	<u>73,773,292</u>	<u>-</u>	<u>-</u>	<u>73,773,292</u>
Current restricted assets				
Cash and cash equivalents	6,332,451	-	19,634,186	25,966,639
Investments	7,696,722	-	-	7,696,722
Collateral pledged in lieu of deposits	274,501	-	-	274,501
Receivables	10,635	-	-	10,635
Total current restricted assets	<u>14,316,309</u>	<u>-</u>	<u>19,634,188</u>	<u>33,950,497</u>
Total current assets	<u>88,089,601</u>	<u>-</u>	<u>19,634,188</u>	<u>107,723,789</u>
Noncurrent assets				
Other assets	1,914,954	-	-	1,914,954
Capital assets:				
Land	5,275,478	-	-	5,275,478
Construction in process	16,218,706	-	-	16,218,706
Electric utility systems	168,197,982	-	-	168,197,982
Buildings	24,215,480	-	-	24,215,480
Equipment and machinery	7,149,984	-	-	7,149,984
Computer programs	1,215,487	-	-	1,215,487
Vehicles	3,407,403	-	-	3,407,403
Office equipment	106,683	-	-	106,683
Capital assets, net	<u>225,787,163</u>	<u>-</u>	<u>-</u>	<u>225,787,163</u>
Total noncurrent assets	<u>227,702,117</u>	<u>-</u>	<u>-</u>	<u>227,702,117</u>
Total assets	<u>\$ 315,791,718</u>	<u>\$ -</u>	<u>\$ 19,634,188</u>	<u>\$ 335,425,906</u>
Liabilities and net assets				
Current liabilities to be paid from unrestricted current assets				
Current portion of long-term liabilities	\$ 2,563,626	\$ -	\$ -	\$ 2,563,626
Accounts payable and accrued expenses	13,726,287	-	-	13,726,287
Total current liabilities to be paid from unrestricted current assets	<u>16,289,913</u>	<u>-</u>	<u>-</u>	<u>16,289,913</u>
Current liabilities to be paid from restricted current assets				
Accounts payable and accrued expenses	5,633,677	-	-	5,633,677
Total current liabilities to be paid from restricted current assets	<u>5,633,677</u>	<u>-</u>	<u>-</u>	<u>5,633,677</u>
Total current liabilities	<u>21,923,590</u>	<u>-</u>	<u>-</u>	<u>21,923,590</u>
Noncurrent liabilities				
Long-term liabilities	22,243,604	-	-	22,243,604
Other liabilities	842,072	-	-	842,072
Unearned deposits	16,199	-	-	16,199
Total noncurrent liabilities	<u>23,101,875</u>	<u>-</u>	<u>-</u>	<u>23,101,875</u>
Total liabilities	<u>45,025,465</u>	<u>-</u>	<u>-</u>	<u>45,025,465</u>
Net assets				
Invested in capital assets, net of related debt	202,507,367	-	-	202,507,367
Restricted for -				
Capital Projects	10,635	-	-	10,635
Debt service	2,743	-	-	2,743
Unrestricted net assets	68,245,508	-	19,634,188	87,879,696
Total net assets	<u>270,766,253</u>	<u>-</u>	<u>19,634,188</u>	<u>290,400,441</u>
Total liabilities and net assets	<u>\$ 315,791,718</u>	<u>\$ -</u>	<u>\$ 19,634,188</u>	<u>\$ 335,425,906</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
 Electric Fund
 Year ended June 30, 2009

	Electric Fund	Uptown Revitalization Fund	Rate Stabilization Fund	Total
Operating revenues				
Charges for services	\$ 169,451,426	\$ -	\$ -	\$ 169,451,426
Total operating revenues	<u>169,451,426</u>	<u>-</u>	<u>-</u>	<u>169,451,426</u>
Operating expenses				
Power supply and generation	104,981,262	-	-	104,981,262
Electric operation	11,129,955	-	-	11,129,955
General and administrative	11,807,436	-	-	11,807,436
Depreciation	14,340,796	-	-	14,340,796
Total operating expenses	<u>142,259,449</u>	<u>-</u>	<u>-</u>	<u>142,259,449</u>
Operating Income (loss)	<u>27,191,977</u>	<u>-</u>	<u>-</u>	<u>27,191,977</u>
Nonoperating revenue (expense)				
Interest earned on investments	2,077,918	-	300,674	2,378,592
Gain (loss) on disposal of assets	(337,229)	-	-	(337,229)
Interest expense	(1,391,834)	-	-	(1,391,834)
Amortization	(844,010)	-	-	(644,010)
Finance costs	(82,192)	-	-	(82,192)
Total nonoperating revenue (expense)	<u>(377,347)</u>	<u>-</u>	<u>300,674</u>	<u>(76,673)</u>
Income (loss) before transfers and contributions	<u>28,814,630</u>	<u>-</u>	<u>300,674</u>	<u>27,115,304</u>
Transfers in	15,456	-	3,000,000	3,015,456
Transfers out	(3,000,000)	(15,456)	-	(3,015,456)
Transfers in - City of Fayetteville	31,065	-	-	31,065
Transfers out - City of Fayetteville	(7,991,049)	-	-	(7,991,049)
Contributions	1,044,143	-	-	1,044,143
Change in net assets	<u>16,914,245</u>	<u>(15,456)</u>	<u>3,300,874</u>	<u>20,199,463</u>
Total net assets - beginning	<u>253,852,008</u>	<u>15,456</u>	<u>16,333,514</u>	<u>270,200,978</u>
Total net assets - ending	<u>\$ 270,766,253</u>	<u>\$ -</u>	<u>\$ 19,634,188</u>	<u>\$ 290,400,441</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009

(with comparative actual amounts for the year ended June 30, 2008)

	2009		Actual	2008 Actual
	Budget	Variance Positive (Negative)		
Revenues				
Operating revenues				
Electric operations				
Sale of electricity	\$ 164,783,730	\$ (2,908,800)	\$ 161,874,930	\$ 157,516,722
City Services	2,811,570	(1,747,889)	1,063,681	3,133,542
Non-utility charges	1,508,000	(34,388)	1,473,612	1,606,202
Service charges	1,550,000	418,962	1,968,962	1,984,840
Miscellaneous	2,812,400	257,841	3,070,241	2,658,349
Total operating revenues	<u>173,465,700</u>	<u>(4,014,274)</u>	<u>189,451,426</u>	<u>186,899,655</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(337,229)	(337,229)	(117,680)
Interest earned on investments	1,850,000	227,918	2,077,918	2,547,068
Total non-operating revenues	<u>1,850,000</u>	<u>(109,311)</u>	<u>1,740,689</u>	<u>2,429,388</u>
Contributions				
Contributions	4,900,000	(3,857,152)	1,042,848	405,586
Total contributions	<u>4,900,000</u>	<u>(3,857,152)</u>	<u>1,042,848</u>	<u>405,586</u>
Transfers in				
Transfer from City of Fayetteville	31,100	(35)	31,085	-
Transfer from 2003A Water/Wastewater Fund	-	-	-	14,292
Transfer from Uptown Revitalization Fund	15,500	(44)	15,456	-
Total transfers in	<u>46,600</u>	<u>(79)</u>	<u>46,521</u>	<u>14,292</u>
Budgetary appropriations				
Department of Transportation financing	-	-	-	125,928
Appropriated net assets	465,020	(465,020)	-	-
Total budgetary appropriations	<u>465,020</u>	<u>(465,020)</u>	<u>-</u>	<u>125,928</u>
Total revenues	<u>\$ 180,727,320</u>	<u>\$ (8,445,636)</u>	<u>\$ 172,281,484</u>	<u>\$ 169,874,849</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 106,939,130	\$ 1,957,868	\$ 104,981,262	\$ 99,426,511
Administration	371,410	120,706	250,704	443,724
Apparatus repair shop	366,620	46,686	319,934	320,983
Electric meter shop	784,900	91	784,809	716,763
Construction and maintenance	6,854,360	346,507	6,507,853	6,066,635
Substation construction	1,054,210	4,565	1,049,645	1,019,640
Engineering	2,270,740	53,730	2,217,010	2,162,440
Total electric operations	<u>118,641,370</u>	<u>2,530,153</u>	<u>116,111,217</u>	<u>110,156,696</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009

(with comparative actual amounts for the year ended June 30, 2008)

	2009			2008 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,108,205	\$ 353,881	\$ 754,324	\$ 651,378
Internal audit	119,140	12,453	106,687	110,324
Public information	562,000	48,108	513,892	528,951
Financial administration	188,350	25,989	162,361	145,078
Administrative - administration	168,070	47,427	120,643	100,154
Human resources	492,370	89,508	422,862	428,193
Accounting	464,675	14,415	450,260	425,241
Accounts receivable	712,095	4,188	707,929	677,682
Payroll	63,635	4,432	59,203	59,303
Customer service administration	1,992,255	34,730	1,957,525	1,686,871
Utility field services	1,247,420	17,111	1,230,309	1,197,679
Business planning	276,035	3,969	272,066	258,788
Business development	402,890	48,670	354,220	333,454
Risk management	526,455	45,521	480,934	493,510
Capital projects	213,100	3,824	209,276	191,480
Rates	150,110	5,252	144,858	94,861
Budget	111,215	4,032	107,183	100,876
Purchasing	231,520	29,154	202,366	244,086
Warehouse	435,215	136	435,079	375,861
Business planning, development & logistics	184,850	2,176	182,674	185,348
Fleet maintenance	1,227,700	478,166	749,534	957,378
Facilities maintenance	374,465	53,113	321,352	193,829
Telecommunications systems	553,650	2,296	551,354	449,377
Information systems	1,084,430	153	1,084,277	1,041,519
Pension expense	9,300	(2,893)	12,193	17,420
Medical insurance	3,024,500	(65,946)	3,090,448	2,319,476
Other	2,330,500	471,492	1,859,008	1,428,853
Allocated rent and fiber clearing	(2,098,300)	(8,081)	(2,088,219)	(2,091,656)
Overhead cleaning	(2,933,500)	64,851	(3,018,351)	(2,621,498)
Total general and administrative	13,224,350	1,788,103	11,436,247	9,783,616
Total operating expenditures	131,665,720	4,318,256	127,547,464	119,940,512
Non-operating expenditures				
Interest expense	1,465,000	73,166	1,391,834	1,821,290
Finance costs	90,000	7,808	62,192	112,843
Total non-operating expenditures	1,555,000	80,974	1,474,026	1,934,133

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009			2008 Actual
	Budget	Variance Positive (Negative)	Actual	
Transfers out				
Transfers to City of Fayetteville	\$ 7,990,900	\$ (149)	\$ 7,991,049	\$ 10,005,305
Transfers to Electric Rate Stabilization Fund	3,000,000	-	3,000,000	3,000,000
Total transfers out	<u>10,990,900</u>	<u>(149)</u>	<u>10,991,049</u>	<u>13,005,305</u>
Budgetary appropriations				
Inventory increase (decrease)	528,000	776,067	(248,067)	(95,286)
Vehicle and equipment	-	(268,466)	268,466	365,634
Debt principal payments	7,886,700	65	7,886,835	51,113,085
NCDOT Project payments	-	(66,373)	66,373	86,373
Capital outlay	27,901,000	7,357,561	20,543,419	18,880,717
Prepaid power credit adjustment	-	-	-	(38,339,385)
Total budgetary appropriations	<u>36,315,700</u>	<u>7,796,874</u>	<u>28,518,828</u>	<u>31,793,138</u>
Total expenditures	<u>\$ 180,727,320</u>	<u>\$ 12,195,955</u>	<u>\$ 166,531,365</u>	<u>\$ 166,673,088</u>
Reconciliation of change in net assets				
Total revenues		\$ (6,445,836)	\$ 172,261,484	\$ 169,674,849
Total expenditures		12,195,955	166,531,365	166,673,088
Subtotal		<u>\$ 3,750,119</u>	3,750,119	3,201,761
Reconciling items:				
Budgetary appropriations			28,518,826	31,667,210
Developer			1,295	-
Depreciation			(14,340,796)	(13,993,321)
Amortization			(644,010)	(1,139,671)
OPEB expense			(371,189)	(470,883)
Total reconciling items			<u>13,184,126</u>	<u>18,063,135</u>
Change in net assets			<u>\$ 16,914,245</u>	<u>\$ 19,264,896</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Uptown Revitalization Fund
From Inception and for the Year Ended June 30, 2009**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Museum land acquisition	-	2,346,547	-	2,346,547
Botanical gardens	-	55,705	-	55,705
Consulting fees	-	132,304	-	132,304
Museum construction	-	7,153,453	-	7,153,453
Transportation system	-	293,206	-	293,206
Land donation	-	175,000	-	175,000
Riverfront development	-	79,776	-	79,776
Hydrology study	-	6,705	-	6,705
Electric system improvements	-	3,329,201	-	3,329,201
Water and Wastewater improvements	-	912,647	-	912,647
Total expenditures	<u>14,484,544</u>	<u>14,484,544</u>	<u>-</u>	<u>14,484,544</u>
Revenues under expenditures	<u>(14,484,544)</u>	<u>(14,484,544)</u>	<u>-</u>	<u>(14,484,544)</u>
Other financing sources				
Transfer from Electric Fund	14,500,000	14,500,000	-	14,500,000
Transfer to Electric Fund	(15,456)	-	(15,456)	(15,456)
Total other financing sources	<u>14,484,544</u>	<u>14,500,000</u>	<u>(15,456)</u>	<u>14,484,544</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 15,456</u>	<u>(15,456)</u>	<u>\$ -</u>
Reconciling Items:				
Change in net assets			<u>\$ (15,456)</u>	

Capital Project Fund closed at June 30, 2009.

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, 2009

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 2,575,000	\$ 2,163,789	\$ 300,674	\$ 2,464,463
Rate stabilization transfer	4,169,725	4,169,725	-	4,169,725
Total revenues	<u>6,744,725</u>	<u>6,333,514</u>	<u>300,674</u>	<u>6,634,188</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	<u>6,744,725</u>	<u>6,333,514</u>	<u>300,674</u>	<u>6,634,188</u>
Other financing sources				
Transfer from Electric Fund	16,000,000	15,000,000	3,000,000	18,000,000
Transfer to Electric Fund	(5,000,000)	(5,000,000)	-	(5,000,000)
Appropriated net assets	(19,744,725)	-	-	-
Total other financing sources	<u>(6,744,725)</u>	<u>10,000,000</u>	<u>3,000,000</u>	<u>13,000,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 16,333,514</u>	<u>3,300,674</u>	<u>\$ 19,634,188</u>
Change in net assets			<u>\$ 3,300,674</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA
 Combining Balance Sheet
 Water and Wastewater Fund
 June 30, 2009

	Water and Wastewater Fund	Annexation Reserve Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Project 1 Capital Project Fund	Ft. Bragg Interim Water Service Project Fund	2008 Revenue Bond Capital Project Fund	Rim Road Water Main Capital Project Fund	Total
Assets								
Current unrestricted assets								
Cash and cash equivalents	\$ 1,797,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,797,122
Investments	8,774,594	-	-	-	-	-	-	8,774,594
Receivables	15,007,076	-	-	-	-	-	-	15,007,076
Internal balances	123,171	-	-	(24,114)	-	-	-	99,057
Less Allowance for doubtful accounts	(47,676)	-	-	-	-	-	-	(47,676)
Inventories	1,365,045	-	-	-	-	-	-	1,365,045
Other current assets	182,720	-	-	-	-	-	-	182,720
Total current unrestricted assets	27,222,062	-	-	(24,114)	-	-	-	27,197,938
Current restricted assets								
Cash and cash equivalents	24,696,004	-	2,696,541	5,810,330	-	-	-	33,195,875
Investments	6,180,716	-	-	-	-	-	-	8,180,716
Receivables	130,423	-	-	33,128	248,861	-	-	412,412
Other restricted current assets	93,554	-	-	-	-	-	-	93,554
Total current restricted assets	33,102,697	-	2,696,541	5,834,458	248,861	-	-	41,882,557
Total current assets	60,324,749	-	2,696,541	5,810,344	248,861	-	-	69,060,495
Noncurrent assets								
Other assets	5,104,327	-	-	-	-	-	-	5,104,327
Capital Assets:								
Land	8,539,715	-	-	-	-	-	-	8,539,715
Construction in process	9,901,285	-	-	3,001,946	-	-	-	12,903,231
Water system	153,796,784	-	-	-	-	-	-	153,796,784
Sewer system	256,118,326	-	-	-	-	-	-	256,118,326
Buildings	2,036,408	-	-	-	-	-	-	2,036,408
Equipment and machinery	2,261,013	-	-	-	-	-	-	2,261,013
Computer programs	1,114,816	-	-	-	-	-	-	1,114,816
Vehicles	2,655,779	-	-	-	-	-	-	2,655,779
Office equipment	60,189	-	-	-	-	-	-	60,189
Capital assets, net	436,464,315	-	-	3,001,946	-	-	-	439,466,261
Total noncurrent assets	441,568,642	-	-	3,001,946	-	-	-	444,590,568
Total assets	\$ 501,913,391	\$ -	\$ 2,696,541	\$ 8,812,290	\$ 248,861	\$ -	\$ -	\$ 513,671,063

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
Water and Wastewater Fund
June 30, 2009

	Water and Wastewater Fund	Annexation Reserve Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Project 1 Capital Project Fund	Ft. Bragg Interim Water Service Project Fund	2008 Revenue Bond Capital Project Fund	Rim Road Water Main Capital Project Fund	Total
Liabilities and net assets								
Current portion of long-term liabilities	\$ 11,714,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,714,743
Accounts payable and accrued expenses	11,990,713	-	-	-	-	-	-	11,990,713
Total current liabilities to be paid from unrestricted current assets	23,705,456	-	-	-	-	-	-	23,705,456
Current liabilities to be paid from restricted current assets								
Accounts payable and accrued expenses	1,966,579	-	-	1,192,668	248,861	-	-	3,408,128
Total current liabilities to be paid from restricted current assets	1,966,579	-	-	1,192,668	248,861	-	-	3,408,128
Total current liabilities	25,672,035	-	-	1,192,668	248,861	-	-	27,113,584
Noncurrent liabilities								
Long-term liabilities	140,596,420	-	-	-	-	-	-	140,596,420
Other liabilities	2,668,633	-	-	-	-	-	-	2,668,633
Unearned deposits	3,162,570	-	-	-	-	-	-	3,162,570
Total noncurrent liabilities	146,427,623	-	-	-	-	-	-	149,427,623
Total liabilities	172,099,658	-	-	1,192,668	248,861	-	-	173,541,207
Net assets								
Invested in capital assets, net of related debt	264,946,337	-	-	3,001,946	-	-	-	287,948,283
Restricted for -								
Capital Projects	271,779	-	-	-	-	-	-	271,779
Unrestricted net assets	44,595,617	-	2,696,541	4,617,656	-	-	-	51,909,814
Total net assets	329,613,733	-	2,696,541	7,619,602	-	-	-	340,129,876
Total liabilities and net assets	\$ 501,913,391	\$ -	\$ 2,696,541	\$ 8,812,290	\$ 248,861	\$ -	\$ -	\$ 513,671,083

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Water and Wastewater Fund
Year ended June 30, 2009

	Water and Wastewater Fund	Annexation Reserve Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Capital Project Fund	Ft. Bragg Interim Water Service Project Fund	2008 Revenue Bond Capital Project Fund	Rim Road Water Main Capital Project Fund	Total
Operating revenues								
Charges for services	\$ 57,525,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,525,599
Miscellaneous operating income-water	-	-	-	-	7,420,147	-	-	7,420,147
Total operating revenues	<u>57,525,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,420,147</u>	<u>-</u>	<u>-</u>	<u>64,945,746</u>
Operating expenses								
Water operations	11,372,129	-	-	-	-	-	-	11,372,129
Miscellaneous operating expense-water	-	-	-	-	7,421,764	-	-	7,421,764
Wastewater operations	11,027,309	-	-	-	-	-	-	11,027,309
General and administrative	12,297,341	-	-	-	-	-	-	12,297,341
Depreciation	14,619,909	-	-	-	-	-	-	14,619,909
Total operating expenses	<u>49,316,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,421,764</u>	<u>-</u>	<u>-</u>	<u>56,738,452</u>
Operating income (loss)	<u>8,208,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,617)</u>	<u>-</u>	<u>-</u>	<u>8,207,294</u>
Nonoperating revenue (expense)								
Interest earned on investments	2,108,689	10,610	40,321	113,488	1,617	-	-	2,274,735
Gain (loss) on disposal of assets	172,642	-	-	-	-	-	-	172,642
Interest expense	(7,334,834)	-	-	-	-	-	-	(7,334,834)
Amortization	(892,260)	-	-	-	-	-	-	(892,260)
Finance costs	(370,333)	-	-	-	-	-	-	(370,333)
Total nonoperating revenue (expense)	<u>(8,316,086)</u>	<u>10,610</u>	<u>40,321</u>	<u>113,488</u>	<u>1,617</u>	<u>-</u>	<u>-</u>	<u>(6,150,050)</u>
Income (loss) before transfers and contributions	<u>1,892,825</u>	<u>10,610</u>	<u>40,321</u>	<u>113,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,057,244</u>
Transfers in	3,826,919	-	500,000	2,149,500	-	-	-	6,476,419
Transfers out	(2,648,500)	(665,254)	-	(35,217)	-	(3,063,281)	(63,187)	(6,476,419)
Transfers in - City of Fayetteville	400,000	-	-	2,149,500	-	-	-	2,549,500
Transfers out - City of Fayetteville	-	-	-	-	-	-	(63,186)	(63,186)
Capital Contributions	11,598,860	-	-	-	-	-	-	11,598,860
Change in net assets	<u>15,069,104</u>	<u>(654,644)</u>	<u>540,321</u>	<u>4,377,271</u>	<u>-</u>	<u>(3,063,281)</u>	<u>(126,373)</u>	<u>16,142,418</u>
Total net assets - beginnings	<u>314,744,629</u>	<u>654,644</u>	<u>2,156,220</u>	<u>3,242,331</u>	<u>-</u>	<u>3,063,261</u>	<u>126,373</u>	<u>323,987,458</u>
Total net assets - ending	<u>\$ 329,813,733</u>	<u>\$ -</u>	<u>\$ 2,696,541</u>	<u>\$ 7,619,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,129,876</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009			2008 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 26,580,400	\$ (1,647,264)	\$ 24,933,136	\$ 24,790,261
Connection fees	420,000	(145,151)	274,849	407,331
City Services	112,000	38,491	150,491	164,163
Total water operations	<u>27,112,400</u>	<u>(1,753,924)</u>	<u>25,358,476</u>	<u>25,361,755</u>
Wastewater operations				
Sewer charges	29,423,100	674,429	30,097,529	28,104,658
Connection fees	335,000	(193,122)	141,878	214,587
City services	57,000	8,425	65,425	43,692
Total wastewater operations	<u>29,815,100</u>	<u>469,732</u>	<u>30,304,832</u>	<u>28,362,937</u>
Other operating revenues				
Non-utility charges	900,300	321,536	1,221,836	1,016,233
Service charges	354,000	2,442	356,442	371,377
Miscellaneous	232,100	51,912	284,012	204,730
Total other operating revenues	<u>1,486,400</u>	<u>375,890</u>	<u>1,862,290</u>	<u>1,592,340</u>
Total operating revenues	<u>58,413,900</u>	<u>(886,302)</u>	<u>57,525,598</u>	<u>55,317,032</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	172,642	172,642	22,802
Interest earned on investments	1,091,500	1,017,199	2,108,699	1,806,172
Total non-operating revenues	<u>1,091,500</u>	<u>1,189,841</u>	<u>2,281,341</u>	<u>1,830,974</u>
Contributions				
Contributions	9,499,900	(4,874,452)	4,625,448	3,523,614
Total contributions	<u>9,499,900</u>	<u>(4,874,452)</u>	<u>4,625,448</u>	<u>3,523,614</u>
Transfers in				
Transfer from City of Fayetteville	400,000	-	400,000	539,835
Transfer from 2003A Water/Wastewater	-	-	-	49,644
Transfer from Phase IVB	-	-	-	104,001
Transfer from Annexation Capital Reserve Fund	665,300	(46)	665,254	-
Transfer from Phase IVB	63,200	(13)	63,187	-
Total transfers in	<u>1,128,500</u>	<u>(59)</u>	<u>1,126,441</u>	<u>693,480</u>
Budgetary appropriations				
Department of Transportation financing	-	38,361	38,361	1,053,633
Cumberland county note proceeds	39,600	-	39,600	39,600
Series 2008 bond proceeds	-	-	-	17,225,332
Appropriations of net assets	11,292,870	(11,292,870)	-	-
Total budgetary appropriations	<u>11,332,470</u>	<u>(11,254,509)</u>	<u>77,961</u>	<u>18,318,565</u>
Total revenues	<u>\$ 81,466,270</u>	<u>\$ (15,827,481)</u>	<u>\$ 65,636,789</u>	<u>\$ 79,683,665</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,154,495	\$ 2,541	\$ 1,151,954	\$ 1,042,002
Water meter shop	216,680	89,854	126,826	80,948
Construction and maintenance	3,655,980	26,875	3,629,105	3,574,874
Contract system maintenance	115,500	22,264	93,236	111,721
P. O. Hoffer water treatment plant	3,980,384	3,111	3,977,273	2,806,374
Glennville Lake water treatment plant	1,920,554	172,856	1,747,698	1,523,402
Water Resources environmental system protection	155,960	3,250	152,710	139,245
Laboratory	240,950	4,870	236,080	226,720
Environmental	98,780	1,508	97,272	92,489
Watersheds	195,950	35,975	159,975	133,350
Total water operations	<u>11,735,233</u>	<u>363,104</u>	<u>11,372,129</u>	<u>9,731,125</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	Budget	2009 Variance Positive (Negative)	Actual	2008 Actual
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,154,495	\$ 2,541	\$ 1,151,954	\$ 1,042,002
Sewer construction and maintenance	4,748,864	118,015	4,630,849	3,617,295
Contract system maintenance	77,000	14,843	62,157	74,481
Cross Creek WW treatment plant	2,551,844	171,985	2,379,859	2,093,818
Rockfish Creek WW treatment plant	2,076,784	6,014	2,070,770	2,015,808
Residuals management	245,810	151	245,659	233,363
Water resource environmental system protection	155,960	3,251	152,709	139,245
Laboratory	240,950	4,870	236,080	226,720
Environmental	98,780	1,508	97,272	92,489
Total wastewater operations	11,350,487	323,178	11,027,309	9,535,221
General and administrative				
Executive	358,805	60,727	298,078	259,322
Internal audit	117,140	13,412	103,728	109,132
Public information	561,100	38,654	522,446	588,981
Financial administration	189,750	133	189,617	140,801
Administrative administration	141,570	42,351	99,219	91,193
Human resources	471,870	52,708	419,162	425,026
Accounting	495,675	8,991	486,684	411,320
Accounts receivable	711,495	4,348	707,147	678,066
Payroll	63,635	6,629	57,006	59,214
Customer service administration	1,567,455	28,000	1,539,455	1,346,825
Utility field service	1,167,420	161,955	1,005,465	993,756
Business development	301,890	5,295	296,595	282,907
Business planning	276,035	1,896	274,139	266,891
Risk management	876,755	128,643	748,112	514,764
Capital projects	206,700	4,143	202,557	186,379
Rates	148,010	16,740	131,270	94,560
Budget	110,915	4,078	106,837	100,375
Purchasing	211,420	6,186	205,234	243,919
Warehouse	348,515	112,147	236,368	243,729
Business planning, development & logistics	183,250	2,131	181,119	181,093
Fleet maintenance	1,444,000	40	1,443,960	1,385,311
Facilities maintenance	374,465	53,123	321,342	191,643

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009

(with comparative actual amounts for the year ended June 30, 2008)

	2009			2008 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
Operating expenditures (continued)				
General and administrative (continued)				
Telecommunications systems	\$ 553,650	\$ 3,023	\$ 550,627	\$ 446,966
Information systems	1,100,030	179	1,099,851	1,035,479
Pension expenses	9,200	(2,993)	12,193	14,735
Medical insurance	3,135,700	(46,579)	3,182,279	2,420,574
Other	1,484,200	514,989	969,211	943,195
Overhead clearing	(2,961,600)	571,928	(3,533,528)	(3,178,546)
Total general and administrative	13,649,050	1,792,877	11,856,173	10,477,610
Total operating expenditures	36,734,770	2,479,159	34,255,611	29,743,956
Non-operating expenditures				
Interest expense	7,895,500	580,666	7,334,834	5,430,068
Finance costs	370,000	(333)	370,333	368,053
Total non-operating expenditures	8,265,500	580,333	7,705,167	5,798,121
Transfers out				
Transfer to WWW Rate Stabilization Fund	500,000	-	500,000	500,000
Transfer to Annexation Phase V Project 1 Fund	2,149,500	-	2,149,500	6,466,141
Transfer to 2008 WWW Bond Fund	-	-	-	10,610,511
Transfer to Rim Road Water Main Fund	-	-	-	188,528
Total transfers out	2,649,500	-	2,649,500	17,765,180
Budgetary appropriations				
Inventory increase	-	118,239	(118,239)	428,725
Vehicle and equipment	-	(1,108,992)	1,108,992	887,672
Other debt related payments	-	-	-	2,067,459
Debt principal payments	6,433,200	70	6,433,130	4,786,680
Note payments	1,267,900	51	1,267,849	1,244,241
NC DOT project payments	3,121,400	539,373	2,582,027	1,826,884
Capital outlay	22,344,000	6,159,818	16,184,182	9,774,924
Appropriation of net assets	650,000	-	650,000	-
Total budgetary appropriations	33,816,500	5,708,559	28,107,941	21,016,585
Total expenditures	\$ 81,466,270	\$ 8,748,051	\$ 72,718,219	\$ 74,323,842

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year ended June 30, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009		2008 Actual
	Budget	Variance Positive (Negative)	
Reconciliation of change in net assets			
Total revenue		\$ (15,827,481)	\$ 65,638,789
Total expenditures		8,748,051	72,718,219
Subtotal		<u>\$ (7,079,430)</u>	(7,079,430)
Reconciling items:			
Budgetary appropriations			28,029,980
Depreciation			(14,619,909)
Amortization			(892,260)
OPEB expense			(441,168)
Developer and FIF credits			6,431,308
Assessments			542,105
Transfer of assets (to) / from Annexation Capital Project Fund Phase V-1			35,217
Transfer of assets (to) / from Rim Road Water Main Capital Project Fund			-
Transfer of assets (to) / from State Revolving Loan Capital Project Fund			-
Transfer (to) / from 2003A Water and Wastewater Bond Capital Project Fund			-
Transfer (to) / from Series 2008 Revenue Bond Capital Project Fund			3,063,261
Total reconciling items			<u>22,148,534</u>
Change in net assets			<u>\$ 15,069,104</u>
			<u>\$ 1,612,822</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation Reserve Fund
From Inception and for the Year Ended June 30, 2009

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 165,254	\$ 154,644	\$ 10,610	\$ 165,254
Total revenues	<u>165,254</u>	<u>154,644</u>	<u>10,610</u>	<u>165,254</u>
Revenues under expenditures	<u>165,254</u>	<u>154,644</u>	<u>10,610</u>	<u>165,254</u>
Other financing sources				
Transfer from Water and Wastewater Fund	4,000,000	4,000,000	-	4,000,000
Transfer to Annexation Phase IV				
Capital Project Fund	(3,500,000)	(3,500,000)	-	(3,500,000)
Appropriated net assets	<u>(665,254)</u>	<u>-</u>	<u>(665,254)</u>	<u>(665,254)</u>
Total other financing sources	<u>(165,254)</u>	<u>500,000</u>	<u>(665,254)</u>	<u>(165,254)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 654,644</u>	<u>(654,644)</u>	<u>\$ -</u>
Reconciling Items:				
Change in net assets			<u>\$ (654,644)</u>	

Capital Project Fund closed June 30, 2009.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 205,000	\$ 156,220	\$ 40,321	\$ 196,541
Total revenues	<u>205,000</u>	<u>156,220</u>	<u>40,321</u>	<u>196,541</u>
Other financing sources				
Transfer from Water and Wastewater Fund	2,500,000	2,000,000	500,000	2,500,000
Appropriated net assets	(2,705,000)	-	-	-
Total other financing sources	<u>(205,000)</u>	<u>2,000,000</u>	<u>500,000</u>	<u>2,500,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,156,220</u>	540,321	<u>\$ 2,696,541</u>
Change in net assets			<u>\$ 540,321</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Annexation Capital Project Fund - Phase V-Project 1
From Inception and for the Year Ended June 30, 2009

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on invested bond proceeds	\$ 93,470	\$ 4,385	\$ -	\$ 4,385
Interest earned on other investments	-	112,367	113,488	225,855
Total revenues	<u>93,470</u>	<u>116,752</u>	<u>113,488</u>	<u>230,240</u>
Expenditures				
Construction	-	5,557,129	2,265,529	7,822,658
Engineering	-	985,499	87,381	1,072,880
Rights of way	-	279,606	5,880	285,486
Other	-	361,115	263,588	624,703
Total expenditures	<u>14,285,816</u>	<u>7,183,349</u>	<u>2,622,378</u>	<u>9,805,727</u>
Revenues under expenditures	<u>(14,192,346)</u>	<u>(7,066,597)</u>	<u>(2,508,890)</u>	<u>(9,575,487)</u>
Other financing sources				
Bond proceeds	4,547,362	4,547,362	-	4,547,362
Transfer from the City	4,822,492	2,673,390	2,149,500	4,822,890
Transfer from Water and Wastewater Fund	4,822,492	2,673,390	2,149,500	4,822,890
Total other financing sources	<u>14,192,346</u>	<u>9,894,142</u>	<u>4,299,000</u>	<u>14,193,142</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,827,545</u>	1,790,110	<u>\$ 4,617,655</u>
Reconciling items:				
Capital outlay			2,622,378	
Transfer of assets (to)/from the Water and Wastewater Fund			(35,217)	
Change in net assets			<u>\$ 4,377,271</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Fort Bragg Interim Water Service Project Fund
From Inception and for the Year Ended June 30, 2009**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Miscellaneous Operating Revenues	\$ 21,840,234	\$ 3,175,352	\$ 7,421,764	\$ 10,597,116
Total Revenues	<u>21,840,234</u>	<u>3,175,352</u>	<u>7,421,764</u>	<u>10,597,116</u>
Expenditures				
Design, budget and schedule	2,397,125	1,171,513	1,226,977	2,398,490
Initial capital payment	14,864,714	-	4,954,905	4,954,905
Transition costs	274,112	274,112	-	274,112
Interim plant operations	3,346,188	1,642,908	1,168,817	2,811,725
Interim operations major	481,400	86,819	25,565	112,384
Fluoride Spill Remediation	476,695	-	45,500	45,500
Total expenditures	<u>21,840,234</u>	<u>3,175,352</u>	<u>7,421,764</u>	<u>10,597,116</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Change in net assets			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of 2008 Revenue Bond Capital Project Fund
From Inception and for the Year Ended June 30, 2009

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ 85,000	\$ 67,423	\$ 17,322	\$ 84,745
Total revenues	<u>85,000</u>	<u>67,423</u>	<u>17,322</u>	<u>84,745</u>
Expenditures				
Construction	-	8,963,765	1,200,157	10,163,922
Engineering	-	91,278	33,255	124,533
Other	-	372,993	33,808	406,801
Total expenditures	<u>10,695,511</u>	<u>9,428,036</u>	<u>1,267,220</u>	<u>10,695,256</u>
Revenues under expenditures	<u>(10,610,511)</u>	<u>(9,360,613)</u>	<u>(1,249,898)</u>	<u>(10,610,511)</u>
Other financing sources				
Bond proceeds	10,610,511	10,610,511	-	10,610,511
Total other financing sources	<u>10,610,511</u>	<u>10,610,511</u>	<u>-</u>	<u>10,610,511</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,249,898</u>	<u>(1,249,898)</u>	<u>\$ -</u>
Reconciling Items:				
Capital outlay			1,249,898	
Transfer of assets (to) / from the Water and Wastewater Fund			<u>(3,063,261)</u>	
Change in net assets			<u>\$ (3,063,261)</u>	

Capital Project Fund closed June 30, 2009.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of Rim Road Water Main Capital Project Fund
From Inception and for the Year Ended June 30, 2009

	Project Authorization	Total Prior Years	Current Year	Total
Revenues				
Interest earned on investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	201,002	-	201,002
Engineering	-	45,933	-	45,933
Rights of way	-	21,140	-	21,140
Other	-	14,266	-	14,266
Total expenditures	<u>282,341</u>	<u>282,341</u>	<u>-</u>	<u>282,341</u>
Revenues under expenditures	<u>(282,341)</u>	<u>(282,341)</u>	<u>-</u>	<u>(282,341)</u>
Other financing sources				
NCDENR contribution	56,659	56,659	-	56,659
NC Rural Economic Development Center Grant	45,000	45,000	-	45,000
Transfer from the City	135,200	118,528	-	118,528
Transfer from Water and Wastewater Fund	205,200	188,527	-	188,527
Transfer to City	(79,859)	-	(63,186)	(63,186)
Transfer to Water and Wastewater Fund	(79,859)	-	(63,187)	(63,187)
Total other financing sources	<u>282,341</u>	<u>408,714</u>	<u>(126,373)</u>	<u>282,341</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 126,373</u>	<u>(126,373)</u>	<u>\$ -</u>
Change in net assets			<u>\$ (126,373)</u>	

Capital Project Fund closed June 30, 2009.



Nonmajor Enterprise Funds

City of
Fayetteville
North Carolina

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2009**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Recycling Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and investments	\$ 451,656	\$ 5,344,569	\$ 357,538	\$ 6,153,763
Accounts receivable	1,088,504	4,992,063	228,711	6,309,278
Inventories	122,562	2,926	22,960	148,448
Prepaid expenses	3,747	-	-	3,747
Restricted cash and investments	-	660,950	-	660,950
Total current assets	<u>1,666,469</u>	<u>11,000,508</u>	<u>609,209</u>	<u>13,276,186</u>
Noncurrent assets				
Capital assets	<u>4,189,955</u>	<u>29,617,121</u>	-	<u>33,807,076</u>
Total noncurrent assets	<u>4,189,955</u>	<u>29,617,121</u>	-	<u>33,807,076</u>
Total assets	<u>\$ 5,856,424</u>	<u>\$ 40,617,629</u>	<u>\$ 609,209</u>	<u>\$ 47,083,262</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 175,308	\$ 4,472,273	\$ 158,541	\$ 4,806,122
Interfund payables	-	249,542	-	249,542
Accrued vacation	92,199	72,196	-	164,395
Unearned deposits	-	675	-	675
Total current liabilities	<u>267,507</u>	<u>4,794,686</u>	<u>158,541</u>	<u>5,220,734</u>
Noncurrent liabilities				
Net OPEB Obligation	245,609	108,652	-	354,261
Deferred revenues	660	20,195	-	20,855
Total noncurrent liabilities	<u>246,269</u>	<u>128,847</u>	-	<u>375,116</u>
Total liabilities	<u>513,776</u>	<u>4,923,533</u>	<u>158,541</u>	<u>5,595,850</u>
Net assets				
Invested in capital assets, net of related debt	4,189,955	29,617,121	-	33,807,076
Restricted for:				
Capital projects	-	660,950	-	660,950
Unrestricted	1,152,693	5,416,025	450,668	7,019,386
Total net assets	<u>5,342,648</u>	<u>35,694,096</u>	<u>450,668</u>	<u>41,487,412</u>
Total liabilities and net assets	<u>\$ 5,856,424</u>	<u>\$ 40,617,629</u>	<u>\$ 609,209</u>	<u>\$ 47,083,262</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
Year Ended June 30, 2009**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Recycling Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues				
Charges for services	\$ 786,731	\$ 3,645,632	\$ 2,512,988	\$ 6,945,351
Other revenue from operations	15,236	129,370	8,050	152,656
Total operating revenues	<u>801,967</u>	<u>3,775,002</u>	<u>2,521,038</u>	<u>7,098,007</u>
Operating expenses				
Personnel	2,986,740	1,171,187	-	4,157,927
Maintenance and operations	2,411,938	1,371,004	1,919,318	5,702,260
Depreciation	576,482	1,492,816	-	2,069,298
Total operating expenses	<u>5,975,160</u>	<u>4,035,007</u>	<u>1,919,318</u>	<u>11,929,485</u>
Operating Income (loss)	<u>(5,173,193)</u>	<u>(260,005)</u>	<u>601,720</u>	<u>(4,831,478)</u>
Nonoperating revenue (expense)				
Interest earned (expensed) on investments	-	135,006	21,901	156,907
Federal and State grants	2,249,001	166,023	11,774	2,426,798
Miscellaneous revenue	-	85,794	3,761	89,555
Gain (loss) on disposal of capital assets	13,081	3,395	-	16,476
County revenue	-	-	251,296	251,296
Vehicle fee revenue	432,465	-	-	432,465
Interest expense	-	(16,073)	-	(16,073)
Amortization	-	(22,000)	-	(22,000)
Miscellaneous expense	-	(250,320)	-	(250,320)
Total nonoperating revenue (expense)	<u>2,694,547</u>	<u>101,825</u>	<u>288,732</u>	<u>3,085,104</u>
Income (loss) before transfers and contributions	<u>(2,478,646)</u>	<u>(158,180)</u>	<u>890,452</u>	<u>(1,746,374)</u>
Transfers in	2,594,702	-	-	2,594,702
Transfers out	-	-	(487,245)	(487,245)
Capital contributions	681,884	6,293,746	-	6,975,630
Change in net assets	<u>797,940</u>	<u>6,135,566</u>	<u>403,207</u>	<u>7,336,713</u>
Total net assets - beginning	<u>4,544,708</u>	<u>29,558,530</u>	<u>47,461</u>	<u>34,150,699</u>
Total net assets - ending	<u>\$ 5,342,648</u>	<u>\$ 35,694,096</u>	<u>\$ 450,668</u>	<u>\$ 41,487,412</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2009**

	Transit Fund	Airport Fund	Solid Waste Recycling Fund	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers	\$ 1,842,201	\$ (703,063)	\$ 2,292,327	\$ 3,431,465
Cash paid to or on behalf of employees for services	(2,910,884)	(1,138,619)	-	(4,049,503)
Cash paid for goods and services	(4,251,699)	2,592,849	(1,919,078)	(3,577,928)
Net cash provided by (used in) operating activities	(5,320,382)	751,167	373,249	(4,195,966)
Noncapital financing activities				
Transfers in	2,594,702	-	-	2,594,702
Federal and State grants	2,249,001	166,023	11,774	2,426,798
Miscellaneous	-	85,794	255,057	340,851
Transfers out	-	-	(487,245)	(487,245)
Vehicle revenue fees	432,465	-	-	432,465
Net cash provided (used) by noncapital financing activities	5,276,168	251,817	(220,414)	5,307,571
Capital and related financing activities				
Proceeds from sale of assets	13,081	3,395	-	16,476
Contributed capital received	681,884	6,293,746	-	6,975,630
Acquisition and construction of capital assets	(809,946)	(6,874,965)	-	(7,684,911)
Principal paid on debt maturities	-	(33,555)	-	(33,555)
Interest paid on debt maturities	-	(16,073)	-	(16,073)
Net cash provided (used) by capital and related financing activities	(114,981)	(627,452)	-	(742,433)
Investing activities				
Interest and dividends	-	135,006	21,901	156,907
Net cash provided (used) by investing activities	-	135,006	21,901	156,907
Net increase in cash and cash equivalents/investments	(159,195)	510,538	174,736	526,079
Cash and cash equivalents/investments				
Beginning of year	610,851	5,494,981	182,802	6,288,634
End of year	\$ 451,656	\$ 6,005,519	\$ 357,538	\$ 6,814,713
Cash and cash equivalents	\$ 451,656	\$ 6,005,519	\$ 357,538	\$ 6,814,713
Total cash and cash equivalents/investments	\$ 451,656	\$ 6,005,519	\$ 357,538	\$ 6,814,713
Unrestricted cash and equivalents/investments	\$ 451,656	\$ 5,344,569	\$ 357,538	\$ 6,153,763
Restricted cash and equivalents/investments	-	660,950	-	660,950
Total cash and cash equivalents/investments	\$ 451,656	\$ 6,005,519	\$ 357,538	\$ 6,814,713

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2009**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Recycling Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (5,173,193)	\$ (260,005)	\$ 601,720	\$ (4,831,478)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	576,482	1,492,816	-	2,069,298
Nonoperating payments for goods and services	-	(250,320)	-	(250,320)
Change in assets and liabilities				
(Increase) decrease in accounts receivable	987,068	(4,471,121)	(228,711)	(3,712,764)
(Increase) decrease in inventory	53,809	3,104	(22,960)	33,953
(Increase) decrease in prepaid items	(3,747)	-	-	(3,747)
Increase (decrease) in accounts payable and accrued liabilities	(1,836,014)	4,211,069	23,200	2,398,255
Increase (decrease) in accrued compensated absences	9,320	3,730	-	13,050
Increase (decrease) in deferred revenues	(643)	(7,619)	-	(8,262)
Increase (decrease) in Net OPEB Obligation	66,536	28,838	-	95,374
Total adjustments	<u>(147,189)</u>	<u>1,011,172</u>	<u>(228,471)</u>	<u>635,512</u>
Net cash provided by (used in) operating activities	<u>\$ (5,320,382)</u>	<u>\$ 751,167</u>	<u>\$ 373,249</u>	<u>\$ (4,195,966)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009
(With Comparative Actual Amounts for Year Ended June 30, 2008)

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Operating revenues				
Charges for services	\$ 736,257	\$ 50,474	\$ 786,731	\$ 744,684
Other revenues from operations	51,190	(35,954)	15,236	29,661
Total operating revenues	<u>787,447</u>	<u>14,520</u>	<u>801,967</u>	<u>774,345</u>
Operating expenditures				
Personnel	3,022,148	111,264	2,910,884	2,643,631
Maintenance and operations	2,255,605	228,377	2,027,228	2,076,021
Total operating expenditures	<u>5,277,753</u>	<u>339,641</u>	<u>4,938,112</u>	<u>4,719,652</u>
Operating loss	<u>(4,490,306)</u>	<u>354,161</u>	<u>(4,136,145)</u>	<u>(3,945,307)</u>
Nonoperating revenues (expenses)				
Federal grants	1,260,270	(56,734)	1,203,536	1,183,602
State grants	785,912	(102,661)	683,251	850,068
Vehicle fee revenue	362,000	70,465	432,465	-
Total nonoperating revenues (expenses)	<u>2,408,182</u>	<u>(88,930)</u>	<u>2,319,252</u>	<u>2,033,670</u>
Revenues under expenditures	<u>(2,082,124)</u>	<u>265,231</u>	<u>(1,816,893)</u>	<u>(1,911,637)</u>
Other financing sources (uses)				
Transfers in	2,082,124	(276,125)	1,805,999	2,060,337
Proceeds from sale of assets	-	10,894	10,894	1,196
Total other financing sources (uses)	<u>2,082,124</u>	<u>(265,231)</u>	<u>1,816,893</u>	<u>2,061,533</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,700</u>
Reconciliation of change in net assets:				
Total revenues			\$ 4,938,112	\$ 4,868,352
Total expenditures			4,938,112	4,719,652
Subtotal			<u>-</u>	<u>148,700</u>
Depreciation			(576,482)	(555,798)
Net OPEB expense			(66,536)	(179,073)
Change in inventory			(22,325)	19,105
Decrease (increase) in accrued vacation			(9,320)	22,034
Subtotal			<u>(674,663)</u>	<u>(693,732)</u>
Change in net assets			<u>\$ (674,663)</u>	<u>\$ (545,032)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 5,584,832	\$ 2,696,529	\$ -	\$ 630,878	\$ 3,327,407
State grants	907,626	239,682	-	51,006	290,688
Total revenues	<u>6,492,458</u>	<u>2,936,211</u>	<u>-</u>	<u>681,884</u>	<u>3,618,095</u>
Expenditures					
FTA Capital 0271	1,238,560	1,238,163	-	364	1,238,527
FTA Capital 0313	1,239,430	1,206,314	-	1,251	1,207,565
FTA Capital 0327	940,000	213,877	-	110,771	324,648
FTA Capital 0357	555,000	307,361	-	225,776	533,137
FTA Capital 0378	20,000	-	-	-	-
FTA Capital 0406	270,209	21,092	-	90,266	111,358
FTA Capital 0425	387,000	324,462	-	27,501	351,963
FTA Capital 0444	117,416	-	-	109,359	109,359
FTA Capital 04.002725	1,880,844	-	-	204,586	204,586
Multi-Modal Center (no grant)	500,000	-	-	-	-
FTA Capital 0457	203,422	-	-	-	-
NCDOT Capital 09-AT-004	419,012	-	-	-	-
Total expenditures	<u>7,770,893</u>	<u>3,311,269</u>	<u>-</u>	<u>769,874</u>	<u>4,081,143</u>
Revenues over (under) expenditures	<u>(1,278,435)</u>	<u>(375,058)</u>	<u>-</u>	<u>(87,990)</u>	<u>(463,048)</u>
Other financing sources (uses)					
Proceeds from sale of assets	-	29,566	-	2,187	31,753
Transfers in	1,278,435	505,854	-	758,703	1,264,557
Total other financing sources (uses)	<u>1,278,435</u>	<u>535,420</u>	<u>-</u>	<u>760,890</u>	<u>1,296,310</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 160,362</u>	<u>\$ -</u>	<u>\$ 672,900</u>	<u>\$ 833,282</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 872,900	
Capital outlay				769,874	
Non-capitalizable items				(9,471)	
Change in net assets				<u>\$ 1,433,303</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 619,240	\$ 103,043	\$ -	\$ 321,969	\$ 425,012
State grants	77,405	12,881	-	40,245	53,126
Total intergovernmental	<u>696,645</u>	<u>115,924</u>	<u>-</u>	<u>362,214</u>	<u>478,138</u>
Total revenues	<u>696,645</u>	<u>115,924</u>	<u>-</u>	<u>362,214</u>	<u>478,138</u>
Expenditures					
Current					
Transportation	774,050	128,805	-	402,458	531,263
Total expenditures	<u>774,050</u>	<u>128,805</u>	<u>-</u>	<u>402,458</u>	<u>531,263</u>
Revenues over (under) expenditures	<u>(77,405)</u>	<u>(12,881)</u>	<u>-</u>	<u>(40,244)</u>	<u>(53,125)</u>
Other financing sources (uses)					
Transfers in	77,405	47,405	-	30,000	77,405
Total other financing sources (uses)	<u>77,405</u>	<u>47,405</u>	<u>-</u>	<u>30,000</u>	<u>77,405</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 34,524</u>	<u>\$ -</u>	<u>\$ (10,244)</u>	<u>\$ 24,280</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (10,244)	
Capital outlay				49,544	
Change in net assets				<u>\$ 39,300</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Transit II Capital Project Fund

From Inception and for Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Transportation					
FTA 90.2406	\$ 292,300	\$ 118,779	\$ -	\$ 107,875	\$ 226,654
FTA 90.2425	181,750	10,026	-	96,441	106,467
FTA 90.2425	300,000	-	-	198,142	198,142
Total transportation	<u>774,050</u>	<u>128,805</u>	<u>-</u>	<u>402,458</u>	<u>531,263</u>
Total expenditures by project	<u>\$ 774,050</u>	<u>\$ 128,805</u>	<u>\$ -</u>	<u>\$ 402,458</u>	<u>\$ 531,263</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

(With Comparative Actual Amounts for Year Ended June 30, 2008)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Operating revenues				
Charges for services	\$ 3,523,023	\$ 122,609	\$ 3,645,632	\$ 3,079,094
Other revenues from operations	83,722	45,648	129,370	145,076
Total operating revenues	<u>3,606,745</u>	<u>168,257</u>	<u>3,775,002</u>	<u>3,224,170</u>
Operating expenditures				
Personnel	1,173,684	35,065	1,138,619	1,089,093
Maintenance and operations	1,684,388	316,491	1,367,897	1,173,960
Capital outlay	388,615	55,217	333,398	148,670
Total operating expenditures	<u>3,246,687</u>	<u>406,773</u>	<u>2,839,914</u>	<u>2,411,723</u>
Operating income (loss)	<u>360,058</u>	<u>575,030</u>	<u>935,088</u>	<u>812,447</u>
Nonoperating revenues				
Interest earned on investments	70,000	(1,851)	68,149	174,149
Miscellaneous	84,297	1,497	85,794	84,297
Federal and State grants	188,716	(22,693)	166,023	146,092
Total nonoperating revenues	<u>343,013</u>	<u>(23,047)</u>	<u>319,966</u>	<u>404,538</u>
Nonoperating expenditures				
Interest expense	-	(16,073)	16,073	18,022
Debt service - principal payment	-	(33,555)	33,555	31,605
Public safety reimbursements	250,321	1	250,320	275,143
Total nonoperating expenditures	<u>250,321</u>	<u>(49,627)</u>	<u>299,948</u>	<u>324,770</u>
Revenues over (under) expenditures	<u>452,750</u>	<u>502,356</u>	<u>955,106</u>	<u>892,215</u>
Other financing sources (uses)				
Transfers (out)	(2,061,001)	199,306	(1,861,695)	(356,084)
Proceeds from sale of assets	-	9,378	9,378	447
Appropriated fund balance	1,608,251	(1,608,251)	-	-
Total other financing sources (uses)	<u>(452,750)</u>	<u>(1,399,567)</u>	<u>(1,852,317)</u>	<u>(355,637)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (897,211)</u>	<u>\$ (897,211)</u>	<u>\$ 536,578</u>
Reconciliation of change in net assets				
Total revenues			\$ 4,094,968	\$ 3,628,708
Total expenditures			4,992,179	3,092,130
Subtotal			<u>(897,211)</u>	<u>536,578</u>
Depreciation			(1,492,816)	(1,309,200)
Amortization			(22,000)	(22,000)
Change in accrued vacation			(3,730)	(7,517)
Change in inventory			(3,104)	922
Capital outlay			333,398	148,670
Gain (loss) on disposal of assets			(5,983)	-
Principal payment			33,555	31,605
Net OPEB expense			(28,838)	(79,814)
Subtotal			<u>(1,189,518)</u>	<u>(1,237,334)</u>
Change in net assets			<u>\$ (2,086,729)</u>	<u>\$ (700,756)</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, 2009

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Federal grants	\$ 13,767,347	\$ 4,526,685	\$ -	\$ 6,259,445	\$ 10,786,130
State grants	1,433,192	676,192	-	34,299	710,491
Local income	294,183	281,782	-	-	281,782
Miscellaneous income	262,416	828,003	-	-	828,003
Investment income	88,303	213,270	-	66,856	280,126
Total revenues	15,845,441	6,525,932	-	6,360,600	12,886,532
Expenditures					
Local match / future projects	349,000	-	-	-	-
Renovation of airport parking	1,600,000	-	-	-	-
AIP-34 Runway 4/22 Rehabilitation	7,171,533	-	-	4,582,879	4,582,879
Public seating upgrade	105,000	105,000	-	-	105,000
Security screening area	103,000	70,282	-	-	70,282
AIP-32 Airport Improvement Projects	708,920	389,426	-	127,138	516,564
West GA Ramp Rehab	672,277	13,424	-	38,764	52,188
AIP-33 Airfield Lighting Vault	2,182,031	-	-	1,728,272	1,728,272
Stormwater improvements	361,114	227,751	-	169	227,920
AIP-30 loop, building, beacon	3,568,108	3,298,249	-	-	3,298,249
Security system installation	43,000	40,801	-	-	40,801
Airport Fire Training Facility	1,250,254	1,176,322	-	70,330	1,246,652
14 Unit T-Hanger	588,366	561,723	-	-	561,723
Total expenditures	18,702,603	5,882,978	-	6,547,552	12,430,530
Revenues over (under) expenditures	(2,857,162)	642,954	-	(186,952)	456,002
Other financing sources (uses)					
Transfers in	2,853,878	1,059,743	-	1,861,695	2,921,438
Proceeds from sale	3,284	3,284	-	-	3,284
Total other financing sources (uses)	2,857,162	1,063,027	-	1,861,695	2,924,722
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 1,705,981	\$ -	\$ 1,674,743	\$ 3,380,724
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 1,674,743	
Capital outlay				6,547,552	
Change in net assets				\$ 8,222,295	

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

(With Comparative Actual Amounts for Year Ended June 30, 2008)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Operating revenues				
Charges for services	\$ 2,509,077	\$ 3,911	\$ 2,512,988	\$ -
Other revenues from operations	-	8,050	8,050	-
Total operating revenues	<u>2,509,077</u>	<u>11,961</u>	<u>2,521,038</u>	<u>-</u>
Operating expenditures				
Maintenance and operations	2,083,457	164,139	1,919,318	1,945,629
Total operating expenditures	<u>2,083,457</u>	<u>164,139</u>	<u>1,919,318</u>	<u>1,945,629</u>
Operating income (loss)	<u>425,620</u>	<u>176,100</u>	<u>601,720</u>	<u>(1,945,629)</u>
Nonoperating revenues				
Interest earned on investments	-	21,901	21,901	-
Miscellaneous	100	3,661	3,761	-
Federal and State grants	14,064	(2,290)	11,774	-
County revenue	-	251,296	251,296	-
Total nonoperating revenues	<u>14,164</u>	<u>274,568</u>	<u>288,732</u>	<u>-</u>
Revenues over (under) expenditures	<u>439,784</u>	<u>450,668</u>	<u>890,452</u>	<u>(1,945,629)</u>
Other financing sources (uses)				
Transfers in	-	-	-	1,993,090
Transfers out	(487,245)	-	(487,245)	-
Appropriated fund balance	47,461	(47,461)	-	-
Total other financing sources (uses)	<u>(439,784)</u>	<u>(47,461)</u>	<u>(487,245)</u>	<u>1,993,090</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 403,207</u>	<u>\$ 403,207</u>	<u>\$ 47,461</u>
Reconciliation of change in net assets				
Total revenues			\$ 2,809,770	\$ 1,993,090
Total expenditures			<u>2,406,563</u>	<u>1,945,629</u>
Subtotal			<u>403,207</u>	<u>47,461</u>
Change in net assets			<u>\$ 403,207</u>	<u>\$ 47,461</u>



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:

- Warranty Fleet Fund
- Insurance Fund
- PWC Fleet Maintenance Fund

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

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Internal Service Funds
June 30, 2009**

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Assets				
Current assets				
Cash and investments	\$ 958,631	\$ 14,174,761	\$ -	\$ 15,133,392
Accounts receivable	3,043	50,616	985,129	1,038,788
Prepaid expenses	-	81,384	-	81,384
Total current assets	<u>961,674</u>	<u>14,306,761</u>	<u>985,129</u>	<u>16,253,564</u>
Noncurrent assets				
Capital assets	399,056	-	1,827,140	2,226,196
Total noncurrent assets	<u>399,056</u>	<u>-</u>	<u>1,827,140</u>	<u>2,226,196</u>
Total assets	<u>\$ 1,360,730</u>	<u>\$ 14,306,761</u>	<u>\$ 2,812,269</u>	<u>\$ 18,479,760</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 10,556	\$ 2,339,801	\$ 279,636	\$ 2,629,993
Current portion of long term debt	-	-	109,351	109,351
Interfund payables	-	-	337,226	337,226
Accrued vacation	-	12,922	-	12,922
Total current liabilities	<u>10,556</u>	<u>2,352,723</u>	<u>726,213</u>	<u>3,089,492</u>
Noncurrent liabilities				
Net OPEB Obligation	-	38,080	141,849	179,929
Deferred revenues	-	7,300	-	7,300
Long-term debt	-	-	63,705	63,705
Total noncurrent liabilities	<u>-</u>	<u>45,380</u>	<u>205,554</u>	<u>250,934</u>
Total liabilities	<u>10,556</u>	<u>2,398,103</u>	<u>931,767</u>	<u>3,340,426</u>
Net assets				
Invested in capital assets, net of related debt	399,056	-	1,827,140	2,226,196
Unrestricted	951,118	11,908,658	53,362	12,913,138
Total net assets	<u>1,350,174</u>	<u>11,908,658</u>	<u>1,880,502</u>	<u>15,139,334</u>
Total liabilities and net assets	<u>\$ 1,360,730</u>	<u>\$ 14,306,761</u>	<u>\$ 2,812,269</u>	<u>\$ 18,479,760</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2009**

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues				
Other revenue from operations	\$ -	\$ 323,022	\$ 2,295	\$ 325,317
Interfund charges and employee contributions	288,210	14,401,076	6,275,923	20,965,209
Total operating revenues	<u>288,210</u>	<u>14,724,098</u>	<u>6,278,218</u>	<u>21,290,526</u>
Operating expenses				
Personnel	-	424,142	-	424,142
Maintenance and operations	138,755	12,981,827	6,181,586	19,302,168
Depreciation	185,437	21,408	113,888	320,733
Total operating expenses	<u>324,192</u>	<u>13,427,377</u>	<u>6,295,474</u>	<u>20,047,043</u>
Operating income (loss)	<u>(35,982)</u>	<u>1,296,721</u>	<u>(17,256)</u>	<u>1,243,483</u>
Nonoperating revenue (expense)				
Interest earned (expensed) on Investments	20,907	343,638	-	364,545
Miscellaneous revenue	-	2	-	2
Gain (loss) on disposal of capital assets	6,300	110	17,256	23,666
Total nonoperating revenue (expense)	<u>27,207</u>	<u>343,750</u>	<u>17,256</u>	<u>388,213</u>
Income (loss) before transfers and contributions	<u>(8,775)</u>	<u>1,640,471</u>	<u>-</u>	<u>1,631,696</u>
Transfers out	-	(2,322,100)	-	(2,322,100)
Change in net assets	<u>(8,775)</u>	<u>(681,629)</u>	<u>-</u>	<u>(690,404)</u>
Total net assets - beginning	<u>1,358,949</u>	<u>12,590,287</u>	<u>1,880,502</u>	<u>15,829,738</u>
Total net assets - ending	<u>\$ 1,350,174</u>	<u>\$ 11,908,658</u>	<u>\$ 1,880,502</u>	<u>\$ 15,139,334</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2009

	Warranty Fleet Fund	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities				
Cash received from customers	\$ 288,756	\$ 14,382,711	\$ 6,255,448	\$ 20,926,915
Cash paid to or on behalf of employees for services	-	(409,943)	(1,807,340)	(2,217,283)
Cash paid for goods and services	(142,180)	(12,875,515)	(4,341,022)	(17,358,717)
Net cash provided by (used in) operating activities	<u>146,576</u>	<u>1,420,275</u>	<u>107,086</u>	<u>1,673,937</u>
Noncapital financing activities				
Miscellaneous	-	2	-	2
Transfers out	-	(2,322,100)	-	(2,322,100)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(2,322,098)</u>	<u>-</u>	<u>(2,322,098)</u>
Capital and related financing activities				
Proceeds from sale of assets	6,300	110	17,256	23,666
Acquisition and construction of capital assets	(45,733)	-	(124,342)	(170,075)
Net cash provided (used) by capital and related financing activities	<u>(39,433)</u>	<u>110</u>	<u>(107,086)</u>	<u>(146,409)</u>
Investing activities				
Interest and dividends	20,907	343,638	-	364,545
Net cash provided (used) by investing activities	<u>20,907</u>	<u>343,638</u>	<u>-</u>	<u>364,545</u>
Net increase in cash and cash equivalents/investments	<u>128,050</u>	<u>(558,075)</u>	<u>-</u>	<u>(430,025)</u>
Cash and cash equivalents/investments Beginning of year	<u>830,581</u>	<u>14,732,836</u>	<u>-</u>	<u>15,563,417</u>
End of year	<u>\$ 958,631</u>	<u>\$ 14,174,761</u>	<u>\$ -</u>	<u>\$ 15,133,392</u>
Cash and cash equivalents	<u>\$ 958,631</u>	<u>\$ 14,174,761</u>	<u>\$ -</u>	<u>\$ 15,133,392</u>
Total cash and cash equivalents/investments	<u>\$ 958,631</u>	<u>\$ 14,174,761</u>	<u>\$ -</u>	<u>\$ 15,133,392</u>
Unrestricted cash and equivalents/investments	<u>\$ 958,631</u>	<u>\$ 14,174,761</u>	<u>\$ -</u>	<u>\$ 15,133,392</u>
Total cash and cash equivalents/investments	<u>\$ 958,631</u>	<u>\$ 14,174,761</u>	<u>\$ -</u>	<u>\$ 15,133,392</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (35,982)	\$ 1,296,721	\$ (17,256)	\$ 1,243,483
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	185,437	21,408	113,888	320,733
Change in assets and liabilities				
(Increase) decrease in accounts receivable	546	(13,665)	(22,770)	(35,889)
(Increase) decrease in prepaid items	-	63,280	-	63,280
(Increase) decrease in internal balances	-	-	(1,682)	(1,682)
Increase (decrease) in accounts payable and accrued liabilities	(3,425)	43,032	20,540	60,147
Increase (decrease) in accrued compensated absences	-	3,515	14,366	17,881
Increase (decrease) in deferred revenues	-	(4,700)	-	(4,700)
Increase (decrease) in Net OPEB Obligation	-	10,684	-	10,684
Total adjustments	<u>182,558</u>	<u>123,554</u>	<u>124,342</u>	<u>430,454</u>
Net cash provided by (used in) operating activities	<u>\$ 146,576</u>	<u>\$ 1,420,275</u>	<u>\$ 107,086</u>	<u>\$ 1,673,937</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009

(With Comparative Actual Amounts for Year Ended June 30, 2008)

	Budget	Variance Positive (Negative)	2009 Actual	2008 Actual
Operating revenues				
Interfund charges and employee contributions	\$ 306,058	\$ (17,848)	\$ 288,210	\$ 319,330
Total operating revenues	<u>306,058</u>	<u>(17,848)</u>	<u>288,210</u>	<u>319,330</u>
Operating expenditures				
Maintenance and operations	150,492	11,737	138,755	164,519
Capital outlay	45,734	1	45,733	216,141
Total operating expenditures	<u>196,226</u>	<u>11,738</u>	<u>184,488</u>	<u>380,660</u>
Operating income (loss)	<u>109,832</u>	<u>(6,110)</u>	<u>103,722</u>	<u>(61,330)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	10,000	10,907	20,907	31,101
Miscellaneous	(321,832)	321,832	-	-
Proceeds from disposal of capital assets	2,000	4,300	6,300	26,362
Total nonoperating revenues (expenditures)	<u>(309,832)</u>	<u>337,039</u>	<u>27,207</u>	<u>57,463</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>330,929</u>	<u>130,929</u>	<u>(3,867)</u>
Other financing sources (uses)				
Transfers in	200,000	(200,000)	-	200,000
Total other financing sources (uses)	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 130,929</u>	<u>\$ 130,929</u>	<u>\$ 196,133</u>
Reconciliation to change in net assets:				
Total revenues			\$ 315,417	\$ 576,793
Total expenditures			184,488	380,660
Subtotal			<u>130,929</u>	<u>196,133</u>
Depreciation			(185,437)	(159,687)
Capital outlay			45,733	216,141
Subtotal			<u>(139,704)</u>	<u>56,454</u>
Change in net assets			<u>\$ (8,775)</u>	<u>\$ 252,587</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Insurance Fund

Year Ended June 30, 2009

(With Comparative Actual Amounts for Year Ended June 30, 2008)

	<u>Budget</u>	<u>Variance Positive (Negative)</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Operating revenues				
Interfund charges and employee contributions	\$ 15,676,959	\$ (1,275,883)	\$ 14,401,076	\$ 14,295,708
Other revenues from operations	79,558	243,464	323,022	487,878
Total operating revenues	<u>15,756,517</u>	<u>(1,032,419)</u>	<u>14,724,098</u>	<u>14,783,586</u>
Operating expenditures				
Personnel	415,684	5,741	409,943	377,477
Maintenance and operations	14,785,788	2,086,819	12,698,969	11,848,603
Total operating expenditures	<u>15,201,472</u>	<u>2,092,560</u>	<u>13,108,912</u>	<u>12,226,080</u>
Operating income (loss)	<u>555,045</u>	<u>1,060,141</u>	<u>1,615,186</u>	<u>2,557,506</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	243,000	100,638	343,638	595,310
Miscellaneous	-	2	2	-
Total nonoperating revenue (expenditures)	<u>243,000</u>	<u>100,640</u>	<u>343,640</u>	<u>595,310</u>
Revenues over (under) expenditures	<u>798,045</u>	<u>1,160,781</u>	<u>1,958,826</u>	<u>3,152,816</u>
Other financing sources (uses)				
Transfers out	(2,322,100)	-	(2,322,100)	-
Sale of capital assets	-	110	110	-
Appropriated fund balance	1,524,055	(1,524,055)	-	-
Total other financing sources (uses)	<u>(798,045)</u>	<u>(1,523,945)</u>	<u>(2,321,990)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (363,164)</u>	<u>\$ (363,164)</u>	<u>\$ 3,152,816</u>
Reconciliation to change in net assets:				
Total revenues			\$ 12,745,748	\$ 15,378,896
Total expenditures			13,108,912	12,226,080
Subtotal			<u>(363,164)</u>	<u>3,152,816</u>
Depreciation			(21,408)	(28,544)
Decrease (increase) in accrued vacation			(3,515)	6,085
Change in net OPEB expense			(10,684)	(27,396)
Decrease (increase) in insurance liability			<u>(282,858)</u>	<u>(131,683)</u>
Subtotal			<u>(318,465)</u>	<u>(181,538)</u>
Change in net assets			<u>\$ (681,629)</u>	<u>\$ 2,971,278</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

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

Year Ended June 30, 2009
(With Comparative Actual Amounts for Year Ended June 30, 2008)

	2009		2008 Actual
	Budget	Variance Positive (Negative)	
Operating revenues			
City services	\$ 4,530,410	\$ (374,157)	\$ 4,156,253
PWC services	2,035,700	83,970	2,119,670
Other revenue	-	2,295	2,295
Total operating revenues	<u>6,566,110</u>	<u>(287,892)</u>	<u>6,278,218</u>
Operating expenditures			
Fleet maintenance	6,450,110	(335,460)	6,114,650
Total operating expenditures	<u>6,450,110</u>	<u>(335,460)</u>	<u>6,114,650</u>
Operating income (loss)	<u>116,000</u>	<u>47,568</u>	<u>163,568</u>
Nonoperating revenues (expenditures)			
Capital outlay	(116,000)	(10,629)	(126,629)
Total nonoperating revenues (expenditures)	<u>(116,000)</u>	<u>(10,629)</u>	<u>(126,629)</u>
Revenues over (under) expenditures	<u>-</u>	<u>36,939</u>	<u>36,939</u>
Other financing sources (uses)			
Gain (loss) on asset disposal	-	17,256	17,256
Total other financing sources (uses)	<u>-</u>	<u>17,256</u>	<u>17,256</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 54,195</u>	<u>\$ 54,195</u>
Reconciliation of changes in net assets			
Total revenues			\$ 6,295,474
Total expenditures			6,241,279
Subtotal			<u>54,195</u>
Reconciling items:			
Capital outlay			126,629
Depreciation			(113,888)
OPEB expense			(66,936)
Total reconciling items			<u>(54,195)</u>
Change in net assets			<u>\$ -</u>
			<u>\$ 203,083</u>



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.



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
 - PWC Supplemental Pension Trust Fund
- Private-purpose Trust Funds
 - Police Benefit Trust Fund
 - Firemen's Relief Trust Fund

City of Fayetteville, North Carolina

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2009

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Assets			
Cash and investments			
Cash and cash equivalents	\$ 2,142,482	\$ -	\$ 2,142,482
Money market funds	-	3,947,048	3,947,048
Total cash and investments	<u>2,142,482</u>	<u>3,947,048</u>	<u>6,089,530</u>
Accounts receivable	7,214	-	7,214
Total assets	<u>2,149,696</u>	<u>3,947,048</u>	<u>6,096,744</u>
Liabilities			
Accounts payable	15,458	23,003	38,461
Total liabilities	<u>15,458</u>	<u>23,003</u>	<u>38,461</u>
Net assets			
Held in Trust for:			
Pension benefits	2,134,238	3,924,045	6,058,283
Total net assets	<u>\$ 2,134,238</u>	<u>\$ 3,924,045</u>	<u>\$ 6,058,283</u>

City of Fayetteville, North Carolina

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2009

	Special Separation Allowance Pension Trust Fund	PWC Supplemental Pension Trust Fund	Total
Additions			
Employer contributions	\$ 444,528	\$ -	\$ 444,528
Investment earnings	48,121	(138,336)	(90,215)
Total additions	<u>492,649</u>	<u>(138,336)</u>	<u>354,313</u>
Deductions			
Benefit payments and premiums	491,541	99,752	591,293
Total deductions	<u>491,541</u>	<u>99,752</u>	<u>591,293</u>
Change in net assets	1,108	(238,088)	(236,980)
Total net assets - beginning	<u>2,133,130</u>	<u>4,162,133</u>	<u>6,295,263</u>
Total net assets - ending	<u>\$ 2,134,238</u>	<u>\$ 3,924,045</u>	<u>\$ 6,058,283</u>

City of Fayetteville, North Carolina
Combining Statement of Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2009

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 366	\$ 1,360,001	\$ 1,360,367
Accounts receivable	2	5,841	5,843
Total assets	368	1,365,842	1,366,210
Liabilities			
Net assets			
Held in Trust for pension benefits and other purposes	368	1,365,842	1,366,210
Total net assets	\$ 368	\$ 1,365,842	\$ 1,366,210

City of Fayetteville, North Carolina

**Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds
Year Ended June 30, 2009**

	Police Benefit Trust Fund	Fireman's Benefit Trust Fund	Total
Additions			
Other revenue from operations	\$ -	\$ 41,901	\$ 41,901
Other contributions	395	97,201	97,596
Investment earnings	2	33,729	33,731
Total additions	<u>397</u>	<u>172,831</u>	<u>173,228</u>
Deductions			
Benefit payments and premiums	-	157,249	157,249
Total deductions	<u>-</u>	<u>157,249</u>	<u>157,249</u>
Change in net assets	397	15,582	15,979
Total net assets - beginning	<u>(29)</u>	<u>1,350,260</u>	<u>1,350,231</u>
Total net assets - ending	<u>\$ 368</u>	<u>\$ 1,365,842</u>	<u>\$ 1,366,210</u>



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

Schedule of Current Tax Levy

Year Ended June 30, 2009

	Total Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
General Fund	\$ 10,588,986,162	\$ 0.530	\$ 56,121,627	\$ 49,287,708	\$ 6,833,919
Late Listing Penalties:					
General Fund			37,227	37,227	-
Subtotal			<u>56,158,854</u>	<u>49,324,935</u>	<u>6,833,919</u>
Discoveries:					
General Fund	45,393,492	0.530	240,586	230,589	9,997
Late Listing Penalties:					
General Fund			42,438	42,438	-
Subtotal			<u>283,024</u>	<u>273,027</u>	<u>9,997</u>
Releases:					
General Fund	(202,923,200)	0.530	(1,075,493)	(341,134)	(734,359)
Late Listing Penalties:					
General Fund			(16,508)	(16,508)	-
Subtotal			<u>(1,092,001)</u>	<u>(357,642)</u>	<u>(734,359)</u>
Adjusted Tax Levy			<u>55,349,877</u>	<u>49,240,320</u>	<u>6,109,557</u>
Uncollected Current Year Taxes at 6/30/2009			<u>(1,448,778)</u>	<u>(265,218)</u>	<u>(1,183,560)</u>
City-wide Current Year's Taxes Collected			<u>\$ 53,901,099</u>	<u>\$ 48,975,102</u>	<u>\$ 4,925,997</u>
City-wide Current Levy Collection Percentage			<u>97.38%</u>	<u>99.46%</u>	<u>80.63%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2009

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2009</u>
2009	\$ -	\$ 55,349,877	\$ 53,901,099	\$ 1,448,778
2008	1,477,723	(144,238)	978,575	354,910
2007	366,587	(12,218)	69,238	285,131
2006 Annexation	147,952	1,082	123,655	25,379
All Prior	1,677,993	(168,344)	81,362	1,428,287
	<u>3,670,255</u>	<u>\$ 55,026,159</u>	<u>\$ 55,153,929</u>	<u>3,542,485</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(801,167)			(803,140)
	<u>\$ 2,869,088</u>			<u>\$ 2,739,345</u>
General Fund Taxes Receivable				\$ 3,150,513
Less: CBTD Taxes Receivable				(1,194)
Less: Vehicle License Fee Receivable				(409,974)
General Fund Ad Valorem Taxes Receivable				<u>\$ 2,739,345</u>

**Reconciliations of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 55,553,012
Less Penalties & Interest	(311,424)
Less Taxes - CBTD	(87,659)
General Fund Ad Valorem Taxes	<u>\$ 55,153,929</u>



Statistical Section

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 source.

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. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities								
Invested in capital assets, net of related debt	\$ 248,607,997	\$ 256,858,830	\$ 252,737,261	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848
Restricted for:								
Capital projects	283,297	-	2,389,817	2,446,528	2,702,713	3,525,148	1,047,622	-
Other purposes	-	-	-	-	-	-	-	-
Grant Compliance	-	-	-	-	-	-	-	-
Unrestricted	52,692,952	53,401,259	60,110,564	63,005,016	89,369,779	73,912,222	70,335,914	1,885,171
Total governmental activities net assets	\$ 301,584,246	\$ 310,260,089	\$ 315,217,642	\$ 328,509,314	\$ 423,242,660	\$ 430,845,149	\$ 427,749,747	\$ 425,857,235
Business-type activities								
Invested in capital assets, net of related debt	\$ 379,321,259	\$ 384,181,318	\$ 384,136,802	\$ 426,048,564	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726
Restricted for:								
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	2,075,219	943,364
Debt service	3,294,937	25,895	8,998,444	817,633	808,520	816,070	11,462	2,743
Other purposes	-	10,501,859	-	-	-	-	-	-
Grant Compliance	-	-	-	-	-	-	-	-
Unrestricted	72,584,455	69,765,451	71,918,803	73,155,311	97,657,374	121,366,653	122,199,894	148,697,773
Total business-type activities net assets	\$ 459,723,573	\$ 464,494,323	\$ 476,007,501	\$ 500,534,044	\$ 531,384,248	\$ 581,840,313	\$ 630,228,012	\$ 673,906,606
Primary Government								
Invested in capital assets, net of related debt	\$ 627,929,256	\$ 641,040,148	\$ 636,874,063	\$ 689,106,333	\$ 783,560,567	\$ 812,645,329	\$ 860,424,203	\$ 875,322,574
Restricted for:								
Capital projects	4,572,922	-	10,953,452	512,536	527,965	420,040	3,122,841	943,364
Debt service	3,294,937	25,895	8,998,444	817,633	808,520	816,070	11,462	2,743
Other purposes	283,297	10,501,859	2,389,817	2,446,529	2,702,713	3,525,148	-	-
Grant Compliance	-	-	-	-	-	-	-	-
Unrestricted	125,227,407	123,186,710	132,029,367	136,160,327	167,027,153	195,278,875	1,883,445	1,885,171
Total primary government net assets	\$ 761,307,819	\$ 774,754,412	\$ 791,225,143	\$ 829,043,358	\$ 954,626,908	\$ 1,012,685,462	\$ 1,057,977,759	\$ 1,089,763,641

Note: The City of Fayetteville, North Carolina implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

Schedule 2

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental Activities								
Administration	8,501,997	12,364,637	10,580,827	11,641,665	13,288,585	19,032,872	19,090,722	17,815,439
Public safety	39,896,830	40,577,161	43,682,505	47,285,832	52,752,676	56,609,521	63,458,091	64,355,111
Environmental protection	8,450,217	7,957,281	8,871,462	7,514,882	9,940,477	11,000,841	12,126,391	12,048,837
Transportation	12,091,432	12,123,658	13,946,642	14,018,733	17,115,971	18,702,014	20,386,537	18,965,600
Economic and physical development	7,407,147	5,459,943	4,416,477	5,827,998	5,132,048	1,229,375	4,568,635	4,532,166
Recreation and community facilities	6,371,368	8,525,886	6,134,504	9,305,228	10,501,877	14,020,434	12,113,846	12,880,611
Debt Service:								
Interest and fees	2,999,151	2,783,912	2,542,194	2,541,380	2,786,700	2,621,502	2,061,409	1,981,641
Total governmental activities	83,718,140	87,812,260	90,054,611	96,135,716	111,486,134	123,216,559	133,795,431	132,579,405
Business type activities								
Electric	123,644,452	142,781,403	132,677,111	131,305,768	137,856,324	130,839,305	137,581,749	144,714,714
Water and wastewater	43,949,463	45,973,455	44,147,344	45,275,518	45,859,650	49,823,073	52,787,113	65,163,237
Transit	5,223,860	5,073,264	5,021,030	4,910,142	4,864,135	4,864,528	5,584,011	5,975,160
Airport	3,435,908	3,570,780	3,450,196	3,806,671	3,789,259	4,091,032	3,986,357	4,329,383
Solid Waste Recycling	-	-	-	-	-	-	1,945,829	1,919,318
Total business-type activities	176,253,673	197,378,902	185,295,681	185,288,119	192,349,368	189,417,936	201,844,859	222,101,812
Total primary government	259,971,813	285,191,162	275,350,292	283,433,837	303,847,502	312,634,495	335,640,290	354,681,217
Program Revenues								
Governmental Activities								
Administration								
Charges for services	652,799	670,144	719,692	728,451	702,004	800,275	755,883	868,572
Operating grants and contributions	1,720	5,325	5,215	7,501	5,632	32,298	63,268	7,264
Capital grants and contributions	-	-	-	-	-	-	-	-
Public Safety								
Charges for services	1,541,852	1,883,207	2,138,108	2,681,753	4,446,932	3,708,443	3,213,741	3,512,402
Operating grants and contributions	622,450	1,113,043	1,345,821	2,489,423	480,476	673,108	309,869	1,111,218
Capital grants and contributions	183,122	133,554	5,750	514,389	367,540	95,867	45,154	33,802
Environmental Protection								
Charges for services	36,943	52,591	86,150	23,958	80,988	40,785	3,416,807	3,494,076
Operating grants and contributions	61,000	-	-	-	-	2,259,339	2,303,890	2,330,984
Capital grants and contributions	-	-	-	-	-	-	-	-
Transportation								
Charges for services	1,206,998	1,148,825	1,454,034	1,486,881	537,081	1,224,243	882,698	1,048,358
Operating grants and contributions	4,191,727	3,919,568	3,920,822	4,254,601	3,833,510	5,710,433	5,954,823	5,545,029
Capital grants and contributions	-	-	-	-	98,785	13,448	155,409	85,372

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

Schedule 2

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<i>Economic and physical development</i>								
Charges for services	\$ 1,208,072	\$ 79,387	\$ 1,073,627	\$ 715,099	\$ 57,172	\$ -	\$ -	\$ -
Operating grants and contributions	2,739,278	3,262,985	1,792,478	2,743,690	1,742,466	1,778,840	2,364,282	1,826,540
Capital grants and contributions	-	-	1,526,900	2,060,539	2,423,512	1,163,365	338,664	30,913
<i>Recreation and community facilities</i>								
Charges for services	376,497	394,012	436,338	756,482	4,151,275	3,751,071	3,873,021	4,012,612
Operating grants and contributions	70,118	309,789	107,587	3,572,557	60,386	45,213	56,292	35,644
Capital grants and contributions	-	-	1,162,746	982,963	2,161,508	2,622,609	781,410	1,312,932
Total governmental activities programs	\$ 13,094,576	\$ 12,970,530	\$ 15,755,468	\$ 22,988,285	\$ 21,149,277	\$ 23,919,355	\$ 24,515,031	\$ 25,255,916
<i>Business-type activities:</i>								
<i>Electric</i>								
Charges for services	139,814,919	145,817,727	141,961,920	146,069,329	155,773,020	159,647,302	166,893,655	169,451,426
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	1,596,365	3,632,702	116,186	951,384	178,985	977,641	405,586	1,044,143
Water and wastewater	43,703,632	43,008,035	45,282,126	47,044,634	51,508,272	54,520,183	57,080,057	64,945,746
Charges for services	7,184,899	8,605,351	6,029,173	13,900,547	14,125,618	16,730,748	14,452,981	11,598,860
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-
Transit	1,058,296	1,128,706	842,658	836,084	828,623	801,186	774,345	801,967
Charges for services	1,541,766	1,553,753	1,888,267	1,900,622	2,097,336	1,922,181	2,149,594	2,681,466
Operating grants and contributions	280,513	234,884	269,732	417,242	63,915	157,361	2,101,418	681,884
Airport	1,977,915	2,353,279	2,119,754	2,406,129	2,649,936	3,035,265	3,224,170	3,942,522
Charges for services	-	118,315	14,799	-	114,380	114,380	146,092	-
Operating grants and contributions	-	1,991,289	2,002,812	2,418,216	1,145,829	3,565,784	822,403	6,293,746
Capital grants and contributions	-	-	-	-	-	-	-	-
Solid Waste Recycling	-	-	-	-	-	-	-	2,521,038
Charges for services	-	-	-	-	-	-	-	263,070
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business-type activities program	\$ 199,352,055	\$ 206,244,041	\$ 202,547,427	\$ 215,944,187	\$ 228,571,714	\$ 241,472,031	\$ 248,056,301	\$ 264,225,868
Total primary government program	\$ 212,446,631	\$ 221,214,571	\$ 216,302,895	\$ 238,932,472	\$ 249,720,991	\$ 265,391,386	\$ 272,571,332	\$ 289,481,766
<i>Net (expense)/revenue</i>								
Governmental activities	\$ (70,623,564)	\$ (74,841,730)	\$ (74,299,143)	\$ (75,147,433)	\$ (90,348,857)	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,467)
Business-type activities	23,098,382	10,865,139	17,251,746	30,646,068	36,222,346	52,054,095	46,211,442	42,124,056
Total primary government net expense	\$ (47,525,182)	\$ (63,976,591)	\$ (57,047,397)	\$ (44,501,365)	\$ (54,126,511)	\$ (47,243,109)	\$ (63,068,958)	\$ (65,199,431)

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

Schedule 2

	Fiscal Year							
	2002	2003	2004	2005	2008	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities								
Ad valorem taxes	\$ 33,613,509	\$ 34,094,378	\$ 36,495,985	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,319	\$ 55,408,617
Other taxes	24,432,665	28,118,817	31,127,455	34,023,971	35,883,026	41,307,138	43,193,017	42,524,787
Unrestricted grants and contributions	370,032	547,091	569,087	571,232	578,491	788,290	601,099	814,901
Interest earned on investments	1,637,590	1,197,764	507,806	1,752,579	2,327,185	4,050,068	3,704,974	2,212,641
Miscellaneous	577,662	878,760	365,105	906,206	183,868	474,945	627,860	865,351
Gain on sale of capital assets	7,142,178	7,902,191	6,171,258	6,416,200	162,992	199,853	254,875	240,486
Transfers	-	-	-	-	8,801,862	7,150,056	3,307,854	3,386,213
Special item	-	-	-	-	69,555,831	-	-	-
Total governmental activities	\$ 67,773,826	\$ 72,737,001	\$ 79,256,696	\$ 85,018,712	\$ 185,082,203	\$ 106,899,693	\$ 108,184,998	\$ 105,430,975
Business-type activities:								
Interest earned on investments	2,011,665	1,723,505	1,493,186	2,018,035	3,137,307	5,173,828	5,392,197	4,810,234
Miscellaneous	84,297	64,297	237,004	260,640	84,297	368,079	90,271	88,058
Transfers	(7,142,178)	(7,902,191)	(8,171,258)	(8,416,200)	7,936	12,319	(3,307,654)	(3,386,213)
Gain on sale of capital assets	-	-	-	-	-	-	1,643	22,459
Extraordinary item	-	-	702,500	-	(8,801,682)	(7,150,056)	-	-
Total business-type activities	\$ (5,046,016)	\$ (6,094,389)	\$ (5,738,568)	\$ (6,119,525)	\$ (5,372,142)	\$ (1,996,030)	\$ 2,176,257	\$ 1,554,538
Total primary government	\$ 62,727,810	\$ 66,642,612	\$ 73,518,128	\$ 78,899,187	\$ 179,710,061	\$ 105,301,863	\$ 106,361,255	\$ 106,985,513
Change in Net Assets								
Governmental activities	\$ (2,849,736)	\$ (2,104,729)	\$ 4,957,553	\$ 9,871,279	\$ 94,733,348	\$ 7,802,489	\$ (3,095,402)	\$ (1,892,512)
Business-type activities	18,052,366	4,770,750	11,513,176	24,526,543	30,850,204	50,456,065	48,387,899	43,678,594
Total primary government	\$ 15,202,630	\$ 2,666,021	\$ 16,470,731	\$ 34,397,822	\$ 125,583,550	\$ 58,058,554	\$ 45,292,297	\$ 41,786,082

Note: The City of Fayetteville, North Carolina implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

Schedule 3

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved	\$ 10,853,223	\$ 7,177,302	\$ 13,308,127	\$ 12,587,572	\$ 14,222,851	\$ 19,668,249	\$ 17,226,808	\$ 17,984,634
Unreserved	19,237,873	22,078,478	28,486,129	31,396,476	29,273,909	29,862,047	35,781,835	27,934,081
Total General Fund	\$ 30,091,196	\$ 29,255,778	\$ 41,804,256	\$ 43,984,048	\$ 43,496,760	\$ 49,530,296	\$ 53,008,741	\$ 45,918,715
Recreational and Cultural Fund								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328,058
Unreserved:								
Capital Projects	-	-	-	-	-	-	-	87,800
Total Recreational and Cultural Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,415,858
All other governmental funds								
Reserved	\$ 5,852,530	\$ 6,493,914	\$ 6,991,081	\$ 10,827,524	\$ 8,445,918	\$ 6,286,887	\$ 4,150,365	\$ 10,100,793
Unreserved, reported in nonmajor								
Special Revenue	3,684,707	2,815,937	2,217,571	2,332,583	2,402,644	3,569,224	3,384,703	2,893,694
Capital Projects	5,372,153	6,246,883	4,213,485	12,668,139	8,842,547	8,024,751	5,148,775	4,691,155
Total all other governmental funds	\$ 14,889,390	\$ 15,656,534	\$ 13,422,137	\$ 25,828,226	\$ 19,691,109	\$ 16,879,842	\$ 12,883,843	\$ 17,886,842

Note: The City of Fayetteville, North Carolina implemented GASS Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the City's financial performance over time.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Ad valorem taxes	\$ 30,787,063	\$ 32,172,931	\$ 33,134,815	\$ 33,720,313	\$ 33,431,662	\$ 39,622,100	\$ 41,590,985	\$ 58,574,670	\$ 54,765,677	\$ 55,553,012
Other taxes ²	25,374,149	27,842,970	24,850,324	27,850,682	32,438,194	34,038,280	35,870,282	43,544,220	48,774,154	9,317,609
Intergovernmental	7,801,425	6,687,256	7,743,589	6,516,675	8,037,443	14,751,881	12,418,414	13,824,511	13,069,887	40,367,061
Unreclassified intergovernmental ²	-	-	-	-	-	-	-	-	-	11,828,229
Restricted intergovernmental ²	-	-	-	-	-	-	-	-	-	-
Other functional	2,370,264	3,256,015	3,124,847	3,484,800	3,925,801	5,003,604	6,015,649	5,475,181	4,693,419	-
Permits and fees ²	-	-	-	-	-	-	-	-	-	1,889,966
Sales and services ²	-	-	-	-	-	-	-	-	-	3,263,932
Miscellaneous	1,623,668	1,756,278	2,107,275	2,153,238	2,388,366	3,603,274	5,117,571	4,543,675	2,820,264	3,108,912
Interest earned on investments	2,377,143	3,158,382	1,895,673	1,067,842	422,350	1,553,697	1,892,615	3,895,228	3,030,672	1,748,184
Total revenues	71,023,734	76,978,880	72,557,523	76,803,850	86,840,124	96,877,836	102,905,816	129,857,485	127,094,073	127,077,085
Expenditures										
Administration	8,582,433	9,178,326	8,460,918	8,025,614	10,685,384	11,800,043	13,225,511	18,281,328	17,796,870	17,473,702
Public safety	33,407,412	37,731,170	37,257,328	38,812,655	41,780,866	44,148,545	50,841,673	56,216,248	57,879,621	60,041,384
Environmental protection	6,036,340	6,628,421	5,889,085	7,591,417	6,605,800	6,500,092	8,970,319	10,075,527	10,439,749	10,328,808
Transportation	7,867,628	8,627,325	3,191,279	3,191,698	4,563,545	4,591,644	4,532,369	7,559,579	7,697,136	6,111,323
Economic and physical development	11,401,635	8,777,075	7,373,482	5,481,655	6,792,621	6,792,621	5,876,733	1,079,188	4,588,228	4,362,551
Recreation and community facilities	6,784,087	6,590,847	5,914,180	5,981,710	5,509,353	6,778,825	9,888,885	13,491,872	10,518,548	11,658,812
Capital outlay ¹	-	-	8,730,220	7,175,066	12,201,985	20,238,090	17,185,840	19,409,969	14,543,256	13,030,239
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	4,699,331	4,500,741	4,959,074	4,747,232	5,240,181	6,987,440	6,478,145	8,159,367	8,681,166	8,521,535
Interest and fees	3,420,671	3,908,087	2,959,845	2,811,481	2,506,413	2,262,103	2,956,522	2,724,064	2,081,737	1,955,844
Insurance costs	-	-	-	103,935	58,064	368,693	-	-	-	-
Total expenditures	61,899,544	68,541,002	64,754,401	64,825,893	95,119,217	112,262,068	121,745,998	137,977,272	134,511,841	133,094,438
Excess of revenues over (under) expenditures	(10,875,812)	(9,564,162)	(12,196,878)	(8,122,243)	(8,479,093)	(13,384,230)	(18,840,502)	(8,319,787)	(7,417,568)	(6,607,354)
Other financing sources (uses)										
Retaining Bonds	-	-	-	9,188,094	3,815,805	21,281,589	-	-	-	-
Proceeds from capital leases, bonds and other debt	-	6,015,698	755,263	1,162,548	2,070,425	3,104,407	3,934,415	4,537,000	3,303,940	-
Transfers in	17,883,042	15,257,175	11,857,987	14,478,695	13,972,899	15,334,209	16,793,410	15,283,819	20,000,451	22,895,485
Transfers out	(5,800,985)	(6,535,081)	(4,801,024)	(6,807,096)	(5,301,351)	(5,316,009)	(6,391,726)	(8,156,763)	(16,724,377)	(17,007,152)
Sale of Capital Assets ²	-	-	-	-	(3,788,439)	(6,285,297)	-	-	-	248,972
Payment to refund bond escrow agent	-	-	-	(5,489,212)	-	431,212	-	-	-	-
Premium on bonds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	11,982,157	16,426,782	7,926,756	12,453,069	18,288,852	27,950,111	12,236,097	11,662,056	6,500,014	5,935,285
Net change in fund balances	\$ 1,106,345	\$ 8,556,620	\$ (4,278,122)	\$ 4,391,726	\$ 7,789,759	\$ 14,595,581	\$ (6,604,405)	\$ 3,342,269	\$ (627,554)	\$ (672,069)
Debt service as a percentage of noncapital expenditures	9.91%	9.72%	10.43%	8.66%	9.41%	10.46%	10.94%	10.02%	8.98%	8.83%

¹ Pre-GASB 34 capital outlay is not reflected.
² Beginning fiscal year 2009, presentation of these revenue items was changed to reflect a more detailed breakdown.

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

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes:	Intangible Tax Reimbursement	Homestead Exemption	Tax Reimbursements	Vehicle License Tax	Privilege License	Cablevision and Other Franchise Tax ^{1,2}	Rental Property Gross Receipts	Wireline 911 Tax	Wireless Consolidated 911	Total
2009	\$ 55,553,012	\$ 29,626,044	\$ 9,196,488	\$ -	\$ -	\$ -	\$ 630,065	\$ 1,013,929	\$ 380,944	\$ 441,381	\$ -	\$ 1,138,897	\$ 97,982,760
2008	54,765,677	31,659,262	8,072,068	-	-	-	635,993	984,727	491,902	416,176	361,922	560,102	97,947,829
2007	58,574,670	30,468,647	6,564,263	-	-	-	623,019	920,196	1,243,013	391,124	794,933	269,666	99,859,551
2006	41,590,985	23,457,449	5,602,548	-	-	-	533,750	815,156	1,918,758	373,114	728,855	221,644	75,242,259
2005	39,622,100	22,543,521	5,245,207	-	-	-	469,468	731,719	1,547,269	344,913	802,557	194,283	71,501,077
2004	38,431,862	20,698,993	5,121,768	-	-	-	444,521	684,606	2,016,045	305,860	882,425	158,745	68,745,045
2003	33,720,313	16,876,147	5,239,363	-	-	-	408,016	691,861	1,249,399	302,685	879,552	176,400	59,543,736
2002	33,134,815	15,273,911	3,033,407	560,752	-	441,392	401,327	691,231	1,103,721	299,698	696,241	146,529	56,002,924
2001	32,172,931	16,160,376	4,771,319	598,325	40,584	691,865	396,590	637,662	1,217,802	269,524	900,193	117,408	57,974,899
2000	30,767,063	15,945,010	3,908,055	569,539	40,584	788,292	366,300	285,843	459,000	-	890,570	155,114	54,235,370

¹ In fiscal year 2000, 2001 and 2003 telecommunications franchise tax were included in totals.
² Effective January 1, 2007, video programming broadcast services became subject to state sales taxes. Only ancillary services remain subject to local cablevision franchise taxes after that date.

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

Fiscal Year	Total Direct Rate									
	Electric									
	Residential	Commercial	Industrial	Lighting	Other	Total	Base Rate ^a	first 500 kWh	Usage Rate ^b	ea kWh > 500
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	\$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	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	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	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	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	0.0670
2003	884,780,318	738,115,702	390,164,851	25,201,952	59,984,603	2,098,247,426	8.00	0.0710	0.0670	0.0670
2002	800,907,102	717,171,311	410,832,605	15,061,079	68,714,828	2,012,686,925	8.00	0.0710	0.0670	0.0670
2001	838,894,493	715,848,858	422,770,504	14,654,000	70,149,589	2,062,317,444	8.00	0.0710	0.0670	0.0670
2000	815,471,925	709,403,720	419,406,784	14,304,547	69,013,526	2,027,600,502	8.00	0.0710	0.0670	0.0670

^a Rate shown is for Residential Service- basic facilities charge.

^b 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			Public Services Property ¹	Less:		Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value		Sales Assessment Ratio ³
	Real Property	Personal Property	Property ¹		Tax Exempt Real Property ²	Assessed Value			Actual Taxable Value	Assessment Ratio ³	
2009	\$ 8,663,471,270	\$ 1,699,962,644	\$ 144,941,408	\$ 76,918,867	\$ 10,431,456,455	\$ 0.530	\$ 10,442,943,693	99.89%			
2008	8,432,008,954	1,699,309,481	156,856,864	71,058,615	10,217,116,684	0.530	12,502,590,166	81.72%			
2007	8,166,720,922	1,634,081,615	172,573,842	74,375,245	9,899,001,134	0.530	11,041,830,601	89.65%			
2006	6,275,715,436	1,431,355,898	138,799,665	65,483,117	7,780,387,882	0.530	8,414,869,005	92.46%			
2005	6,119,634,059	1,207,511,007	133,171,846	63,057,620	7,397,259,292	0.530	7,522,891,581	98.33%			
2004 ⁴	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%			
2003	5,101,782,633	1,196,714,445	120,570,113	-	6,419,067,191	0.530	6,826,616,177	94.03%			
2002	5,043,337,806	1,203,550,936	135,768,309	-	6,382,657,051	0.530	6,884,540,018	92.71%			
2001	4,874,168,452	1,146,688,353	134,301,127	-	6,155,157,932	0.530	6,423,667,222	95.82%			
2000	4,785,838,121	1,175,928,710	123,944,198	-	6,085,711,029	0.510	6,284,943,746	96.83%			

Source: Cumberland County Tax Office

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

¹ Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.
² Exempt real estate only. Fiscal year 2000 through 2003 real property exemptions are reflected in real property.
³ Estimated actual values and the ratio of total assessed value to total estimated actual value have been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.
⁴ 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	Overlapping Rates ¹	
			Cumberland County	County wide
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	
2003	0.530	0.100	0.925	
2002	0.530	0.100	0.925	
2001	0.530	0.100	0.900	
2000	0.510	0.100	0.840	

Source: Cumberland County Tax Office

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

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

Schedule 9

Taxpayer	2009 ¹			2000 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cumberland Associates				\$ 68,500,000	1	1.13%
Carolina Telephone & Telegraph	\$ 53,724,687	2	0.52%	58,218,949	2	0.96%
Fayetteville Publishing Company	19,879,117	6	0.19%	30,300,047	3	0.50%
UDRT of North Carolina				26,900,000	4	0.44%
NC Natural Gas Corporation				25,287,842	5	0.42%
Edward Rose Bldg Company				14,130,850	6	0.23%
Atlantic Southeast Airlines				13,862,530	7	0.23%
Thomas & Hollinshed				11,907,000	8	0.20%
BNP Chason Ridge LLC				11,780,400	9	0.19%
Heart of Fayetteville Motel Inc.				11,515,600	10	0.19%
Cross Creek Mall LLC	72,650,500	1	0.70%			
Centurion Aviation Services	45,060,000	3	0.43%			
Piedmont Natural Gas Co. Inc.	37,951,119	4	0.36%			
Hidden Creek Village	21,458,200	5	0.21%			
Cross Creek Phase 1 LLC	17,911,425	7	0.17%			
Morganton Development LLC	16,929,398	8	0.16%			
BRC North Reilly LLC	16,716,600	9	0.16%			
Village at Cliffdale	15,842,300	10	0.15%			
	<u>\$ 318,123,346</u>		<u>3.05%</u>	<u>\$ 272,403,218</u>		<u>4.49%</u>

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

² Assessed valuations are as of January 1, 1999 and the associated tax levies were due in the fiscal year ended June 30, 2000.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
 Property Tax Levies and Collections ¹
 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	
2009	\$ 55,349,877	\$ 53,901,099	97.38%	\$ -	\$ 53,901,099	97.38%	
2008	54,216,530	52,736,807	97.27%	978,375	53,717,182	99.08%	
2007	52,534,182	50,964,492	97.01%	1,140,357	52,104,849	99.18%	
2006 ²	41,311,088	39,855,571	96.48%	1,083,769	40,939,340	99.10%	
2005	39,252,202	37,879,950	96.50%	1,070,007	38,949,957	99.23%	
2004	38,404,079	36,806,753	95.84%	1,279,799	38,086,552	99.17%	
2003	34,059,814	32,457,441	95.30%	1,291,695	33,749,136	99.09%	
2002	33,878,837	32,405,548	95.65%	1,178,284	33,583,832	99.13%	
2001	32,664,323	31,510,275	96.47%	925,919	32,436,194	99.30%	
2000	31,085,792	30,049,940	96.67%	759,621	30,809,561	99.11%	

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 will be 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 ¹	Per Capita ¹
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable					
2009	\$ 28,937,825	\$ 10,267,567	\$ -	\$ 7,412,175	\$ 155,045,000	\$ 19,219,047		\$ 220,881,614	N/A	1,065	
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896		244,990,812	0.015%	1,350	
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136		290,487,079	0.012%	1,670	
2006	52,240,000	14,203,330	65,000	2,705,000	172,565,000	136,357,559		378,135,889	0.009%	2,894	
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144		277,424,619	0.012%	2,120	
2004	46,470,000	13,341,744	185,000	4,585,000	194,630,000	11,867,713		271,079,457	0.011%	2,074	
2003	50,265,000	6,479,845	245,000	15,560,000	178,910,000	6,835,614		258,295,459	0.011%	2,086	
2002	49,735,000	6,424,530	305,000	18,335,000	170,915,000	7,215,371		252,929,901	0.010%	2,036	
2001	53,145,000	7,059,976	365,000	21,155,000	177,000,000	7,573,603		266,298,579	0.009%	2,195	
2000	50,425,000	7,092,993	425,000	24,010,000	181,140,000	4,500,110		267,593,103	0.009%	2,098	

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

¹ See schedule 16 for per capita personal income and population data.

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

Schedule 12

Fiscal Year	General Bonded Debt Outstanding			Total Primary Government	Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Revenue Bonds	Government		Property 1	Per Capita 2
2009	\$ 36,350,000	\$ 155,045,000	\$ 191,395,000	1.83%	923	
2008	42,425,000	167,735,000	210,160,000	2.06%	1,158	
2007	48,735,000	162,360,000	211,095,000	2.13%	1,214	
2006	54,945,000	172,565,000	227,510,000	2.92%	1,741	
2005	61,125,000	184,320,000	245,445,000	3.32%	1,876	
2004	51,055,000	194,630,000	245,685,000	3.39%	1,880	
2003	65,825,000	178,910,000	244,735,000	3.81%	1,976	
2002	68,070,000	170,915,000	238,985,000	3.74%	1,923	
2001	74,300,000	177,000,000	251,300,000	4.08%	2,072	
2000	74,435,000	181,140,000	255,575,000	4.20%	2,004	

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

¹ See Schedule 7 for property value data.

² Population data can be found in Schedule 16.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2009
(Unaudited)

Schedule 13

Governmental Unit	Debt Outstanding ¹	Estimated Percentage Applicable	Estimated share of Overlapping Debt
Debt repaid with property taxes:			
Cumberland County	\$ 247,088,695	60.74%	\$ 150,077,654
Subtotal, overlapping debt			150,077,654
City of Fayetteville direct debt			39,205,392
Total direct and overlapping debt			<u>\$ 189,283,046</u>

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

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

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

City of Fayetteville, North Carolina
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 (Unaudited)

Schedule 14

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 486,856,862	\$ 492,412,635	\$ 510,612,564	\$ 513,525,375	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 791,920,091	\$ 817,369,335	\$ 634,516,516
Total net debt applicable to limit	\$ 86,453,103	\$ 89,298,579	\$ 82,014,901	\$ 79,385,459	\$ 76,449,457	\$ 93,104,819	\$ 91,755,688	\$ 85,462,079	\$ 77,255,812	\$ 65,836,614
Legal debt margin	\$ 400,403,779	\$ 403,114,056	\$ 428,597,663	\$ 434,139,916	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902

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

	17.76%	16.13%	16.06%	15.46%	13.20%	15.73%	14.74%	10.79%	9.45%	7.89%
--	--------	--------	--------	--------	--------	--------	--------	--------	-------	-------

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value	\$	10,431,456,455
Debt Limit (8% of total assessed value)		634,516,516
Debt applicable to limit		36,350,000
Bonded debt		19,219,047
Notes payable		10,267,587
Capitalized leases		65,836,614
Subtotal		
Authorized and unissued debt		
Total Gross Debt		65,836,614
Less: Statutory deductions		
Bonds issued and outstanding for water and sewer purposes		
Authorized and unissued debt		
Total amount of debt applicable to debt limit		65,836,614
Legal debt margin	\$	768,679,902

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 ¹	Other Adjustments ²	Net Available Revenue	Debt Service Requirements		Total	Coverage ⁴
					Principal	Interest ³		
2009	\$ 226,977,025	\$ 162,615,432	\$ -	\$ 64,361,593	\$ 13,957,849	\$ 8,347,770	\$ 22,305,619	2.89
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,821,608	62,380,849	1.73
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,600,871	93,247,327	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,263,069	48,762,425	1.97
2005	193,113,963	141,516,235		51,597,728	10,689,756	7,067,748	17,757,504	2.91
2004	187,264,046	140,800,522		46,463,524	7,794,756	7,164,702	14,959,458	3.11
2003	188,625,762	150,292,023		38,333,739	8,004,756	8,342,813	16,347,569	2.34
2002	183,518,751	131,502,090		52,016,661	6,464,756	8,945,847	15,410,603	3.38
2001	179,513,061	144,724,023		34,789,038	5,070,000	8,344,041	13,414,041	2.59
2000	171,187,369	131,515,579		39,671,790	4,510,000	8,421,931	12,931,931	3.07

Notes:

- ¹ Operating expenses include operating expenses and prepaid power supply amortization exclusive of depreciation and all other amortization.
- ² Other adjustments is the recognition of Prepaid Purchase Power Supply net of discount.
- ³ Interest represents accrual based interest excluding capitalized interest.
- ⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.
- ⁵ Debt service includes revenue bonds and 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
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 16

Year	Population ¹	Personal Income	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2009	207,445	N/A	N/A	53,162	N/A	\$2,348	\$2,844
2008	181,453	\$ 6,758,761,344	\$ 37,248	52,912	6.3%	2,301	2,752
2007	173,898	6,094,777,104	35,048	53,912	5.3%	2,253	2,747
2006	130,646	4,473,972,270	34,245	53,403	5.4%	2,062 (e)	2,505 (e)
2005	130,850	4,236,923,000	32,380	53,399	5.4%	2,987	3,684
2004	130,692	3,776,083,956	28,893	53,092	5.3%	2,680	3,352
2003	123,844	3,372,024,432	27,228	52,223	6.3%	2,421	3,018
2002	124,247	3,223,588,415	25,945	51,725	6.8%	2,420 (b)	2,974 (b)
2001	121,306	2,986,432,414	24,619	51,243	6.1%	2,499	3,023
2000	127,558	3,047,233,062	23,889	51,349	4.5%	2,537	3,019

Sources:

1. Office of State Budget and Management, Official Municipal Population Estimates for 2000 through 2009.
2. Bureau of Economic Development, US Department of Commerce. 2008 per capita income is for Fayetteville, NC. Previous years' per capita income is for Cumberland County. Data for 2009 is not available.
3. Cumberland County Schools, District Profile.
4. Bureau of Labor Statistics, US Department of Labor. Calendar year unemployment statistics for Cumberland County. Data for 2009 not available.
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics. (b) Tax reporting changed to add use tax effective December 2001. (c) Tax reporting changed to reflect only taxable sales effective July 2005.

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

Schedule 17

Employer	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Cumberland County Schools	7,500	1	5.74%	5,610	2	4.66%
Cape Fear Valley Health System	5,000	3	3.82%	3,600	4	2.99%
U.S. Dept. of Defense (Civil Service, Nonappropriated and Contracts)	4,431	2	3.39%	8,500	1	7.06%
Wal-Mart (Distribution Center and Stores)	4,426	4	3.39%	4,063	3	3.37%
Goodyear Tire & Rubber Company	2,650	5	2.03%	2,300	6	1.91%
Cumberland County Government	2,500	6	1.91%	3,500	5	2.91%
City of Fayetteville	1,580	7	1.21%	1,870	7	1.55%
State of North Carolina	1,429	8	1.09%	3,500	5	2.91%
Fayetteville Technical Community College	1,340	9	1.02%	1,232	10	1.02%
U.S. Postal Service	1,312	10	1.00%	1,500	9	1.25%
Black & Decker Manufacturing Company				1,800	8	1.50%
Purolator, Inc.				1,500	9	1.25%
Cutler-Hammer				1,500	9	1.25%
Total Employment (Ten Largest Civilian Employers)	32,168		24.60%	40,475		33.63%

Source: Fayetteville-Cumberland County Chamber of Commerce

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

Schedule 18

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration	114	89	92	85	84	85	76	92	97	91
Public Safety	642	650	662	674	751	800	806	834	827	827
Environmental Protection	89	90	85	101	101	108	91	123	145	118
Transportation	72	68	64	54	53	60	57	77	52	79
Economic and physical development	14	11	11	10	11	10	14	18	15	15
Recreation and community facilities	106	104	98	78	120	127	115	126	125	125
Electric	259	236	241	246	244	244	254	254	237	244
Internal Service	38	31	28	30	32	45	45	30	44	44
Water	170	158	155	154	154	153	145	139	193	194
Wastewater	141	132	131	133	134	135	133	142	90	96
Transit	66	63	63	59	48	53	52	50	54	54
Airport	19	14	13	13	13	15	14	21	18	18
Solid Waste Recycling	-	-	-	-	-	-	-	-	-	-
Total	1,730	1,646	1,643	1,637	1,745	1,835	1,802	1,906	1,897	1,905

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

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

Schedule 19

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Fire (1)										
Emergency responses	14,686	14,993	14,345	13,991	14,424	15,397	18,882	20,215	22,608	17,430 (2)
Fires extinguished	961	1,225	1,133	818	867	985	1,065	1,495	1,092	748 (2)
Fire inspections	5,785	4,633	3,286	4,860	3,358	3,369	4,584	4,824	6,052	3,319 (2)
Police (1)										
Number of law violations.										
Physical arrests	7,352	7,445	8,282	7,912	7,668	7,864	7,807	8,522	9,372	6,228 (3)
Traffic citations	18,791	26,639	37,440	28,653	26,944	22,171	19,225	28,339	39,240	27,861 (3)
Warning citations	13,559	12,915	13,386	9,669	9,026	11,528	11,114	12,493	12,572	9,596 (3)
Calls for service	179,226	186,305	189,468	174,353	185,200	191,331	199,314	204,549	215,797	160,796 (3)
Inspections										
Number of permits issued:										
Residential:										
New single family	165	189	188	277	335	388	691	586	362	317
New multi-family (apts/condominiums)										
Number of units	570	244	681	355	514	713	1,111	1,154	459	712
Renovations	696	715	623	672	735	750	1,095	1,222	1,303	1,364
Commercial:										
New	65	66	49	50	63	61	93	88	60	52
Renovations	324	357	302	305	300	307	281	301	299	259
Other:										
Miscellaneous	11,478	11,709	11,117	11,789	11,653	12,716	16,695	16,057	14,824	16,731
Yard sale	1,049	1,012	995	945	1,173	1,075	1,202	1,227	1,229	1,175

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

Schedule 19

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cultural and Recreational										
Youth Sports participants	4,704	3,705	5,078	4,689	7,905	11,953 (4)	12,718 (4)	10,821	9,580	11,543
Adult Sports participants	120	825	1,720	1,795	1,797	2,267 (4)	1,768 (4)	1,676	1,648	2,100
Senior participants	N/A	N/A	N/A	N/A	39,189	53,136 (4)	54,172 (4)	68,718	85,564	89,461
Therapeutic participants	N/A	N/A	N/A	N/A	N/A	N/A	26,926 (4)	30,993	34,169	38,996
Park programs	N/A	N/A	N/A	N/A	N/A	N/A	25,209 (4)	29,161	29,359	27,584
Special events	N/A	N/A	N/A	N/A	N/A	N/A	5,415 (4)	3,698	2,745	2,841
Permitted events	N/A	N/A	N/A	N/A	N/A	N/A	44 (4)	35	61	66
Mobile stage/bleacher rentals	N/A	N/A	N/A	N/A	N/A	N/A	48 (4)	36	50	44
Recreation centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	419,041	514,943	673,934
Festival Park	N/A	N/A	N/A	N/A	N/A	N/A	N/A	107,148	323,028	267,794
Historical properties	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14,499	15,713	22,354
Picnic shelter rentals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28,597	30,041	29,211
Transportation										
Street Maintenance										
Street resurfacing (miles)	12.23	15.05	14.54	9.58	6.89	12.15	8.82	13.29	14.68	11.18
Streets maintained (miles)	479.83	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19	722.38
Number of traffic signals maintained (6)	162	162	162	166	170	169	175	178	178	205
Engineering										
Driveway permits (residential)	N/A	N/A	N/A	255	217	345	433	581	323	310
Driveway permits (commercial)	N/A	N/A	N/A	52	40	66	33	75	43	40
Public Utilities										
Water System:										
Water main breaks	85	217	157	155	126	152	119	128	146	130
Average daily consumption (Mgals) (8)	23,213	22,677	22,046	20,933	20,524	20,635	21,850	21,675	22,879	22,450
Peaks (MGD) (5),(7)	37.8	38.9	33.5	33.3	30.8	33.4	32.8	37.0	38.4	34.9
Total sold (Mgals)(9)	8,074,364	7,867,876	7,843,308	7,303,494	7,039,476	7,136,082	7,561,199	7,555,333	7,894,560	7,707,256

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

Schedule 19

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sewer System:										
Main breaks	N/A	61	89	175	122	149	208	150	156	291
Average daily consumption (Mgals) (6)	15,475	15,015	15,221	14,955	14,941	15,337	15,810	16,026	16,509	16,338
Peaks (MGD) (6)(7)	28.8	24.1	23.1	27.0	32.0	28.1	26.6	27.9	27.7	30.5
Total sold (Mgals) (8)	5,624,086	5,463,296	5,541,613	5,458,456	5,453,296	5,583,643	5,754,784	5,837,838	6,014,627	5,953,806
Electric System:										
Electric outages (minutes)	5,461,584	2,952,259	4,925,916	10,376,012	7,279,107	3,449,900	3,450,039	2,079,483	3,016,526	3,593,700
Peaks (MW) (6)(9)	438.1	437.0	441.4	443.4	440.1	439.3	474.5	462.5	476.6	459.5
Total Kwh sold (10)	1,976,502,319	1,986,525,100	1,937,714,341	2,047,025,958	2,041,587,543	2,022,146,431	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439
Average daily consumption (Kwh) (10)	5,555,070	5,650,185	5,514,211	5,748,623	5,717,142	5,664,179	5,784,771	5,585,720	5,811,055	5,810,633
Airport (1)										
Number of enplaned passengers	149,244	131,286	129,705	120,651	158,782	153,524	153,164	175,432	199,438	149,978 (11)
Number of deplaned passengers	147,558	133,018	134,070	120,720	156,626	150,675	154,877	174,967	197,092	151,599 (11)

- (1) Statistics for the fire, police and airport functions are based on calendar years
(2) Statistics for the Fire Department for 2009 are reflected through September 30, 2009
(3) Statistics for the Police Department for 2009 are reflected through October 14, 2009
(4) Statistics reflect the merger of Cumberland County and City of Fayetteville Parks and Recreation Departments
(5) Reflects highest monthly average
(6) Reflects the number of traffic signals maintained by the City of Fayetteville
(7) MGD = 1,000,000 gallons per day
(8) Mgals = 1,000 gallons
(9) MW = megawatts
(10) Kwh = kilowatt hours
(11) Statistics for the Airport for 2009 are reflected through August 31, 2009.

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 20

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Fire										
Number of stations	10	10	10	11	13	13	15	15	16	16
Police										
Number of stations	2	2	2	2	2	2	2	2	2	2
Cultural and Recreational										
Mini parks (.5 - 3 acres)	N/A	N/A	N/A	N/A	N/A	N/A	13	12	12	12
Neighborhood parks (7 - 15 acres)	N/A	N/A	N/A	N/A	N/A	N/A	13	14	14	14
Community parks (30 - 50 acres)	N/A	N/A	N/A	N/A	N/A	N/A	7	6	6	6
Sports complexes (40 - 80 acres)	N/A	N/A	N/A	N/A	N/A	N/A	2	2	2	2
Green spaces	N/A	N/A	N/A	N/A	N/A	N/A	7	8	8	8
Neighborhood school-parks	N/A	N/A	N/A	N/A	N/A	N/A	32	34	34	34
Community school-parks	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1
Linear parks	N/A	N/A	N/A	N/A	N/A	N/A	3	3	3	3
Special use parks	N/A	N/A	N/A	N/A	N/A	N/A	12	6	7	7
Program sites	N/A	N/A	N/A	N/A	N/A	N/A	8	8	8	8
Regional parks (100 - 250 acres)	N/A	N/A	N/A	N/A	N/A	N/A	4	3	3	3
Community center with gym	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16	16	16

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

Schedule 20

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Utilities										
Water System:										
Miles of water main	N/A	1,123.4	1,146.9	1,162.1	1,179.3	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3
Number of new service connections	1,478	1,650	2,027	3,284	2,300	2,360	2,962	3,154	2,285	1,220
Maximum daily capacity of treatment plant (MGD) (1)	50.0	50.0	50.0	50.0	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) (1)	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	1,243	2,214	2,363	2,253	2,408	2,299	3,142	3,006	2,260	1,752
Miles of sanitary/storm sewer	N/A	967.9	1,005.4	1,021.3	1,039.8	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7
Maximum daily capacity of treatment plant (MGD) (1)	36.0	36.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	46.0
Electric System:										
Number of new service connections	799	451	966	1,051	1,251	1,426	2,245	1,744	1,151	471
Distribution line circuit miles	2,437.00	2,321.00	2,401.00	2,609.95	2,572.00	2,750.50	2,781.86	2,962.40	2,982.10	2,986.88
Transportation										
Street Maintenance										
Streets maintained (miles)	479.83	496.21	496.07	523.52	529.53	532.22	688.65	704.48	721.19	722.38
Number of traffic signals (2)	27	27	27	27	27	27	29	28	28	28

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

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

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



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

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Year Audit Findings
- Schedule of Expenditures of Federal and State Awards



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina, (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

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.

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

CHERRY, BEKAERT & HOLLAND L.L.P.

Cherry Bekaert + Holland LLP

Fayetteville, North Carolina
October 30, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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

Compliance

We have audited the compliance of the City of Fayetteville, North Carolina, (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

CHERRY, BEKAERT & HOLLAND L.L.P.

A handwritten signature in cursive script that reads "Cherry Bekaert & Holland LLP".

Fayetteville, North Carolina
October 30, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF
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

Compliance

We have audited the compliance of the City of Fayetteville, North Carolina, (the "City") with the types of compliance requirements described in the Audit Manual for Governmental Auditors In North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

CHERRY, BEKAERT & HOLLAND L.L.P.

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

Fayetteville, North Carolina
October 30, 2009

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to federal awards Yes No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants
16.000	Federal Forfeiture Funds

Dollar threshold used to distinguish between Type A and Type B Programs \$ 328,381

Auditee qualified as low-risk auditee? Yes No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

State Awards

Internal control over major State programs:

- Material weakness(es) identified Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses Yes None reported
- Noncompliance material to State awards Yes No

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

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

Identification of major State programs:

Program Name
Powell Bill
State Maintenance Assistance Program

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, 2009

None reported.

City of Fayetteville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2009

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<u>US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					
Community Development Block Grant					
FY2006-2007	14.218	B-06-MC-37-0005	\$ 193,503	\$ -	\$ 193,503
FY2007-2008	14.218	B-07-MC-37-0005	851,460	-	851,460
FY2008-2009	14.218	B-08-MC-37-0005	4,737	-	4,737
			1,049,700	-	1,049,700
HOME Investment Partnership Program					
FY1996-1997	14.239	M-02-MC-37-0203	124,050	-	124,050
FY2001-2002	14.239	M-03-MC-37-0203	38,564	-	38,564
FY2004-2005	14.239	M-04-MC-37-0203	(28,481)	-	(28,481)
FY2005-2006	14.239	M-05-MC-37-0203	(50,529)	-	(50,529)
FY2006-2007	14.239	M-06-MC-37-0203	59,392	-	59,392
FY2007-2008	14.239	M-07-MC-37-0203	36,154	-	36,154
FY2008-2009	14.239	M-08-MC-37-0203	305,018	-	305,018
			484,168	-	484,168
<u>US DEPARTMENT OF JUSTICE</u>					
Office of Justice Programs					
Justice Assistance Grant	16.579	2005DJBX0487	10,140	-	10,140
Justice Assistance Grant	16.579	2008DJBX0352	1,290	-	1,290
Justice Assistance Grant	16.738	2007DJBX0379	7,300	-	7,300
Justice Assistance Grant	16.738	2008DJBX0492	31,879	-	31,879
			50,609	-	50,609
FBI Overtime Reimbursements	16.000		4,567	-	4,567
Alcohol, Tobacco, and Firearms Overtime Reimbursements	16.000		12,879	-	12,879
Organized Crime and Drug Enforcement Task Force	16.000		3,727	-	3,727
US Marshall Service	16.000		11,485	-	11,485
Drug Enforcement Administration	16.000		8,062	-	8,062
Federal Forfeiture Fund - ICE	16.000		96,526	-	96,526
Federal Forfeiture Fund - DEA	16.000		484,245	-	484,245
			580,771	-	580,771
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Special Programs for the Aging					
Pass Thru NC Department of Health & Human Services					
Senior Citizens Service Center	93.044	N/A	23,928	-	23,928
<u>US DEPARTMENT OF TRANSPORTATION</u>					
<u>Federal Aviation Administration</u>					
Airport Improvement Program					
Terminal Renovation Phase III	20.106	FAA-3-37-0021-30	103,693	-	103,693
Airport Fire Training Facility	20.106	FAA-3-37-0021-31	9,904	-	9,904
Airport Improvement Projects	20.106	FAA-3-37-0021-32	120,782	-	120,782
Airport Airfield Lighting Vault Improvements Phase II - Construction	20.106	FAA-3-37-0021-33	1,649,754	-	1,649,754
Airport Runway 4/22 Rehabilitation Phase II - Construction	20.106	FAA-3-37-0021-34	4,375,312	-	4,375,312
			6,259,445	-	6,259,445
Passed through NC Dept of Transportation					
Highway Planning and Construction					
Enhancement Agreement - Depot	20.205	E-4118	-	30,913	30,913
			-	30,913	30,913
<u>Federal Transportation Administration</u>					
Preventative Maintenance & American with Disabilities Act	20.507	NC.90.X444	1,154,889	-	1,154,889
Preventative Maintenance & American with Disabilities Act	20.507	NC.90.X425	48,847	-	48,847
Capital Grants:					
Capital	20.507	NC.90.0271	292	-	292
Capital	20.507	NC.90.0313	1,014	-	1,014
Capital	20.507	NC.90.0327	88,816	-	88,816
Capital	20.507	NC.90.0357	187,395	-	187,395
Capital	20.507	NC.90.0406	74,686	-	74,686
Capital	20.507	NC.90.0425	22,032	-	22,032
Capital	20.507	NC.90.0444	87,487	-	87,487
Capital	20.507	NC.04.0027	169,356	-	169,356
Planning Grants:					
Planning	20.507	NC.90.2406	86,302	-	86,302
Planning	20.507	NC.90.2425	77,153	-	77,153
Planning	20.507	NC.90.2453	158,514	-	158,514
			2,186,383	-	2,186,383
<u>US DEPARTMENT OF HOMELAND SECURITY</u>					
Hazmat (Equipment Grant) 2006	97.067	2006-GE-T6-0010	-	16,390	16,390
Hazmat (Equipment Grant) 2007	97.073	2007-GE-T7-0048	-	99,455	99,455
Staffing for Adequate Fire and Emergency Response (SAFER) FY2008	97.044	EMW-2008-FF-01043	129,772	-	129,772
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR141	166,023	-	166,023
			295,795	115,845	411,640

City of Fayetteville, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2009

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
US DEPARTMENT OF THE INTERIOR					
Passed through NC Dept OF Cultural Resources					
Passed through State Historic Preservation Office					
Cross Creek Cemetery					
	15.904	N/A	\$ 4,500	\$ -	\$ 4,500
			4,500	-	4,500
STATE GRANTS:					
NC DEPARTMENT OF TRANSPORTATION					
Aviation Division					
Stormwater Improvements	N/A	36244.27.5.1	-	152	152
West GA Ramp Rehabilitation	N/A	36244.27.8.1	-	34,147	34,147
			-	34,299	34,299
Public Transportation Division					
Maintenance Assistance	N/A	9.9051698	-	683,251	683,251
Capital	N/A	36223.7.2.1	-	16	16
Capital	N/A	36223.7.5.3	-	11,077	11,077
Capital	N/A	36231.3.1.2	-	18,062	18,062
Capital	N/A	36231.3.2.2	-	6,594	6,594
Capital	N/A	36232.22.1.3/4	-	16,667	16,667
Planning	N/A	36231.3.2.6	-	10,786	10,786
Planning	N/A	36231.3.3.6	-	9,644	9,644
Planning	N/A	36232.22.1.3	-	19,814	19,814
			-	775,913	775,913
Powell Bill	N/A		-	5,130,187	5,130,187
Rail Division					
Railroad Cross Improvements at Village Dnve	N/A	Z-3806H	-	5,830	5,830
Railroad Cross Improvements at Levy Drive	N/A	Z-3606E	-	5,908	5,908
Railroad Cross Improvements at Femcreek Drive	N/A	Z-4406AT	-	17,945	17,945
Gillespie & Franklin/ Otis Jones Pkwy Signal System	N/A	Y-4808A	-	144,745	144,745
Amtrak	N/A	03-ST-009	-	17,205	17,205
			-	191,633	191,633
NC DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES					
Division of Waste Management					
Community Waste Reduction and Recycling Grant	N/A	1334	-	11,774	11,774
			-	11,774	11,774
Clean Water Management Trust Fund					
Glenville Lake Stormwater Management	N/A	2006A-701	-	51,575	51,575
			-	51,575	51,575
NC DEPARTMENT OF CRIME CONTROL & PUBLIC SAFETY					
Hazmat (RRT Grant)					
	N/A	RRT 3 2008	-	56,383	56,383
Pass through from Governor's Crime Commission					
Gangs Across the Carolinas FY09	N/A	026-1-04-024-AD-672	-	69,541	69,541
PSN Anti-Gang: Operation Ceasefire	N/A	026-1-07-001-BI-226	-	13,526	13,526
PSN And-Gang: Operation Ceasefire	N/A	026-1-06-001-AZ-076	-	12,600	12,600
			-	95,667	95,667
NC DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Pass through from Cumberland County					
Juvenile Restitution FYE 2009	N/A		-	35,732	35,732
			-	35,732	35,732
NC DEPARTMENT OF JUSTICE					
Pass through from Cal Ripken, Sr. Foundation					
Badges for Baseball Program	N/A	2008-JU-FX-0016-NC-B4B-005	-	17,000	17,000
			-	17,000	17,000
NC OFFICE OF THE STATE CONTROLLER					
NC Unauthorized Substance Tax	N/A		-	97,927	97,927
NC VETERANS AFFAIRS DIVISION					
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	257,180	257,180
NC Veterans Parks	N/A	1301-536980-17717711	-	271,662	271,662
			-	528,862	528,862
			\$ 10,946,019	\$ 7,173,710	\$ 18,119,729

City of Fayetteville, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2009

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS:

1. 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. "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The total local match requirements for the Federal and State Transit operating assistance grants was \$984,135. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$984,135.
3. The total local contributions for the State Powell Bill assistance amounted to \$121,217 (*this represents interest earned and assessments received through 06/30/09*).
4. The amount of HOME Investment Partnerships provided to CHDO's is \$342,629 as of June 30, 2009.
5. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2009. 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, 2009 is \$1,145,874.



Passenger Facility Charge Compliance Section

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



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY
CHARGE PROGRAM AND 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

Compliance

We have audited the compliance of the City of Fayetteville, North Carolina, ("the City") with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, Issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2009.

Internal Control Over Compliance

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

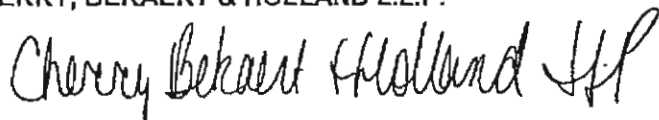
A control deficiency in an entity's Internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the passenger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

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

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

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

CHERRY, BEKAERT & HOLLAND L.L.P.

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

Fayetteville, North Carolina
October 30, 2009

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses Yes None reported
- Noncompliance material to financial statements noted Yes No

Passenger Facility Charge Program

Internal control over passenger facility charge program:

- Material weakness(es) Identified Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses 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:
Unqualified

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, 2009

No findings in the prior year.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2009

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
APPLICATION 1 (# 00-01-C-04-FAY & 02-02-U-02-FAY)								
Local share reimbursement AIP-12, Construction of a Fire Training Facility and Rehabilitation of a 1500-Gallon ARFF Vehicle	11/01/2000	11/01/2000	\$ 3,830,753	\$ 3,830,753	\$ 191,538	\$ 191,538	\$ -	\$ 191,538
Local share reimbursement AIP-12, Install Security Access Control System	11/01/2000	11/01/2000	757,595	757,598	37,880	37,880	-	37,880
Local share reimbursement AIP-13, Update Airport Master Plan	11/01/2000	11/01/2000	135,020	67,510	6,751	6,751	-	6,751
Local share reimbursement AIP-13, Design Highway 301 Connector	11/01/2000	11/01/2000	194,655	194,655	9,733	9,733	-	9,733
Local share reimbursement AIP-14, Installation of Taxiway Guidance Signs and Runway End Identification Lights	11/01/2000	11/01/2000	196,191	198,192	9,910	9,910	-	9,910
Local share reimbursement AIP-14, Land Acquisition	11/01/2000	11/01/2000	134,612	134,462	6,731	6,731	-	6,731
Local share reimbursement AIP-14, Improve Terminal Building	11/01/2000	11/01/2000	31,224	31,224	1,474	1,474	-	1,474
Local share reimbursement AIP-15, Design New General Aviation Area	11/01/2000	11/01/2000	206,286	206,286	10,314	10,314	-	10,314
Local share reimbursement AIP-15, Foreign Object Damage Sweeper	11/01/2000	11/01/2000	15,632	15,632	782	782	-	782
Local share reimbursement AIP-15, Design Taxiway "K"	11/01/2000	11/01/2000	16,841	16,841	842	842	-	842
Local share reimbursement AIP-15, Rehabilitate General Aviation Apron	11/01/2000	11/01/2000	29,875	29,875	1,494	1,494	-	1,494
Local share reimbursement AIP-15, Land for Development	11/01/2000	11/01/2000	49,001	48,476	2,424	2,424	-	2,424
Local share reimbursement AIP-16, Terminal Loading Bridges	11/01/2000	11/01/2000	179,808	179,808	8,990	8,990	-	8,990
Local share reimbursement AIP-17, New General Aviation Construction	11/01/2000	11/01/2000	2,362,380	2,342,376	114,860	114,860	-	114,860
Local share reimbursement AIP-18, Acquire Handicap Lift Device	11/01/2000	11/01/2000	35,680	35,680	1,784	1,784	-	1,784
Local share reimbursement AIP-18, Rehabilitate Terminal Building	11/01/2000	11/01/2000	1,820,477	1,820,478	83,367	83,367	-	83,367
Local share reimbursement AIP-19, Aircraft Rescue & Firefighting Vehicle	11/01/2000	11/01/2000	319,769	319,769	15,988	15,988	-	15,988
Local share reimbursement AIP-20, Design Non-licensed Vehicle Road	11/01/2000	11/01/2000	31,819	30,545	1,527	1,527	-	1,527
Local share reimbursement AIP-20, Design of Taxiway "K" (Revised)	11/01/2000	11/01/2000	13,287	12,887	644	644	-	644
Local share reimbursement AIP-20, Installation of Water Main	11/01/2000	11/01/2000	78,565	78,299	3,915	3,915	-	3,915
Local share reimbursement AIP-21, Airport Entrance Road	11/01/2000	11/01/2000	380,018	350,000	17,500	17,500	-	17,500
Local share reimbursement AIP-21, Jetway Bridge Modifications	11/01/2000	11/01/2000	38,887	48,195	1,944	1,944	-	1,944
Local share reimbursement AIP-21, Security System Upgrade	11/01/2000	11/01/2000	91,512	70,815	3,541	3,541	-	3,541
Local share reimbursement AIP-21, Preplan Runway Safety Areas	11/01/2000	11/01/2000	108,600	109,600	5,430	5,430	-	5,430
North GA Ramp Construction	11/01/2000	08/18/2002	1,554,453	1,404,170	70,209	70,209	-	70,209
Security System Upgrade Phase II	11/01/2000	06/18/2002	141,216	139,340	6,967	8,967	-	8,967
Design & Construct RSA, Runway 4	11/01/2000	06/18/2002	858,872	949,000	42,943	42,943	-	42,943
Renovate Terminal, Phase II	11/01/2000	06/18/2002	2,224,052	2,475,430	111,203	111,203	-	111,203

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2009

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
RSA Construction, Runway 4, Phase II	11/01/2000	06/18/2002	\$ 858,872	\$ 949,000	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
Renovate Terminal, Phase III	11/01/2000	06/18/2002	2,498,526	2,475,430	116,250	118,250	-	118,250
RSA Construction, Runway 22	11/01/2000	06/18/2002	1,855,290	1,283,890	86,389	86,389	-	86,389
NLVR Construction	11/01/2000	06/18/2002	540,322	180,000	25,567	25,567	-	25,587
Taxiway K Construction	11/01/2000	06/18/2002	483,002	225,000	22,500	22,500	-	22,500
TOTAL IMPOSE AND USE APPLICATION 1			\$ 22,054,889	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
APPLICATION 2 (# 05-03-C-01-FAY)								
Terminal Loop Roadway(Design/Constr.)	10/01/2005	10/01/2005	\$ 560,077	\$ 814,800	\$ 30,740	\$ 28,004	\$ -	\$ 28,004
Obstruction Removal	10/01/2005	10/01/2005	1,477,695	1,531,500	76,575	73,885	-	73,885
Update Airport Master Plan	10/01/2005	10/01/2005	305,587	295,000	14,750	14,750	-	14,750
Snow Plow(s) Purchase	10/01/2005	10/01/2005	50,972	51,120	2,556	2,549	-	2,549
Handicap Lift Device	10/01/2005	10/01/2005	24,495	24,500	1,225	1,225	-	1,225
Fire Training Facility Evaluation/Study	10/01/2005	10/01/2005	4,995	4,995	4,995	4,995	-	4,995
Stormwater Management Evaluation/Study	10/01/2005	10/01/2005	9,844	10,400	1,040	984	-	984
PFC Application (Original Program)	10/01/2005	10/01/2005	12,787	12,866	12,866	12,787	-	12,787
PFC Application (Program 2)	10/01/2005	10/01/2005	7,789	8,000	8,000	7,789	-	7,789
Terminal Roof Replacement	10/01/2005	10/01/2005	123,770	123,770	61,885	61,885	-	61,885
Runway Crack Repair and Paint	10/01/2005	10/01/2005	56,073	90,540	9,054	5,807	-	5,607
Pavement Condition Index Study	10/01/2005	10/01/2005	96,110	100,000	5,000	4,806	-	4,806
Airport Beacon Replacement	10/01/2005	10/01/2005	173,095	250,000	12,500	8,655	-	8,655
Jetbridge Modifications (Gates B-2 and B-4)	10/01/2005	10/01/2005	-	190,000	9,500	-	-	-
Runway 4/22 Rehabilitation - Design	10/01/2005	10/01/2005	274,863	80,000	80,000	12,900	832	13,732
Generator/Vault Upgrade	10/01/2005	10/01/2005	114,778	570,000	28,500	5,242	497	5,739
ARFF Expansion	10/01/2005	10/01/2005	113,650	620,000	31,000	948	4,734	5,682
Runway 4/22 Rehabilitation - Construction	10/01/2005	10/01/2005	4,582,879	515,000	25,750	-	25,750	25,750
Replacement Jetbridge for B4	10/01/2005	10/01/2005	-	475,000	23,750	-	-	-
Rehabilitate Airfield Lighting	10/01/2005	10/01/2005	7,590	200,000	10,000	380	-	380
Pavement Rehabilitation (per PCI study)	10/01/2005	10/01/2005	-	750,000	37,500	-	-	-
Pave ARFF & Surveillance Road	10/01/2005	10/01/2005	-	750,000	37,500	-	-	-
Fire Training Facility Upgrade	10/01/2005	10/01/2005	1,246,653	500,000	25,000	25,000	-	25,000

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2009

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
Security Cameras System	10/01/2005	10/01/2005	\$ 40,801	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Replace ARFF Vehicle	10/01/2005	10/01/2005	-	700,000	35,000	-	-	-
PFC Program Consulting	10/01/2005	10/01/2005	-	10,000	10,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 2			\$ 9,284,303	\$ 8,497,491	\$ 614,686	\$ 292,391	\$ 31,813	\$ 324,204

APPLICATION 3 (#09-04-C-00-FAY)

AIP 26 - Terminal Phase II	07/01/2009	07/01/2009	\$ -	\$ 1,674,340	\$ 83,717	\$ -	\$ -	\$ -
Employee Parking (non revenue)	07/01/2009	07/01/2009	-	60,000	60,000	-	-	-
West GA Remp Rehabilitation	07/01/2009	07/01/2009	-	615,000	61,500	-	-	-
AIP 28 - Land Acquisition	07/01/2009	07/01/2009	-	60,823	60,823	-	-	-
Handicap Access to Narrow Body Jets	07/01/2009	07/01/2009	-	35,818	35,818	-	-	-
AIP 31 - Fire Training Facility Rehab.	07/01/2009	07/01/2009	-	1,186,740	59,337	-	-	-
AIP 32 - Runway 4/22 Rehab. Design	07/01/2009	07/01/2009	-	283,340	14,667	-	-	-
AIP 32 - ARFF Rehab. Design	07/01/2009	07/01/2009	-	138,260	6,813	-	-	-
AIP 32 - Snow Removal Equipment Building Design and Construction	07/01/2009	07/01/2009	-	165,400	8,270	-	-	-
AIP 32 - Electrical Vault Upgrades Design and Generator Install	07/01/2009	07/01/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	07/01/2009	07/01/2009	-	330,000	33,000	-	-	-
ARFF Rehabilitation (2/3 of amount allowed per FAA) (AIP 35)	07/01/2009	07/01/2009	-	1,340,000	87,000	-	-	-
Vault Construction (AIP 33) (Airfield Lights)	07/01/2009	07/01/2009	-	5,003,800	250,190	-	-	-
Runway 4/22 Construction (AIP 34)	07/01/2009	07/01/2009	-	7,171,540	358,577	-	-	-
State Grant Security Fence Gates	07/01/2009	07/01/2009	-	200,000	20,000	-	-	-
Replace ARFF Truck	07/01/2009	07/01/2009	-	700,000	700,000	-	-	-
Air Carrier Asphalt Rehab Apron Design	07/01/2008	07/01/2009	-	70,000	3,500	-	-	-
Taxiway A Design, Shoulder, Overlay, Lights	07/01/2009	07/01/2009	-	195,000	9,750	-	-	-
Extend Taxiway A Design	07/01/2009	07/01/2009	-	85,000	4,250	-	-	-
Construction Taxiway A Shoulders, Overlay, Lights	07/01/2009	07/01/2009	-	3,000,000	150,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 3			\$ -	\$ 27,435,391	\$ 1,992,908	\$ -	\$ -	\$ -

Replace B4 Jet Bridge	07/01/2009	N/A	\$ -	\$ 475,000	\$ -	\$ -	\$ -	\$ -
Const Air Carrier asphalt - Rehab apron	07/01/2009	N/A	-	749,220	-	-	-	-
Construct TX A Extension	07/01/2009	N/A	-	850,000	-	-	-	-
Air Carrier Concrete - apron repair design	07/01/2009	N/A	-	85,000	-	-	-	-
Terminal Phase IV	07/01/2009	N/A	-	1,000,000	-	-	-	-
Airline Concrete apron repair - Const	07/01/2009	N/A	-	980,000	-	-	-	-
RW 4/22 paved shoulders - design	07/01/2009	N/A	-	120,000	-	-	-	-

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2009

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
Land acquisition RW4 RPZ	07/01/2009	N/A	\$ -	\$ 1,684,220	\$ -	\$ -	\$ -	\$ -
Construct RW 4/22 paved shoulders	07/01/2009	N/A	-	1,800,000	-	-	-	-
GA-auto parking - non-revenue	07/01/2009	N/A	-	150,000	-	-	-	-
TOTAL IMPOSE ONLY APPLICATION 3			\$ -	\$ 7,883,440	\$ -	\$ -	\$ -	\$ -
TOTAL APPLICATION 3			\$ -	\$ 30,330,421	\$ 1,992,908	\$ -	\$ -	\$ -
GRAND TOTAL			\$ 31,339,192	\$ 59,817,128	\$ 3,888,985	\$ 1,353,782	\$ 31,813	\$ 1,385,595

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.



Office of the City Manager
City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1990

Office of the Chief Financial Officer
City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
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City of
Fayetteville
North Carolina